

# The Korea Fund, Inc.

## Manager's Commentary

### Market Review

The Korean equity market ended significantly higher in November 2020, driven by news of breakthroughs in COVID-19 vaccine development and the weakening of U.S. Dollar against the Korean Won. The best performing sector was health care, led by Celltrion, Inc., as the company announced plans to complete the development of its COVID-19 treatment by year end. The energy sector also outperformed, as news of a vaccine propelled demand recovery hopes for fuel. On the other hand, the worst performing sector was communication services as a result of concerns over rising competition and marketing costs. Consumer staples also underperformed, the potential reversal of demand tailwinds that the sector has enjoyed during the COVID-19 period was a drag on share prices.

### Fund Review

The Korea Fund, Inc. (the "Fund") underperformed the MSCI Korea 25/50 Index (the "benchmark") in November 2020. The Fund's overweight position in AfreecaTV Co., Ltd., a popular streaming platform, detracted from performance as the share price underperformed due to its exposure to offline PC cafés which would be negatively impacted from strengthened social distancing measures in Korea. The overweight position in LG Household and Healthcare, a producer of cosmetics, household goods and beverages, also hurt performance as the share price lagged the overall market due to its defensive nature.

Meanwhile the overweight position in SK Innovation Co., Ltd., a chemicals conglomerate, contributed positively to performance, as the share price appreciated on hopes for improving demand in refining and the company's growing presence in EV (Electric Vehicle) battery. The overweight position in LG Chem Ltd., a refinery and chemicals company, also helped performance, as the share price rebounded after the company's plan for spinning off its battery division was approved at the shareholder meeting.

### Key Transactions

During November, the Fund increased its exposure to the materials sector in anticipation of demand recovery. Conversely, the Fund reduced its position in the information technology sector on a peaking out of COVID-19 related demand.

### Outlook

We expect equity markets to remain volatile in the near term. Despite the positive sentiment related to COVID-19 vaccine development, administering the vaccine on a global scale is likely to take more time. At the same time many regions, including Korea, are facing new highs in COVID-19 cases which may pressure economic activity in the near term. Korea's export sectors such as chemicals, steel, and auto may benefit from recovering global demand, but its competitiveness may be weakened by the strengthening of Korean Won against the U.S. Dollar. We will closely monitor the impact of these developments to the Fund.

## In Brief

Fund Data	
Description	Seeks long-term capital appreciation through investment in Korean securities.
Inception Date	August 29, 1984
Total Fund Assets (millions)	\$208.5
Median Market Cap (in billions)	\$12.9
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC
Portfolio Management	Chris Leung, CFA Lead Portfolio Manager

CJ Yun  
Portfolio Manager

Net Asset Value / Market Price	
Net Asset Value (NAV) / Market Price at Inception	\$11.16 / \$12.00
NAV / Market Price (as of 11/30/2020)	\$41.48 / \$35.93

High / Low Ranges (52-Week)	
High / Low NAV	\$42.44 / \$21.34
High / Low Market Price	\$36.05 / \$17.32
Premium/Discount to NAV (as of 11/30/2020)	-13.38%

Fund Data (Common Shares)	
Shares Outstanding	5,026,916
Average Daily Volume	7,032
Expense Ratio	1.13%

## Fund Managers



Chris Leung, CFA  
Lead Portfolio Manager



CJ Yun  
Portfolio Manager

### Average Annual Returns

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	15.35%	20.20%	20.58%	29.97%	2.31%	7.83%	4.37%	11.29%
Market Price	19.17%	22.92%	20.45%	29.09%	2.25%	8.07%	4.14%	10.62%
MSCI Korea 25/50 Index	17.01%	20.39%	22.11%	33.34%	2.93%	10.23%	5.44%	—
MSCI Korea Total Return Index	17.88%	22.29%	24.10%	36.61%	4.29%	11.66%	6.09%	—

