



# Why South Korea Can Be the New High Growth Market in Asia Pacific despite Major Challenges

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The South Korean Market has remained resilient in 2016. The market has surged commendably this year even as political tensions in the Korean Peninsula remained high after the North's nuclear test, Samsung's \$5

billion Galaxy Note 7 recall bill, and major political challenges.

In a period where many emerging markets in Asia Pacific have struggled (Especially China), the surge by South Korea is indeed a ray of bright light in an otherwise dark cloud for global investors. And that is not all, local asset management experts believe that South Korea might be the next hot growth market in the region. Why? You ask? here are some of the reasons.

## **Sustainable Economic Growth**

South Korea has a very strong industrial structure, one that has created a favorable environment for advancement in technology, innovation, and new business models. The country also has a sound fiscal climate especially compared to other countries in the Region. Local asset management company Korea Investment Management Co., Ltd, expects the

◀ local economy to maintain a growth of above 2% in the near future even if the global economic recovery remains slow. The IMF sees growth in the Korean Economy improving in the next three years. Strong and steady economic growth is a big plus for foreign investors and this could help maintain the upward trend that Korean equities have realized this year. However, the high household debt problem in the country could be a challenge since it limits consumption.

### **Increasing Chinese Consumption**

Increased Chinese consumption over the next few years may be a stimulus for growth in the Korean market. And that is not all, new technology in Korean companies, a change in Korea's Governance structure, as well as the Korean talented working population will be a major driving force in the market. Korea Investment Management Co., Ltd, notes that relatively low cost labor in the country has made it possible for Korean companies to

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invest in new product development since the 90s. This is a trend that continues even today and it's expected to be a pillar of growth in the stock market. In the last few years, sales revenue for companies exporting LCD and semiconductor equipment to China have gone up, indicating that the Chinese market may be opening up for Korean products in the near future.

### **Investor Sentiment**

Investor sentiment in South Korea has been cautiously optimistic. Even though most global Funds have focused entirely on China, there are very good opportunities for value investors in South Korea too. Despite a number of challenges this year, revenues for major companies have rose, the

economy has remained steady, and flow of capital from western investors has been relatively solid. Of course this could improve in the future but so far, it seems Korea is among the most popular investment destination for global investors looking to buy equities of Asia Pacific companies.

### **Investing In Korea with the Asia Pacific Fund**

Looking at the future prospects of Korean Equities there is upside particularly for investors who invest today. Korean stocks have for a long time traded at a significant discount to NAV and dividend payouts for many companies have been very solid. You can invest in Korean Equities using the [Asia Pacific Fund](#). The Closed End Fund offers an investment vehicle for foreign investor to explore opportunities in the Korean Market as well as other Asia Pacific countries except Japan. The Fund is trading on the NYSE and you can buy in using the ticker symbol APB.