

The Korea Fund Inc

Ticker: KF

TOPLINE

Fund	Market cap-weighted index
▼ -1.73%	▼ -1.29%
<p>Markets - In August, the KOSPI index declined 0.1% month-over-month (MoM) to end at 3199. In USD terms, the index was down 0.9% as the Won weakened on the spread of the COVID19 delta variant clouding the recovery outlook amid rising concerns over US tapering.</p> <p>Helped - At the stock level, the best performing position was SK Bioscience. This vaccine manufacturer outperformed on 1) resurgence of COVID19; 2) strong 2Q results; and 3) positive progression of its own COVID19 vaccine.</p> <p>Hurt - The worst performing position was an overweight in Hugel, which underperformed on disappointing exit by Bain Capital.</p> <p>Outlook - While the near term outlook is clouded by COVID19 and geopolitical uncertainties, we are positive on the Korean equity market due to 1) accelerating and above trend growth for 2021 and 2022, 2) continued supportive fiscal and monetary policies, and 3) an improving global demand for Korean manufactured goods.</p>	

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 August, the KOSPI index declined 0.1% MoM to end at 3199.** In USD terms, the index was down 0.9% as the Won weakened on the spread of the COVID19 delta variant clouding the recovery outlook amid rising concerns over US tapering.
- **The fund marginally underperformed the benchmark index** over the month. Sector allocation was positive, whilst stock selection was negative. At the sector level, an underweight in the materials sector was a key contributor to performance.
- **At the stock level, the best performing position** was SK Bioscience. This vaccine manufacturer outperformed on 1) resurgence of COVID19; 2) strong 2Q results; and 3) positive progression of its own COVID19 vaccine. Other notable contributors were Dentium, which outperformed on solid 2Q results, and AfreecaTV, which outperformed on solid 2Q results and constructive guidance on advertising.
- **The worst performing position** was an overweight in Hugel, which underperformed on disappointing exit by Bain Capital. Bain's sales price was lower than expected and the purchaser was another PEF-led consortium instead of a global pharmaceutical company. Other detractors included Zinus and NC Soft. Zinus sold off post disappointing 2Q results which were marred by shipping disruptions. NC Soft sold off post a poor reception of B&S2 (Blade & Soul2 - a computer game) which was aided by mishandling of the launch.

LOOKING AHEAD

- **While the near term outlook is clouded by COVID19 and geopolitical uncertainties,** we are positive on the Korean equity market due to 1) accelerating and above trend growth for 2021 and 2022, 2) continued supportive fiscal and monetary policies, and 3) an improving global demand for Korean manufactured goods.
- **The portfolio currently has overweight positions in sectors,** such as energy and communication services, whilst being underweight the industrials and IT sectors.

PERFORMANCE

RETURN (%)	TOTAL RETURN AT				ANNUALIZED RETURNS AT			
	8/31/21		6/30/21		6/30/21		6/30/21	
	1 mo	3 mos	YTD	1 yr	1 yr	3 yrs	5 yrs	10 yrs
at NAV	-1.73	-3.72	7.28	48.14	76.97	15.40	14.41	5.55
Market price returns	-2.57	-4.01	7.91	50.74	80.70	13.07	13.55	4.90
Index	-1.29	-5.59	1.20	40.08	66.51	13.42	14.86	5.85

† Fund performance inception: 8/29/1984
Index: MSCI Korea 25/50 Index.

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	1.25	1.25

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PORTFOLIO ANALYSIS

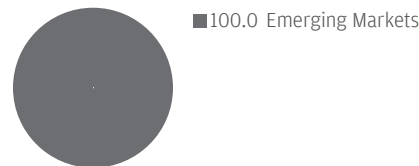
Approximate number of holdings	51
Beta (3-year)	0.93
P/E ratio (1 yr. forecast)	9.40
P/E harmonic ratio (last 12 months)	16.30
P/B ratio	1.24
Market cap median (in billions)	\$7.23
Sharpe ratio (3-year)	0.58
R2	55.04
Fund assets (in millions)	\$253.59

HOLDINGS**EQUITY SECTORS (%)**

Sector	Weighting
Communication Services	16.2
Consumer Discretionary	12.9
Consumer Staples	5.1
Energy	4.7
Financials	9.5
Health Care	6.1
Industrials	6.7
Information Technology	30.0
Materials	8.5
Utilities	0.4

TOP 10 (%)

Company name	Sector	Percentage
Samsung Electronics Co. Ltd.	Information Technology	20.9
SK Hynix, Inc.	Information Technology	7.2
NAVER Corp.	Communication Services	5.7
LG Chem Ltd.	Materials	4.1
Hana Financial Group, Inc.	Financials	3.5
SK Innovation Co. Ltd.	Energy	3.2
Kia Corp.	Consumer Discretionary	3.1
Hyundai Mobis Co. Ltd.	Consumer Discretionary	2.5
Samsung Biologics Co. Ltd.	Health Care	2.4
Kakao Corp.	Communication Services	2.3

REGIONS (%)**GENERAL DISCLOSURES**

Investors should carefully consider the investment objectives and risks as well as charges and expenses of the 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 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.

NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

The MSCI Korea 25/50 Index 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. It is not possible to invest directly in an index.

Index returns and sector returns are for illustrative purposes only and do not represent actual Fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged.

TOP HOLDINGS

The top 10 holdings listed exclude cash and money markets. Holdings are subject to change. The holdings listed should not be considered recommendations 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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DEFINITIONS

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.