



Press Release

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Ministry of Health & Welfare, Division of National Pension Finance	Bong-Geun Choi	Tel.	+82-44-202-3650
	Yong-Jun Lee		+82-44-202-3652
National Pension Service Investment Management, Public Relations	Soo-Taeg Lee		+82-63-711-0891
	Young-Hye Chi		+82-63-711-0892

NPS achieved positive return in the first half of 2020 despite COVID-19 impact

Its stable investment and risk management offset the loss in the first quarter of this year.

- The National Pension Service Investment Management (NPSIM), a fund management organization of the National Pension Service (NPS) led by acting CEO and Executive Director for Planning Jung-Bae Park announced on August 28, 2020 that the National Pension Fund (NPF) has reached a preliminary of KRW 752.2 trillion as of June 2020, an increase of KRW 15.5 trillion from the end of the previous year.
- The NPSIM added that the NPF achieved a positive return under the challenging situation of the COVID-19 pandemic, with a rate of return of a preliminary of 0.50% in the half of the year.

- The half of 2020 has been extremely difficult as financial markets inside and outside of Korea suffered unprecedented challenges of the worldwide spread of corona virus and the grim outlook over the pandemic being protracted. These adverse market conditions pushed the NPF into negative territory once, which was rebounded to positive territory as of the end of June through investment diversification and risk management.
- Restrictive movements across countries and regions drastically slowed down business activities. On top of that, the pandemic declaration and an abrupt fall in oil price led to a plunge in stock markets. Domestic and global stock markets plummeted by 30% in mid-March compared to the start of the year, dealing a blow to the NPF that returned a preliminary of -6.08% in the last first quarter.

< Volatility in Domestic and Global Stock Markets >

Index	End 2019	March 2020		End June 2020	
		Price	Year-to-Date	Price	Year-to-Date
KOSPI	2,197.67	(Mar. 23) 1,482.46	-32.5%	2,108.33	-4.1%
MSCI ACWI (ex-Korea, USD)	2,806.64	(Mar. 24) 1,915.46	-31.8%	2,604.20	-7.2%

- However, the stimulus measures and the monetary easing policies taken by major countries had the positive effect on the recovery of the stock markets at home and abroad. The bond valuation gains increased due to the base rate cut by major

central banks. Accordingly, the NPF have delivered a decent return of 0.50% during the first half despite the COVID-19 crisis.

* Domestic Fixed Income: Korea treasuries (3-year) was down by 51.0 basis points from the start of 2020 to June 2020.

* Global Fixed Income: U.S. treasuries (10-year) was down by 129.4 basis points from the start of 2020 to June 2020.

- By asset class, the NPF returned -2.41% in domestic equity, -3.46% in global equity, 2.13% in domestic fixed income, 7.90% in global fixed income and 4.24% in alternative investment.
- The return of domestic and global equity investments tumbled earlier this year due to the concerns over economic damages of the pandemic forecast to be protracted while being recovered soon thanks to stimulus measures and monetary easing policies taken by major countries. The year-on-year increase in the USD-KRW exchange rate also laid a positive impact on the performance of global equity investments.
- The bond yield fell driven by the proactive efforts of Korea and other leading economies to stimulate economy and address risk, including the base rate cut and other monetary easing policies. Accordingly, bond valuation gains were up while foreign currency translation gains were also enlarged by stronger U.S. dollar. These favorable market conditions led to an improvement in the return of domestic and global fixed income investments.

- The return of alternative investments was mostly driven by interest and dividend income and foreign currency translation gains from an increase in the USD-KRW exchange rate. Fair value of alternative assets are measured at year-end and published next year.

- As a long-term investor, the NPS generated a stable long-term performance with 5.30% in an annualized average rate of return since the inception of the NPF and KRW 371.2 trillion in cumulative investment income.

- The NPS will continue to fulfill its duty of managing pension funds with a long-term horizon in pursuit of delivering a financially secured retirement life for Koreans.

<Appendix> Overview of National Pension Fund as of the first half of 2020

Total Fund Status

Revenue KRW 973.5 trillion	Expense KRW 221.3 trillion	
KRW 602.3 trillion (Contribution, etc.)	KRW 212.3 trillion (Benefits)	
KRW 371.2 trillion (Investment Income)	KRW 9.0 trillion (General & Administrative Expenses, etc.)	Reserve Fund KRW 752.2 trillion
		KRW 750.8 trillion (Financial Investments)
		KRW 1.4 trillion (Welfare and Other)

 Asset Allocation and Performance

(Money-weighted return, KRW in billion, %)

Type	Asset Allocation		Investment Return (Preliminary)	
	Amount	Weight	Since Inception (1988 – Jun. 2020)	H1 2020
Total	752,197	100.0	5.30	0.50
Financial Investments	750,802	99.8	5.21	0.50
Domestic Equity	131,994	17.5	4.66	-2.41
Global Equity	166,119	22.1	7.22	-3.46
Domestic Fixed Income	323,656	43.0	4.53	2.13
Global Fixed Income	36,966	4.9	5.43	7.90
Alternatives	90,472	12.0	8.19	4.24
Short-term Asset	1,597	0.2	3.66	0.87
Welfare	181	0.0	6.14	0.49
Other	1,214	0.2	1.51	0.15

Note. The rate of return as of June 2020 is not annualized. The alternative investments will be fair valued at the end of this year.