

# Korea Fund Inc. (The)

**Asset Class**  
Closed-end Fund

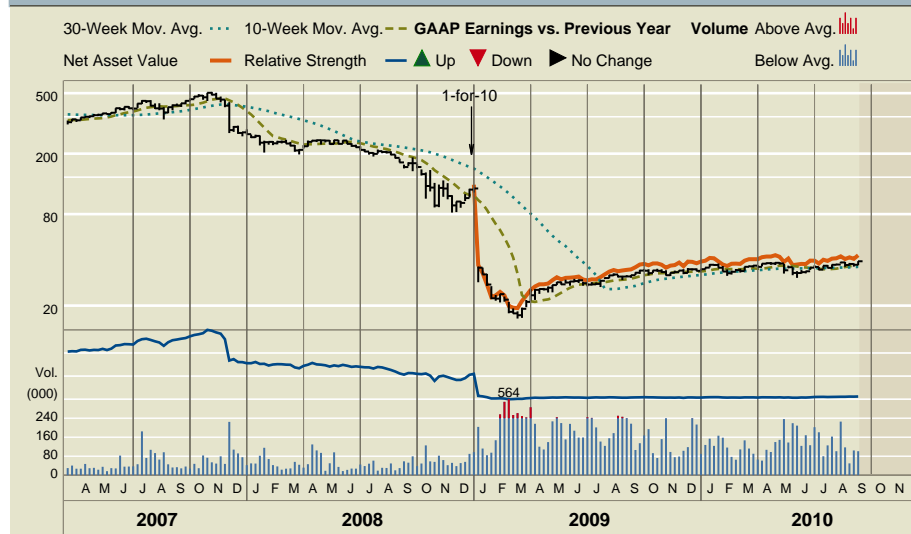
**Summary** This closed-end fund seeks long term capital appreciation through investment in Korean securities.

**Key Fund Statistics: Sep 3, 2010** (Source S&P, company reports; asterisk denotes data is most recent available at "Fund Overview" date below. Data as of different dates may not be directly comparable)

Price	<b>\$39.16</b>	Net Asset Value (NAV)	<b>\$42.90</b>	Beta	<b>1.79</b>	<b>Annualized Total Returns: Price/NAV</b>				
52-Wk Range	<b>\$39.24-30.48</b>	Premium/Discount(%)	<b>-8.7%</b>	Common Shares Outstg.(M)*	<b>10.4</b>	1-Yr	<b>24.3%</b>	1-Yr	<b>28.7%</b>	
Distribution Rate/Share	<b>Nil</b>	Net Assets, Com.(M)*	<b>424.59</b>	Preferred Stock (M)*	<b>Nil</b>	5-Yr	<b>2.6%</b>	5-Yr	<b>--</b>	
Distribution Rate(%)	<b>Nil</b>	Market Capitalization(M)	<b>\$408.556</b>	Preferred Shares Outstg.(000)*	<b>Nil</b>	10-Yr	<b>14.5%</b>	10-Yr	<b>--</b>	

Distribution Rate (%) - Distribution Rate/Share divided by current share price (not indicative of fund performance as it may include return of capital, in addition to net investment income and capital gains; see glossary).

## Price Performance



## Key Growth Rates and Averages

<b>Past Growth Rate (%)</b>	<b>1 Yr</b>	<b>3 Yrs</b>	<b>5 Yrs</b>
Total Investment Income	-54.94	-34.98	-24.83
Net Investment Income	-72.16	-59.07	-40.42

## Ratio Analysis (Annual Avg.)

Price/NAV	0.93	0.93	0.94
Net Investment Income/Com. Net Assets (%)	0.23	0.51	0.80
Total Expenses/ Common Net Assets (%)	1.43	1.15	1.09
Net Operating Expenses/ Common Net Assets (%)	1.43	1.15	1.09

## Distribution Data

No Distribution Data Available

S&P Financial Writer **Fred Rassi**

## Fund Overview June 09, 2010

For the six months ended December 31, 2009, the KOSPI Index, the fund's benchmark, had a total return of 21% in Korean Won terms and 32% in USD. During the same period, the total return of the Korea Fund based on NAV was 34.24% and, based on the market price, was 29.60%. At December 31, 2009, the market price was \$35.55 per share, representing a discount of 9.95% to NAV.

