

The Korea Fund, Inc. Supplementary Information

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Chris Leung
Senior Portfolio Manager

562741

Value. Shared.

Allianz 
Global Investors

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Performance

Average Annual Returns								
	1 Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Inception
NAV	-5.78%	-10.04%	-9.13%	3.39%	5.19%	6.24%	2.83%	11.70%
NAV (before FVP)*	-5.88%	-9.11%	-9.18%	3.53%	5.19%	6.16%	—	—
Market Price	-5.53%	-6.27%	-7.29%	4.41%	6.02%	7.00%	2.84%	11.07%
MSCI Korea 25/50 Index	-6.33%	-8.97%	-9.10%	3.38%	9.65%	7.26%	4.71%	—
MSCI Korea Total Return Index	-6.69%	-9.15%	-9.61%	3.39%	10.41%	7.50%	4.88%	—
MSCI Korea Price Return Index	-6.93%	-9.39%	-10.25%	1.74%	8.71%	6.07%	3.67%	—
The Korea Stock Price Index	-7.15%	-9.04%	-9.45%	-0.16%	3.92%	5.05%	2.69%	—

Calendar Year Returns								
	2010	2011	2012	2013	2014	2015	2016	2017
NAV	23.71%	-8.71%	17.09%	1.00%	-9.85%	-4.06%	2.64%	40.88%
NAV (before FVP)*	—	—	—	1.62%	-9.13%	-3.87%	2.09%	40.83%
Market Price	24.88%	-7.79%	15.41%	-0.01%	-9.07%	-2.81%	1.08%	41.47%
MSCI Korea 25/50 Index	26.74%	-12.00%	20.72%	4.07%	-10.83%	-6.49%	7.71%	45.17%
MSCI Korea Total Return Index	26.74%	-12.00%	21.18%	3.94%	-11.12%	-6.66%	8.75%	47.30%
MSCI Korea Price Return Index	25.29%	-12.84%	20.16%	3.10%	-12.61%	-7.94%	6.98%	45.51%
The Korea Stock Price Index	25.06%	-12.30%	17.70%	2.17%	-8.56%	-4.02%	0.31%	37.37%

Data as at June 30, 2018

* FVP stands for Fair Value Pricing, available since July 1, 2012.

Past performance is not a guide to future returns.

Returns are annualized, except for periods or 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.

Portfolio Snapshot

Portfolio Snapshot

	Portfolio	Benchmark*
Positions	47	115
Yield (%)	1.86	2.09
P/E (x)	10.96	10.80
P/Book (x)	1.26	1.11
Market cap (Ave.) USD	70.3bn	72.8bn

*MSCI Korea 25-50

All figures shown above are weighted average as of 29 Jun 2018

Sector	Portfolio (%)	Benchmark (%)
Consumer Discretionary	12.1	11.3
Consumer Staples	12.3	7.8
Energy	2.1	2.7
Financials	14.0	13.4
Health Care	3.6	6.9
Industrials	10.5	10.0
Information Technology	35.2	37.5
Materials	7.5	8.3
Telecom Services	0.0	0.8
Utilities	1.0	1.3
Liquidity	1.6	0.0
Total	100.0	100.0

*MSCI Korea 25/50

Price to earnings (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. Price to Book (P/B) is a ratio of the current stock price to the book value. This is used to identify undervalued stocks. Beta measures a portfolio's sensitivity to overall market movements as represented by a benchmark index. The benchmark index, such as the S&P 500 or Barclays U.S. Aggregate Index, has a beta of 1.0. A beta of more or less than 1.0 indicates that a portfolio's historical returns have fluctuated more or less than the overall market. A low beta does not necessarily imply low volatility since volatility can occur due to factors independent of the market. Standard deviation measures the volatility of a security and is derived from the security's historical returns. The higher the standard deviation, the greater the risk.

The information above is provided for illustrative purposes only to demonstrate the fund's/portfolio's investment strategy, it should not be considered a recommendation to purchase or sell any particular security or strategy or investment advice. There is no assurance that any securities discussed herein will remain in the fund/portfolio at the time you receive this document. Past performance is no guarantee of future results.

