

# The Korea Fund Inc

Ticker: KF

## Topline

Fund	Market cap-weighted index
▲ 2.10%	▼ -0.60%
<b>Markets</b> In February, Korean equities rose 0.6% in local currency terms to 2533. Real estate and industrials led the market, driven by rate-cut expectations and interest in defense spending.	
<b>Helped</b> The best-performing positions included Hugel, SOOP and SM Entertainment.	
<b>Hurt</b> The worst-performing positions included zero weights in Hanwha Aerospace and Hyundai Rotem, which reported very strong fourth quarter 2024 results, driven by robust export demand.	
<b>Outlook</b> Looking ahead, we are constructive on the Korean equity market due to: 1) high bandwidth memory (HBM) for AI-led memory cycle; 2) continued global competitiveness of manufactured goods; 3) increasing demand for better corporate governance; and 4) expectations for normalization of domestic demand in the second half of 2025.	

Performance quoted is past performance and is no guarantee of future results. Investment returns and principal value will fluctuate, so shares, when sold, may be worth more or less than original cost. Current performance may be higher or lower than returns shown. Call 1-866-706-0510 for most recent month-end performance.

## Fund Overview

Designed to provide long-term capital appreciation through investment in Korean securities.

### Approach

- Primarily invests in equity securities listed on the Korea Stock Exchange
- Focuses on Korean companies exhibiting solid long-term growth characteristics and attractive quality and valuation prospects
- Employs local knowledge and research capabilities to seek out attractively valued Korean investment themes and companies

## Month in Review

- **In February, Korean equities rose 0.6% in local currency terms** to 2533. Real estate and industrials led the market, driven by rate-cut expectations and interest in defense spending. Energy and consumer discretionary lagged the market due to anticipated OPEC supply increases and tariff concerns affecting exports like autos.
- **The Korea Fund outperformed the benchmark index over the month.** Sector allocation detracted, while stock selection added value over the month. An underweight in industrials was a detractor, but this was more than offset by stock selection in the sector. Stock selection was also strong in the communication services sector.
- **The best-performing positions included Hugel, SOOP and SM Entertainment.** Hugel outperformed on the back of its U.S. launch schedule and strong February toxin exports to China. SOOP outperformed after seeing rising expectations for overseas business and SM Entertainment saw better-than-expected fourth quarter 2024 operating profit, thanks to an improvement in product mix and long-overdue restructuring.
- **The worst-performing positions included zero weights in Hanwha Aerospace and Hyundai Rotem,** which reported very strong fourth quarter 2024 results, driven by robust export demand. A position in S-Oil underperformed on weaker refining margins and a lowered first quarter 2025 outlook.

## Looking Ahead

- **A high-conviction approach to identify value investment opportunities** with growth and quality attributes.
- **On February 24, the opposition-led subcommittee approved the Commercial Code Amendment Bill,** which aims to expand directors' fiduciary duties to include both the company and shareholders, potentially preventing abuse of minority shareholders and promoting efficient capital allocation. It also mandates electronic shareholder meetings for improved accessibility and transparency. We believe the chance of the bill passing is low this time due to opposition from the ruling party and corporate sector. Nonetheless, we remain optimistic about the Value Up campaign's progress amid political uncertainties. The bill is set for presentation at the National Assembly plenary session in March 2025.
- **The market continues to experience headwinds from the uncertainty** due to geopolitics and U.S. elections, concerns over a slowing U.S. economy and, most recently, uncertainties in domestic politics in the wake of Yoon's declaration of martial law. Looking ahead, we are constructive on the Korean equity market due to: 1) HBM for AI-led memory cycle; 2) continued global competitiveness of manufactured goods; 3) increasing demand for better corporate governance; and 4) expectations for normalization of domestic demand in the second half of 2025.

Performance

	Total Return 2/28/2025				Average Annual Return 12/31/2024			
	1mo	3mos	YTD	1yr	1yr	3yrs	5yrs	10yrs
at NAV	2.10	-0.54	9.13	-12.76	-21.30	-13.24	-0.75	1.83
Market price returns	3.87	2.03	10.57	-12.69	-19.29	-14.10	-1.23	1.12
Benchmark	-0.60	-1.81	5.99	-13.15	-19.88	-10.89	-1.58	1.61

Benchmark: MSCI Korea 25/50 Index (net total return)  
YTD returns are as of the last business day of the month.  
A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding.

