



**The Korea Fund, Inc.**  
**Supplementary Portfolio Management Presentation**  
Third Quarter 2009

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## YTD Performance review

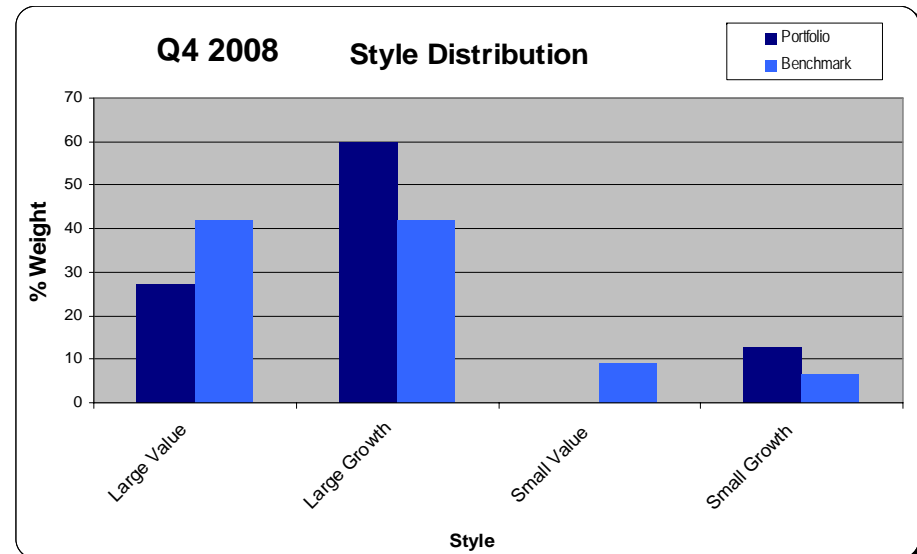
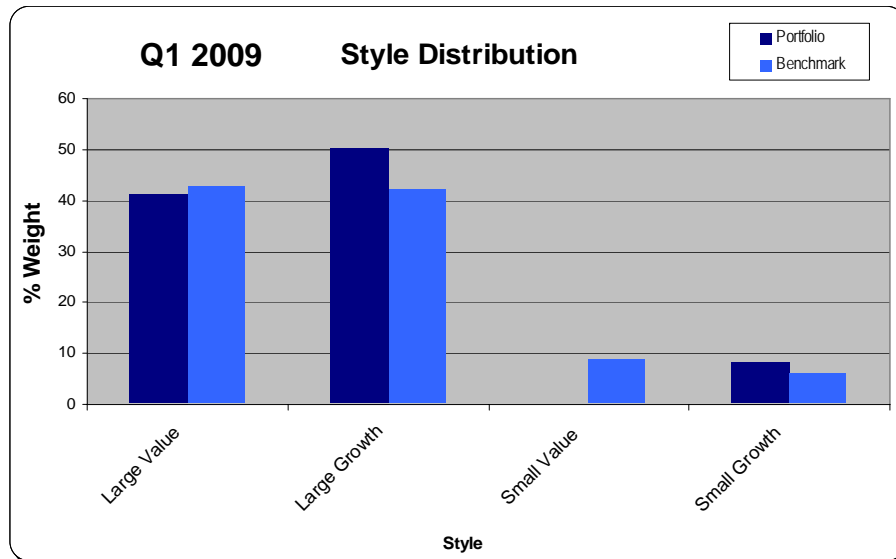
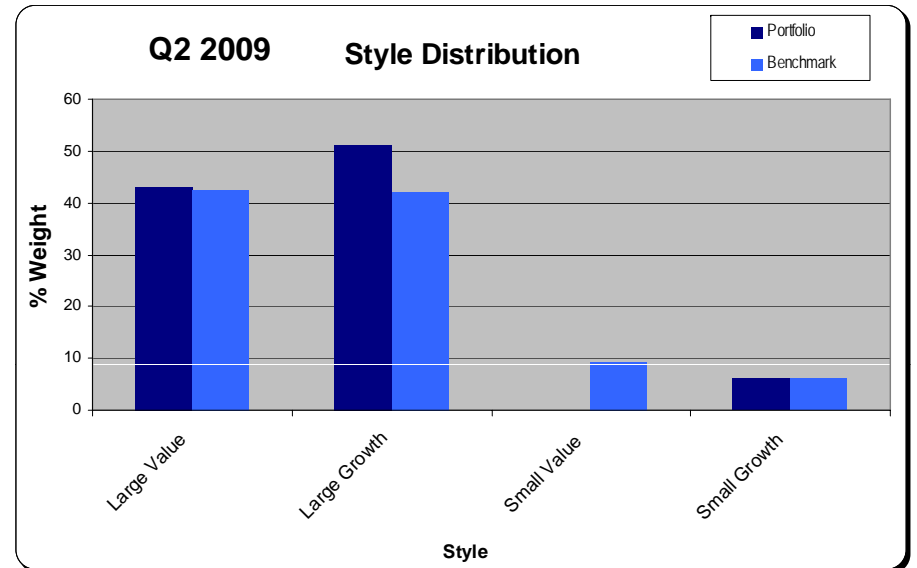
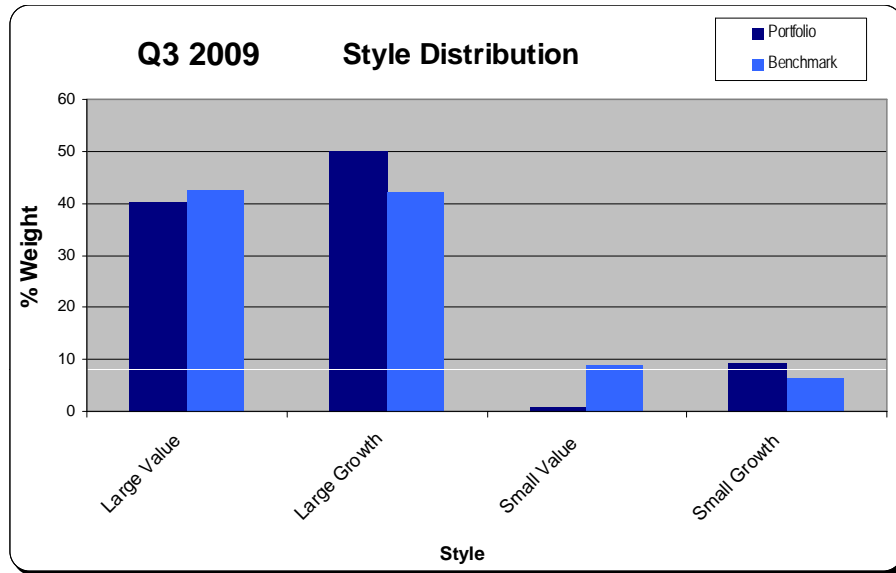
- † For the year-to-date period (as of September 30), the Fund's overweight in the Industrials and IT sectors, and underweight in the Utilities sector, contributed most to its relative performance. In the Industrials sector, our stock selection was the main driver for outperformance while sector allocation was for the IT sector.
- † Despite a gradual increase in weighting, our underweight to the Financials sector detracted from the Fund's performance because of our insufficient weightings over the period to capture the strong performance of the Banking sub-sector. Also, our overweight in Consumer Staples and underweight in the Telecom sectors were unable to gain relative performance against KOSPI.
- † The Fund lost most of its performance from its overweight to the Consumer Discretionary sector, despite the sector's outperformance, due to unsuccessful individual stock picks and no exposure to the auto sector until early 3Q.
- † In terms of relative performance by portfolio styles, small cap/low quality/value styles outperformed against the KOSPI during the period. This phenomenon was detrimental to the Fund's performance given its consistent large cap/growth style-bias.
- † We firmly believe our bottom-up investment philosophy based on the three pillars – earnings/growth/quality – will outperform over the long-run with the improving recent performance.