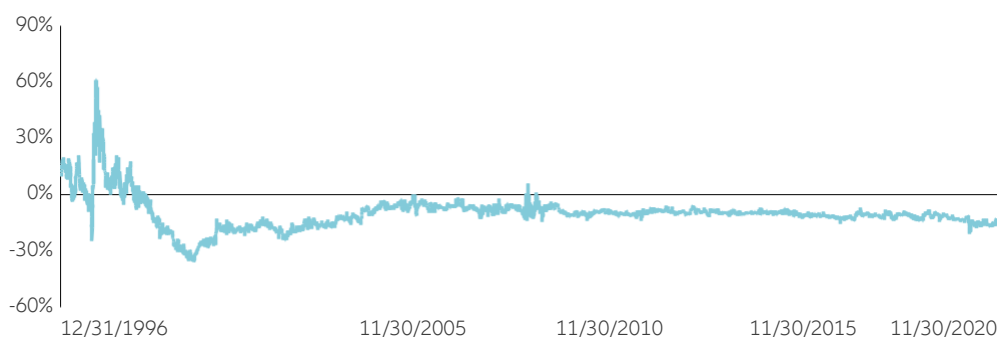
### Calendar Year Returns

	2012	2013	2014	2015	2016	2017	2018	2019
NAV	17.09%	1.00%	-9.85%	-4.06%	2.64%	40.88%	-19.14%	6.46%
Market Price	15.41%	-0.01%	-9.07%	-2.81%	1.08%	41.47%	-19.91%	6.83%
MSCI Korea 25/50 Index	20.72%	4.07%	-10.83%	-6.49%	7.71%	45.17%	-20.01%	8.56%
MSCI Korea Total Return Index	21.18%	3.94%	-11.12%	-6.66%	8.75%	47.30%	-20.94%	12.50%

Past performance is not a guide to future returns.  
Returns are annualized, except for periods of less than one year.

Source: IDS GmbH-Analysis and Reporting Services, a subsidiary of Allianz SE. Inception date is August 29, 1984. Returns for the fund are historical returns that reflect changes in net asset value and market price per share during each period and assume that dividends and capital gains, if any, were reinvested. Net asset value is total assets less total liabilities divided by the number of shares outstanding. NAV performance includes the deduction of management fees and other expenses. Market price performance does not include the deduction of expenses and would be lower had expenses been deducted. NAV and market price returns do not reflect broker sales charges or commissions, which would reduce returns. It is not possible to invest directly in an index.

### Premium/Discount



### Sector Breakdown

	Fund	Benchmark <sup>1</sup>
Information Technology	37.60%	34.65%
Materials	13.14%	9.75%
Communication Services	11.74%	9.57%
Consumer Discretionary	11.57%	11.94%
Financials	7.02%	9.53%
Health Care	6.41%	7.74%
Industrials	4.58%	8.56%
Consumer Staples	4.36%	5.65%
Energy	3.25%	1.81%
Utilities	0.00%	0.81%

Source: IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

### Top 10 Holdings

SAMSUNG ELECTRONICS CO LTD (S.Korea)	24.55%
SK HYNIX INC (S.Korea)	7.10%
LG CHEM LTD (S.Korea)	5.26%
HYUNDAI MOTOR CO (S.Korea)	5.20%
NAVER CORP (S.Korea)	4.81%
POSCO CO., LIMITED (S.Korea)	4.26%
LG HOUSEHOLD & HEALTH CARE LTD (S.Korea)	3.62%
SAMSUNG SDI CO LTD (S.Korea)	3.60%
CELLTRION INC (S.Korea)	3.43%
SK INNOVATION CO LTD (S.Korea)	3.25%

### Portfolio Characteristics

P/E Ratio	17.39
P/B Ratio	1.31
Issues in Portfolio	43
Foreign Holdings (%)	99.67
Cash (%)	0.33

### Risk Statistics (3 Year)

Beta	0.93
R <sup>2</sup>	0.97
Standard Deviation of NAV	21.83
Standard Deviation of Market Price	23.70

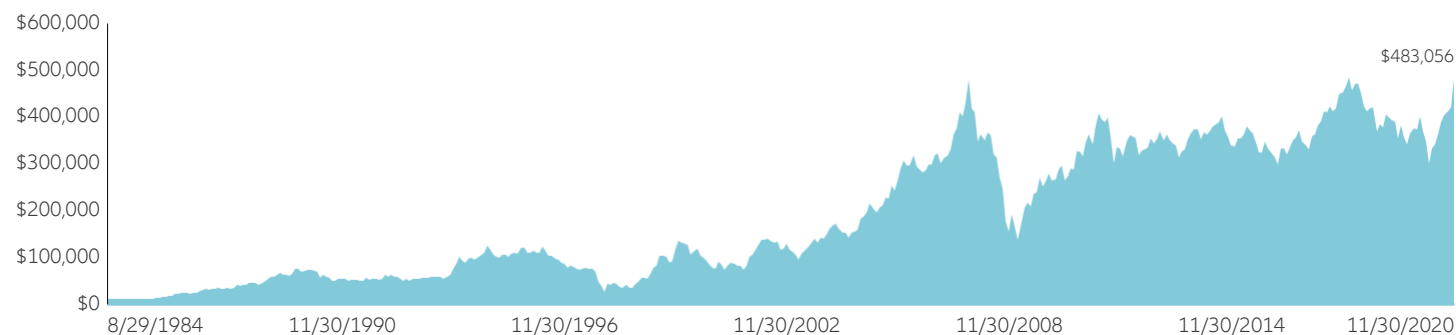
1. MSCI Korea 25/50 Index.