Annual Expenses (%)

Shares	Gross expenses	Net expenses
Korea	1.440	1.440

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Portfolio Analysis

Approximate number of holdings	56
Beta (3-year)	1.28
P/E ratio (1 yr. forecast)	7.96
P/E harmonic ratio (last 12 months)	8.90
P/B ratio	0.88
Market cap median (in billions)	\$2.78
Sharpe ratio (3-year)	-0.38
R2	60.86
Fund assets	\$98.96 mn

**Beta** measures a fund's volatility in comparison to the market as a whole. A beta of 1.00 indicates a fund has been exactly as volatile as the market.  
**P/E ratio** is the number by which earnings per share is multiplied to estimate a stock's value.  
**P/B ratio** is the relationship between a stock's price and the book value of that stock.  
**Sharpe ratio** measures the fund's excess return compared to a risk-free investment. The higher the Sharpe ratio, the better the returns relative to the risk taken.  
**R2:** The percentage of a Fund's movements that result from movements in the index ranging from 0 to 100. A Fund with an R2 of 100 means that 100 percent of the Fund's movement can completely be explained by movements in the Fund's external index benchmark.

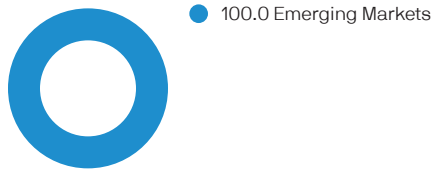
Holdings

Equity Sectors (%)	
Communication Services	7.3
Consumer Discretionary	8.8
Consumer Staples	2.6
Energy	1.9
Financials	14.3
Health Care	8.3
Industrials	12.2
Information Technology	38.5
Materials	6.0
Utilities	0.0

Top 10 (%)

Company Name	Sector	Percentage
Samsung Electronics Co. Ltd.	Information Technology	20.9
SK Hynix, Inc.	Information Technology	9.9
NAVER Corp.	Communication Services	4.8
Hana Financial Group, Inc.	Financials	4.3
Shinhan Financial Group Co. Ltd.	Financials	4.0
Samsung Biologics Co. Ltd.	Health Care	3.4
Kia Corp.	Consumer Discretionary	2.7
LG Chem Ltd.	Materials	2.7
Samsung SDI Co. Ltd.	Information Technology	2.4
Hyundai Motor Co. (Preference)	Consumer Discretionary	2.2

Regions (%)



Investors should carefully consider the investment objectives and risks as well as charges and expenses of the Fund before investing. The summary and full prospectuses contain this and other information about the Fund. Read the prospectus carefully before investing. Call 1-866-706-0510 or visit [www.thekoreafund.com](http://www.thekoreafund.com) to obtain a prospectus.

Total return figures (for the fund and any index quoted) assume payment of fees and reinvestment of dividends (after the highest applicable foreign withholding tax) and distributions. Without fee waivers, fund returns would have been lower. Due to rounding, some values may not total 100%.

The Fund is a closed-end exchange traded management investment company. This material is presented only to provide information and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares are sold on the open market through a stock exchange, where shares may trade at a premium or a discount. Holdings are subject to change daily.

**Risk Summary**  
International investing has a greater degree of risk and increased volatility due to political and economic instability of some overseas markets. Changes in currency exchange rates and different accounting and taxation policies outside the U.S. can affect returns. Because the Fund is concentrated in a single country or region, it is subject to the additional risk associated with a smaller number of issuers.

**Indexes**  
Mutual funds have fees that reduce their performance: indexes do not. You cannot invest directly in an index.

The MSCI Korea 25/50 Index (net total return) is designed to measure the performance of the large- and mid-cap segments of the Korean stock market and applies the investment limits required of regulated investment companies to help ensure diversification. Net total return figures assume the reinvestment of dividends after deduction of withholding tax,

applying the maximum rate to nonresident individual investors who do not benefit from double taxation treaties.

**Top Holdings**  
The top 10 holdings listed exclude cash and money markets. Holdings are subject to change. The holdings listed should not be considered a recommendation to purchase or sell a particular security. Each individual security is calculated as a percentage of the aggregate market value of the securities held in the Fund and does not include the use of derivative positions, where applicable.

**Entities**  
This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be a recommendation for any specific investment product, strategy, plan feature or other purpose. Any examples used are generic, hypothetical and for illustration purposes only. Prior to making any investment or financial decisions, an investor should seek individualized advice from personal financial, legal, tax and other professionals that take into account all of the particular facts and circumstances of an investor's own situation.

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