Total investment income in the first half of FY 10 (Jun.) was \$2,672,013 (net of foreign withholding taxes). Expenses absorbed 85% of total investment income and net investment income amounted to \$405,919 (\$0.04 per share). There was a net realized and unrealized loss on investments, redemptions in kind, investments in affiliates and foreign currency futures of \$10.03 per share.

During the second half of calendar 2009, KF stated their overweight in the information technology and consumer discretionary sectors contributed the most to the fund's performance. In addition, the fund's underweight in the utilities and energy sectors made positive contributions. The overweight in the financial sector hurt the fund's performance most during the period. The underweight in materials and consumer staples retracted from its performance as well.

On March 1, 2010, the fund instituted a share repurchase program in the open market (no time limit) for up to 5% of its outstanding shares as of February 22, 2010, with the intention of enhancing shareholder value through repurchases made a discount.

On December 22, 2008, KF effected a 1-for-10 reverse stock split and on January 29, 2009, paid a capital gains distribution of \$90.30 per share.

In March 2008, KF announced a tender offer to repurchase 15% of its outstanding shares, in exchange for Korean portfolio securities of the fund. Shares tendered were 430,321 (restated to reflect the 1-for-10 reverse stock split).

## Holdings By Sector (%) as of 04/30/10

	0	10	20	30
Consumer Disc.	22.00			
Information Tech.	21.00			
Industrials	15.00			
Financials	14.00			
Materials	12.00			
Telecomm. Services	3.00			
Consumer Staples	3.00			

## Net Investment Income/Net Asset Value

### Net Investment Income/Share (\$)

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
1Q	-0.09	--	-0.90	--	--	--
2Q	0.13	--	2.40	2.80	2.90	3.00
3Q	0.07	--	Nil	--	--	--
4Q	--	--	--	--	--	--
Year	--	0.07	0.11	3.80	3.30	4.00

### Net Asset Value/Share (\$)

1Q	38.06	--	489.2	403.2	349.4	220.1
2Q	39.48	37.48	290.0	364.0	392.1	258.0
3Q	40.70	24.70	247.9	360.6	402.0	283.9
4Q	--	29.41	227.2	425.7	388.7	291.0

Fiscal year ended Jun. 30.

## Top Holdings as of 04/30/10

	%
Samsung Electronic	13.42
Lotte Shopping Center	3.87
Orion Corp, Rep of S. Korea	3.44
LG Chem	3.37
Hyundai Motor Co	3.31
Shinhan Financial	3.24
Hynix Semiconductor	3.11
Posco	3.10
Korea Zinc	2.90
Korea Exchange Bank	2.85

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**Korea Fund Inc. (The)****Fund Objective** June 09, 2010

The Korea Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended. The fund seeks long-term capital appreciation through investment in securities, primarily equity securities, of Korean companies and has appointed RCM Capital Management LLC as the investment advisor - an international equity specialist and part of Allianz Global Investors.

According to the fund, RCM from its offices in Asia examines each company's prospects for growth, quality and valuation. The firm selects stocks based on a broad range of variables, including price to earnings ratios, dividend yields and earnings-per-share growth and through regular and intensive company visits and meetings with their management. In addition to bottom up fundamental research, the firm also utilizes GrassrootsSM Research, an extensive market research network, to affirm company analysis or macroeconomic trends. RCM Capital Management LLC has been operating in Asia since 1983.

It is the policy of the fund to invest, under normal circumstances, at least 80% of its net assets (plus borrowings for investment purposes) in the securities of Korean companies and instruments whose value is based on the value of a Korean company or companies. For these purposes, Korean companies include companies whose securities are traded on any Korean exchange.

