



'Korea's Warren Buffet' claims employee backlash over fairer pay caused his downfall

Former CEO of Meritz AM and TV personality in South Korea, who resigned from his role last year, is awaiting the outcome of an investigation by financial regulators

By Lisa Kim | March 7, 2023

John Lee, the former CEO of South Korea's **Meritz Asset Management**, shot to prominence during the Covid-19 pandemic, regularly making appearances on local television and media, encouraging people to invest the spare cash from government aid in the stock market.

Lee, 58, who earned his stripes on Wall Street, was even given the nickname the "Warren Buffet of South Korea".

But in June last year he disappeared from the public stage in the wake of allegations that he had violated South Korea's capital markets act in a hedge fund investment.

South Koreans recognised Lee as a star fund manager with more than two decades of experience in New York at such firms as **Lazard Asset Management** and **Deutsche Asset Management** who returned to his mother country in 2014 to take the helm at a small asset management firm.

At the time, Mertz AM had W6 trillion (US\$4.53 billion) in assets under management, around one twentieth that of the largest manager **Samsung Asset Management**, according to **Korea Financial Investment Association** data.

Meritz AM was a subsidiary under **Meritz Financial Group**, one of South Korea's 10 largest financial groups, before it was **sold** to the activist fund Korea Corporate Governance Improvement in January this year.

Lee's extroverted and engaging personality led him to be cast on variety shows and news segments.

He used the opportunities to convince South Koreans to stop buying coffee or sending kids to after-school academies and invest the money instead – somewhat provocative statements given both activities are near religion there.

As his popularity rose, he published nine books on investor education for children and adults in just two years during the pandemic, and he found himself with the kind of fame few South Korean financial professionals ever see.

But in the summer of 2022, things took a sudden turn for the worse.

On June 18, Hankook Ilbo, one of the biggest local newspapers, published an exclusive article that alleged Lee had breached the capital markets act stemming from a conflict of interest in a hedge fund investment.

It said Meritz AM's private equity fund, the Marketplace Landing Fund, which was incepted in August 2018 with W6 billion (US\$4.56 million) in assets, had invested in an online peer-to-peer company owned by Lee's friend and in which Lee's spouse had a 6.57% stake.

Lee was put under investigation by regulator the **Financial Supervisory Service** following a tip-off about the alleged wrongdoing. He resigned from his CEO role on June 28.

In an interview with *Ignites Asia*, Lee claims a group of senior staff at Meritz AM who did not agree with his leadership policies told a “made-up story” to the regulators.

“I was fired for nothing. That’s what happened,” he claims.

Lee and Mertz AM declined to comment on whether the asset management company was aware of Lee’s spouse’s shares.

The regulators reportedly plan to finalise the investigation in the first quarter of this year. The FSS declined a request for comment.

A number of employees became angry, Lee claims, due to his attempt to break away from the hierarchical corporate structure that is still prevalent in South Korea and introduce a flatter organisation.

The most important piece of his initiative, he says, was overhauling the pay structure. He placed more emphasis on rewarding performance ahead of seniority and experience, which he says he did within a year of his job.

“After I joined, employees were paid just for the merits of their work, not for gender or age or the number of years at the company,” Lee says.

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“[But] I overlooked how unhappy some people got about not getting [seniority-based] compensation,” he adds.

Lee cites the example of one male executive in his mid-50s who got “so angry” after learning that a female employee 20 years his junior, whom he says delivered better results, was taking home a bigger paycheck.

Lee claims the new compensation system was responsible for improving investment performance and raising Meritz AM's profile among investors.

“It made the company number one, but I had to pay the price,” he says.

A Meritz AM spokesperson declined to comment on the story, citing the ongoing investigation.

After Lee joined the firm, Meritz AM's equity funds recorded some of the best returns in the market in 2014 and 2015, a marked turnaround from the lacklustre returns in the previous two years, according to multiple data providers.

In the three years to January this year, Meritz AM's median fund returns also outperformed the market. Its domestic equity funds posted 19.31% compared with the market's 10.95% over the period and its foreign equity funds returned 23.3% compared with the market's 1.47%, KOIFA data show.

The stronger performance did not result in increased flows. Meritz AM's AUM halved to W3 trillion last year from W6 trillion in 2014, at a time when South Korea's asset management industry doubled in size to around W1,400 trillion, according to KOIFA data.

Lee says he did not have a chance to say farewell to the roughly 45 employees at Meritz AM after the article about his alleged wrongdoing took him and the media by storm.

He claims the newspaper did not seek his comment for follow-up articles.

But the two follow-up pieces largely echo the first article and include Lee's comments from that story and Meritz AM's comments.

The newspaper could not be reached for comment.

To avoid getting dragged down by the ongoing case, Lee says he has kept himself busy looking for what he describes as ways to contribute to the development of South Korea's finance industry in the eight months since he resigned.

While many in South Korea would have chosen to stay out of the public eye until the investigation ends, Lee has taken a different approach.



He published a new book last month on the importance of financial literacy as the foundation of a strong country and opened in November an online course on investor education dubbed, John Lee School.

He also resumed his YouTube channel in August, posting videos for more than 400,000 subscribers on investing and vlogs from a visit to New York, including three with his former boss at **Lazard AM**.

“Financial literacy in Korea is among the lowest in the world. Improving this is exactly what I will try to do for the rest of my life,” Lee says. “It’s my mission.”

He says he has been taking advantage of his flexible schedule, taking public transportation to Seoul from his home in Ilsan, a satellite city around 20 kilometres northwest of the capital, to meet friends or attend conferences. He has even taken up horseback riding as a new hobby.

“I wake up at 5 o’clock in the morning all the time, I have two dogs. If I don’t have anything to do, I go to McDonald’s for coffee,” he says, adding that he has accumulated enough wealth to occasionally indulge in it.

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