## Attribution analysis (YTD ending Sep. 30)

STOCKS ONLY	As at 31 Dec 2008			As at 30 Sep 2009			Attribution		
	Beginning Weight (% of Total)			End Weight (% of Total)			GICS Sector	Stock	Active
GICS Sector	Port	Index	Diff	Port	Index	Diff	Select	Select	Return
Consumer Discretionary	10.30%	10.58%	-0.29%	15.9%	13.1%	2.8%	-0.23%	-3.99%	-4.22%
Consumer Staples	13.26%	7.19%	6.07%	6.3%	5.5%	0.8%	-1.83%	-0.44%	-2.28%
Energy	0.00%	3.00%	-3.00%	2.2%	2.6%	-0.4%	0.39%	-0.40%	-0.01%
Financials	13.00%	14.49%	-1.50%	16.4%	17.2%	-0.8%	-0.66%	-1.64%	-2.30%
Health Care	4.43%	1.71%	2.72%	0.5%	1.4%	-0.9%	0.01%	-1.62%	-1.62%
Industrials	28.59%	22.51%	6.08%	19.5%	19.0%	0.5%	-0.14%	1.30%	1.16%
Information Technology	19.18%	16.44%	2.74%	20.9%	20.8%	0.1%	0.78%	0.04%	0.81%
Materials	6.73%	12.72%	-5.98%	11.5%	13.3%	-1.8%	-0.09%	-1.06%	-1.15%
Telecomm Services	16.36%	6.79%	9.57%	3.1%	3.5%	-0.4%	-1.98%	0.45%	-1.53%
Utilities	0.00%	4.57%	-4.57%	0.0%	3.5%	-3.5%	1.58%	0.00%	1.58%

Attribution figures are based on Wilshire's Atlas position-based performance attribution. All performance figures shown on this report are approximates only.

# Style analysis (KF)



Source : Style Research

## Relative returns by portfolio styles YTD (MSCI Korea)

Style Outperformers	Relative Return
Small Cap	25.8%
Low ROE	22.0%
High Book / Price	15.8%
Low Forecast EPS Growth	15.3%
Low ROIC	15.1%
Low Historical EPS Growth	9.4%

Style Underperformers	Relative Return
Low Book / Price	-39.3%
Low Sales Yield	-36.5%
High ROIC	-32.9%
High ROE	-21.5%
High Forecast EPS Growth	-15.8%
Large Cap	-4.0%

Source : UBS Quantitative Research, Based on MSCI Korea universe, as at 30 September 2009

## YTD performance (USD terms) by market cap size

	Q1 2009 %	Q2 2009 %	Q3 2009 %	YTD 2009 %
<b>KEE1*</b>	<b>-10.61</b>	<b>19.07</b>	<b>29.41</b>	<b>37.74</b>
<b>KOSPI</b>	<b>-2.32</b>	<b>25.12</b>	<b>30.14</b>	<b>59.06</b>
KOSPI Large Cap Index	-3.22	24.15	<b>32.64</b>	59.38
KOSPI Mid Cap Index	0.18	30.01	18.49	54.33
KOSPI Small Cap Index	<b>8.17</b>	<b>33.69</b>	14.59	<b>65.70</b>

Source : RCM / Datastream

\* Net of fees

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