The fund will be permitted to make securities loans to the extent provided by SEC staff guidance and to make other loans (including repurchase agreements with a maturity longer than seven days) without limit, so long as they are consistent with the fund's investment policies and are not made to persons who control or are under common control with the fund. The fund is exposed to certain risks as a result of making loans and to the extent the fund

uses the increased flexibility provided with the newly adopted investment restriction, the fund would be exposed to these risks to a greater extent; however, this risk is greatly reduced in the case of securities loans by the requirement that all such loans be fully collateralized by cash or cash equivalents.

KF pays its investment manager, RCM Capital Management LLC, a monthly fee, at the annual rate of 0.75% of the value of the fund's average daily net assets up to \$250 million; 0.725% of the next \$250 million of average daily net assets; 0.70% of the next \$250 million of average daily net assets; 0.675% of the next \$250 million of average daily net assets and 0.65% of average daily net assets in excess of \$1 billion. The investment manager, and not the fund, pays a portion of the fee it receives to the sub-advisor and sub-administrator in return for their services. The investment manager, sub-advisor and sub-administrator are indirect wholly-owned subsidiaries of Allianz SE. For the first half of FY 10 (Jun.), investment management fees totaled \$1,390,609.

A dividend reinvestment plan is available.

**Fund Performance** (Sep 03, 2010)

In the past 30 trading days, KF's shares have increased 5.5%, compared to a rise of 0.17% in the S&P 500. Average trading volume for the past five days was 20,165 shares, compared with the 40-day moving average of 24,688 shares.

**Fund Financials** Fiscal Year Ended Jun. 30

Per Common Share Data (\$)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net Asset Value	29.41	227.20	425.70	388.70	291.00	215.50	176.20	202.00	130.10	200.40
Year End Share Price	27.43	213.70	395.90	363.30	273.50	188.50	149.90	164.40	105.80	140.60
Premium/Discount(%)	-6.73	-5.94	-7.00	-6.53	-6.01	-12.53	-14.93	-18.61	-18.68	-29.84
Distribution:Investment Income	Nil	1.70	4.50	5.00	4.50	3.00	1.80	Nil	1.80	Nil
Distribution:Capital Gains	21.08	172.40	66.70	3.50	2.00	Nil	6.70	1.20	14.10	Nil
Distribution:Return of Capital	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Portfolio Turnover	80%	38%	50%	9%	10%	20%	7%	18%	40%	31%

**Income Statement Analysis** (Million \$)

Total Investment Income	5.56	12.3	18.9	20.3	30.7	23.4	19.5	15.5	17.0	14.0
Net Investment Income:Total	0.78	2.80	9.64	10.1	18.0	9.50	8.59	5.61	8.33	2.37
Net Investment Income:Per Share	0.07	1.10	3.80	3.30	4.00	2.00	1.70	1.10	1.70	0.50
Realized Capital Gains:Total	-91.1	311	465	452	21.5	22.5	-12.2	37.7	83.0	149
Realized Capital Gains:Per Share	-8.72	127	192	168	4.80	5.00	-2.90	7.60	16.60	29.80
% Net Investment Income/Com. Net Assets	0.23	0.31	0.99	0.90	1.58	0.94	0.99	0.69	1.18	0.24
% Total Exps./Common Net Assets	1.43	1.06	0.96	0.89	1.13	1.27	1.26	1.21	1.23	1.19
% Net Oper. Exps./Common Net Assets	1.43	1.06	0.96	0.89	1.13	1.27	1.26	NA	NA	NA