### Distribution History (10 Year)

Declaration Date	Ex-dividend Date	Record Date	Payable Date	Distribution/Share	Income	Long-term Capital Gain	Short-term Capital Gain
12/21/2010	12/29/2010	12/31/2010	1/14/2011	\$0.30000	\$0.30000	—	—
12/20/2011	12/28/2011	12/30/2011	1/20/2012	\$5.45000	—	\$4.50000	\$0.95000
12/18/2015	12/23/2015	12/28/2015	1/15/2016	\$4.35000	—	\$4.35000	—
12/16/2016	12/22/2016	12/27/2016	1/6/2017	\$0.32752	\$0.27655	\$0.05097	—
12/15/2017	12/22/2017	12/26/2017	1/5/2018	\$4.02471	\$0.22579	\$3.79892	—
12/14/2018	12/21/2018	12/24/2018	1/4/2019	\$5.22608	\$0.60784	\$4.61824	—
12/13/2019	12/20/2019	12/23/2019	1/3/2020	\$0.07099	\$0.07099	—	—

Distribution/Share includes Income, Long-term Capital gains and Short-term Capital gains.

### The Korea Fund NAV Performance of \$10,000 since inception (with dividends reinvested at NAV price)



Past performance is not a guide to future returns.

### Index Description

#### MSCI Korea 25/50 Index

The MSCI Korea 25/50 Index is designed to measure the performance of the large and mid cap segments of the Korean market. It applies certain investment limits that are imposed on regulated investment companies, or RICs, under the current US Internal Revenue Code. One requirement of a RIC is that at the end of each quarter of its tax year no more than 25% of the value of the RIC's assets may be invested in a single issuer and the sum of the weights of all issuers representing more than 5% of the fund should not exceed 50% of the fund's total assets. The index covers approximately 85% of the free float-adjusted market capitalization in Korea. The returns assume reinvestment of dividends (net of foreign withholding taxes) but do not reflect any fees or expenses. It is not possible to invest directly in an index.

#### MSCI Korea Total Return Index

The MSCI Korea Total Return Index is a market capitalization-weighted index of equity securities of companies domiciled in Korea. The index is designed to represent the performance of the Korean stock market and excludes certain market segments unavailable to US based investors. The returns assume reinvestment of dividends (net of foreign withholding taxes) but do not reflect any fees or expenses.

It is not possible to invest directly in an index.