**Balance Sheet & Other Financial Data** (Million \$)

Net Assets Available for Common	307	554	1,033	1,048	1,301	963	879	1,009	651	1,002
1 Year Total Return on NAV	-35.1%	-14.7%	31.1%	36.5%	38.7%	24.2%	-8.34%	56.4%	-25.0%	13.1%
% Change S&P 500	-26.2	-13.1	20.6	8.63	6.32	19.1	0.26	-18.0	-14.8	7.25
Cost of Investments	280	450	552	355	407	352	504	489	520	441
Market Value of Investments	337	628	1,097	1,111	1,279	896	868	934	646	931
% Net Asset Allocation:Net Cash	-9.60	-13.4	-6.20	-6.00	1.70	7.00	1.00	7.30	0.70	7.20
% Net Asset Allocation:ST Oblig.	13.0	19.4	6.2	7.2	0.1	Nil	0.1	3.0	8.7	2.1
% Net Asset Allocation:Bonds & Preferred	Nil	Nil	Nil	15.2	15.6	15.2	12.5	11.7	10.2	10.4
% Net Asset Allocation:Common Stock	96.6	94.0	100	83.6	82.6	77.8	86.4	77.9	80.4	80.3
% Net Asset Allocation:Other Investment	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.1	Nil	Nil

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. No historical adjustments have been made to reflect the January 29, 2009 fund share issuance. Beta based on 60 month end prices including dividends, as compared with the S&P 500 index price. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

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**Chrmn:** J. Reid

**Pres & CEO:** R.J. Goldstein  
**CFO, Chief Acctg Officer & Treas:** B.S. Shlissel  
**Secy & General Counsel:** T.J. Fuccillo

**Board Members:** R. A. Nogueira, J. Reid, C. Russell, R. A. Silver, K. Yun

**Auditor:** PricewaterhouseCoopers  
**Founded:** 1984  
**Domicile:** Maryland  
**Employees:** 0

## Korea Fund Inc. (The)

## Glossary

**Alternative Minimum Tax Bond**

Certain types of municipal bonds whose income is subject to the alternative minimum tax. AMT bonds include those issued to finance such private purpose activities as industrial redevelopment and sports stadium construction.

**Annualized Total Returns (Key Fund Statistics)**

Represents annual compounded rates per year based on share price and net asset value per share (NAV). Updated weekly based on rolling periods.

**Average Coupon**

The coupon of each position in a mortgage pool or other debt instrument portfolio weighted by the size of the position to compute an average coupon for the pool.

**Average Effective Maturity: for a Bond Fund**

The average of the effective maturity dates of the fixed-income securities in the fund's holdings. Effective maturity takes into account the possibility that the bond may be called by the issuer before its stated maturity date.

**Capital Appreciation Fund**

A fund that seeks maximum capital appreciation by investing primarily in stocks with greater than average risk.

**Capital Gain Distribution**

A payment to fund shareholders of net capital gains realized on the sale of the fund's securities. The net asset value of the fund is reduced by the amount of the distribution. These amounts are usually paid out once a year in December.

**Change in Unrealized Depreciation/Appreciation**

Net change in value of assets (including changes in liabilities such as shorts and written options) still being held.

**Coupon Rate**

The interest rate that an issuer promises to pay over the life of a debt security, such as a bond, expressed as a percentage of face value.

**Credit Rating**

An evaluation of the creditworthiness of a debt security by an independent rating service.

**Distribution(s)**

Distributions are amounts paid by the fund to its shareholders. They may include amounts classified as net investment income, capital gains, amounts considered return of capital, or some combination of these. Distributions are approved by the fund's board of directors and not necessarily determined by fund performance.

**Distribution Rate(%)**

Distribution Rate(%) is obtained by dividing the fund's Distribution Rate/Share by its current share price.

**Distribution Rate/Share**

Distribution Rate/Share generally indicates an annualization of the most recent payment. Distribution rate may include net investment income, capital gains and/or return of capital and is not indicative of fund performance.

**Distributions:Return of Capital**

Distributions classified as Return of Capital as reported by fund (comprised of unrealized gains and/or a return of part of your original investment).

**Duration**

A mathematical measure of the price sensitivity of a bond fund's portfolio to changes in interest rates. Duration is stated in years; the shorter the duration, the less price variability you can expect in the fund's price per share.

**Duration Adjusted for Portfolio Leverage**

A measure of the fund's net asset value volatility in reaction to interest rate movements, adjusted for the use of borrowed money to increase investing power. The use of leverage results in greater duration.

**Exchange Type**

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

**Income Fund**

A fund that seeks current income rather than growth of capital. Income funds typically invest in bonds and/or high-yielding stocks.

**Interest Expense**

Includes all interest expense on short-or-long-term debt.

**Investment Income**

As reported by fund; total investment income including interest, dividends and other investment income.

**Investments Cost**

The original cost of the fund's investments.

**Investments Market**

The price, at which the fund's investments could be sold, based on current trading prices or other approximation, such as fair value.

**Leverage**

A method to potentially generate a higher level of income, which typically involves the issuance of preferred stock (and/or borrowings) by the fund that pays lower rates to buy long-term bonds offering higher interest rates.

**Leverage Ratio**

As reported by fund; may include preferred stock and/or borrowings.

**Management Fee**

The amount a fund pays to its investment advisor for the investment management of the fund's portfolio.

**Municipal Bond**

An IOU issued by a state, city or other municipality to finance public works such as the construction of roads or schools. The interest is usually free from federal income tax and may be free from state and local taxes as well.

**Net Asset Value Per Share**

The value of fund assets, less liabilities and preferred stock, divided by the number of common shares outstanding.

**Net Assets Available for Common**

Amount remaining after total liabilities and preferred stock are deducted from total assets.

**Net Gain/Loss from Investments**

The sum of both the realized and unrealized gains and losses in the income statement.

**Net Investment Income/Com. Net Assets (%)**

Net Investment Income/Com. Net Assets is as reported by fund based on average net assets applicable to common shares.

**Net Oper. Exps./Com. Net Assets (%)**

Net Oper.Exps./Com. Net Assets is as reported by fund based on average net assets applicable to common shares.

**Other Expenses**

Net expenses excluding management fee, interest expense and waivers/reimbursements.

**Other Liabilities**

Total liabilities less borrowings.

**Past Growth Rate (%)**

Represents the compounded annualized rate of growth of fund's total investment income and net investment income (total), using the least squares method.

**Portfolio Turnover**

As reported by fund. A measure of the trading activity in a fund's portfolio of investments, that is, how often securities are bought and sold by the fund.

**Premium/Discount**

The percentage by which a stock trades, above (premium) or below (discount) the NAV. Based on reported NAV and corresponding price. Premium/Discount may vary for many reasons including supply and demand, fund management team and portfolio expectation.

**Rule 19b**

Under the Investment Company Act of 1940 section 19(b), investment companies are limited to one distribution every twelve months of long-term capital gains (as defined in the Internal Revenue Code).

**Share Price**

The market price at which a fund's shares are traded on an exchange. Closed-end fund shares trade in the stock market based on investor demand. Therefore, the fund may trade at a price higher or lower than its NAV.

**Total Exps./Com. Net Assets (%)**

Total Exps./Com. Net Assets is as reported by fund based on average net assets applicable to common shares.

**Undistributed Net Investment Income**

The life-to-date balance of a fund's net investment income less life-to-date distributions of net investment income.

**Waivers/Reimbursements**

Includes custodian fee credits, management fee waivers and other expense reimbursements.

**Weighted Average Maturity of Portfolio Holdings**

For a bond fund or defined portfolio, the average of the stated maturity dates of the fixed-income securities in the fund, weighted by the size of the bond principal balances.

## Other Disclosures

**Key Fund Statistics; Update Frequency**

Asterisk (\*) denoted items in the Key Fund Statistics are updated when the "Fund Overview" section of the report is updated using the most recent data available as of the "Fund Overview" date. Data as of different dates may not be directly comparable.