Portfolio in Full

Sector	Company (exchange ticker)	Price KRW	Holding	Value US\$	% of Market Value	
<b>Information Technology</b>					<b>37.56</b>	
	SAMSUNG ELECTRONICS CO LTD	005930	66,703.67	845,322	50,956,648	24.55
	SK HYNIX INC	000660	97,507.31	167,133	14,727,477	7.10
	SAMSUNG SDI CO LTD	006400	534,238.69	15,472	7,469,831	3.60
	SAMSUNG ELECTRO-MECHANICS CO LTD	009150	156,122.46	15,493	2,185,898	1.05
	ITM SEMICONDUCTOR CO LTD	084850	52,722.14	41,788	1,991,011	0.96
	LG INNOTEK CO LTD	011070	155,418.97	4,395	617,294	0.30
<b>Materials</b>					<b>13.18</b>	
	LG CHEM LTD	051910	804,020.80	15,024	10,916,460	5.26
	POSCO CO., LIMITED	005490	234,583.60	41,686	8,837,243	4.26
	LG CHEM LTD	051915	357,978.05	10,764	3,482,243	1.68
	KUMHO PETROCHEMICAL CO LTD	011780	139,220.59	16,589	2,087,145	1.01
	OCI CO LTD	010060	69,292.24	16,749	1,048,824	0.51
	KOREA ZINC CO LTD	010130	380,336.73	2,792	959,650	0.46
<b>Communication Services</b>					<b>11.76</b>	
	NAVER CORP	035420	278,583.08	39,637	9,978,941	4.81
	KAKAO CORP	035720	368,788.99	16,882	5,626,403	2.71
	NCSOFT CORP	036570	813,082.86	6,724	4,940,734	2.38
	AFREECATV CO LTD	067160	57,835.89	73,810	3,857,817	1.86
<b>Consumer Discretionary</b>					<b>11.58</b>	
	HYUNDAI MOTOR CO	005380	181,803.83	65,673	10,789,935	5.20
	HYUNDAI MOBIS CO LTD	012330	244,269.62	21,783	4,808,572	2.32
	KIA MOTORS CORP	000270	57,877.28	68,360	3,575,519	1.72
	KANGWON LAND INC	035250	22,450.22	89,595	1,817,747	0.88
	LG ELECTRONICS INC	066570	85,539.50	14,684	1,135,115	0.55
	HOTEL SHILLA CO LTD	008770	79,610.16	13,552	974,992	0.47
	SHINSEGAE INC	004170	230,095.47	4,344	903,289	0.44
<b>Financials</b>					<b>7.04</b>	
	SHINHAN FINANCIAL GROUP CO LTD	055550	32,583.41	138,515	4,078,704	1.97
	KB FINANCIAL GROUP INC	105560	45,744.95	97,876	4,046,209	1.95
	HANA FINANCIAL GROUP INC	086790	33,632.18	92,514	2,811,845	1.35
	KOREA INVESTMENT HOLDINGS CO LTD	071050	74,072.36	35,388	2,368,870	1.14
	SAMSUNG LIFE INSURANCE CO LTD	032830	71,238.33	20,241	1,303,091	0.63
<b>Health Care</b>					<b>6.40</b>	
	CELLTRION INC	068270	340,391.68	23,163	7,125,293	3.43
	HUGEL INC	145020	197,378.69	10,124	1,805,849	0.87
	SAMSUNG BIOLOGICS CO LTD	207940	786,062.09	1,898	1,348,286	0.65
	YUHAN CORP	000100	64,447.91	17,685	1,030,013	0.50
	SK BIOPHARMACEUTICALS CO LTD	A32603	187,162.13	6,073	1,027,189	0.49
	CELLTRION HEALTHCARE CO LTD	091990	122,103.66	8,660	955,599	0.46
<b>Industrials</b>					<b>4.57</b>	
	CJ LOGISTICS CORP	000120	165,998.67	24,235	3,635,604	1.75
	SAMSUNG C&T CORP	028260	120,588.09	18,534	2,019,773	0.97
	KOREA SHIPBUILDING & OFFSHORE ENGINEERING CO LTD	009540	102,983.52	16,350	1,521,649	0.73
	SK HOLDINGS CO LTD	034730	211,289.56	6,939	1,324,963	0.64
	HYUNDAI GLOVIS CO LTD	086280	178,257.21	6,141	989,271	0.48
<b>Consumer Staples</b>					<b>4.35</b>	
	LG HOUSEHOLD & HEALTH CARE LTD	051900	1,512,579.87	5,495	7,511,298	3.62
	E-MART INC	139480	153,873.57	6,380	887,184	0.43
	LG HOUSEHOLD & HEALTH CARE LTD	051905	694,292.49	990	621,164	0.30
<b>Energy</b>					<b>3.25</b>	
	SK INNOVATION CO LTD	096770	173,009.34	43,121	6,741,978	3.25

Source: State Street Bank and Trust Company, IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

Note: Cash (including for these purposes cash equivalents) is not included.

**Important Information:**

Holdings are subject to change daily. The Fund seeks long-term capital appreciation through investment in Korean securities. An investment in the Fund involves risk, including loss of principal. Investing in non-U.S. securities entails increased risks, including political and economic risk and the risk of currency fluctuations, as well as lower liquidity. These risks, which can result in greater price volatility, will generally be enhanced in less diversified funds that concentrate investments in a particular geographic region.

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P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. P/B is a ratio of the current stock price to the book value. This is used to identify undervalued stocks. Beta measures the market related volatility of a portfolio, where the overall market is represented by the MSCI Korea 25/50 Index. The beta of the market is 1 by definition. A beta greater than 1 indicates that a portfolio's market risk is greater than the overall market's, while a beta less than 1 indicates a lower market risk. It is important to note that having a low market risk does not necessarily imply low volatility. A portfolio may have a low beta while experiencing volatility due to factors independent of the market. R-Squared measures the percentage of a portfolio's movements that are explained by movements in the overall market, represented by the MSCI Korea 25/50 Index. The measures of alpha and beta are most relevant when there is a close correlation between the two, as indicated by a high R-Squared value. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

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