Source : IDS GmbH – Analysis and Reporting Services

Portfolio Targets

Risk Characteristics	Portfolio	Benchmark
Beta	0.99	1.00
Total volatility	17.33%	17.19%
Expected tracking error	3.07%	
Stock specific risk	86%	
Systematic/Factor risk	14%	

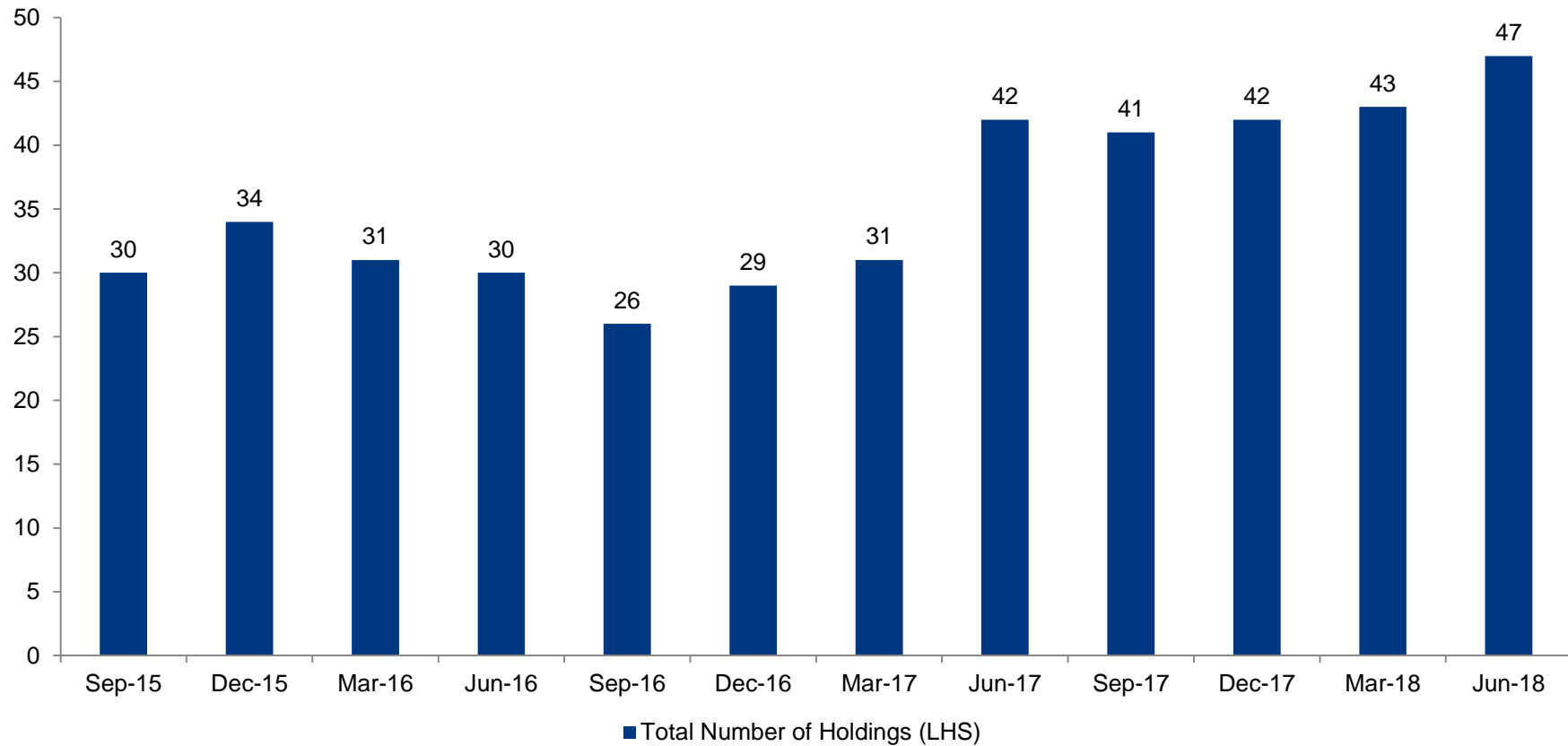
Source: Based on APT World model in USD, 29 Jun 2018

Portfolio Concentration

	Portfolio	Benchmark
Top 5 positions	39%	38%
Top 10 positions	55%	49%
Top 20 positions	78%	63%

Number of holdings

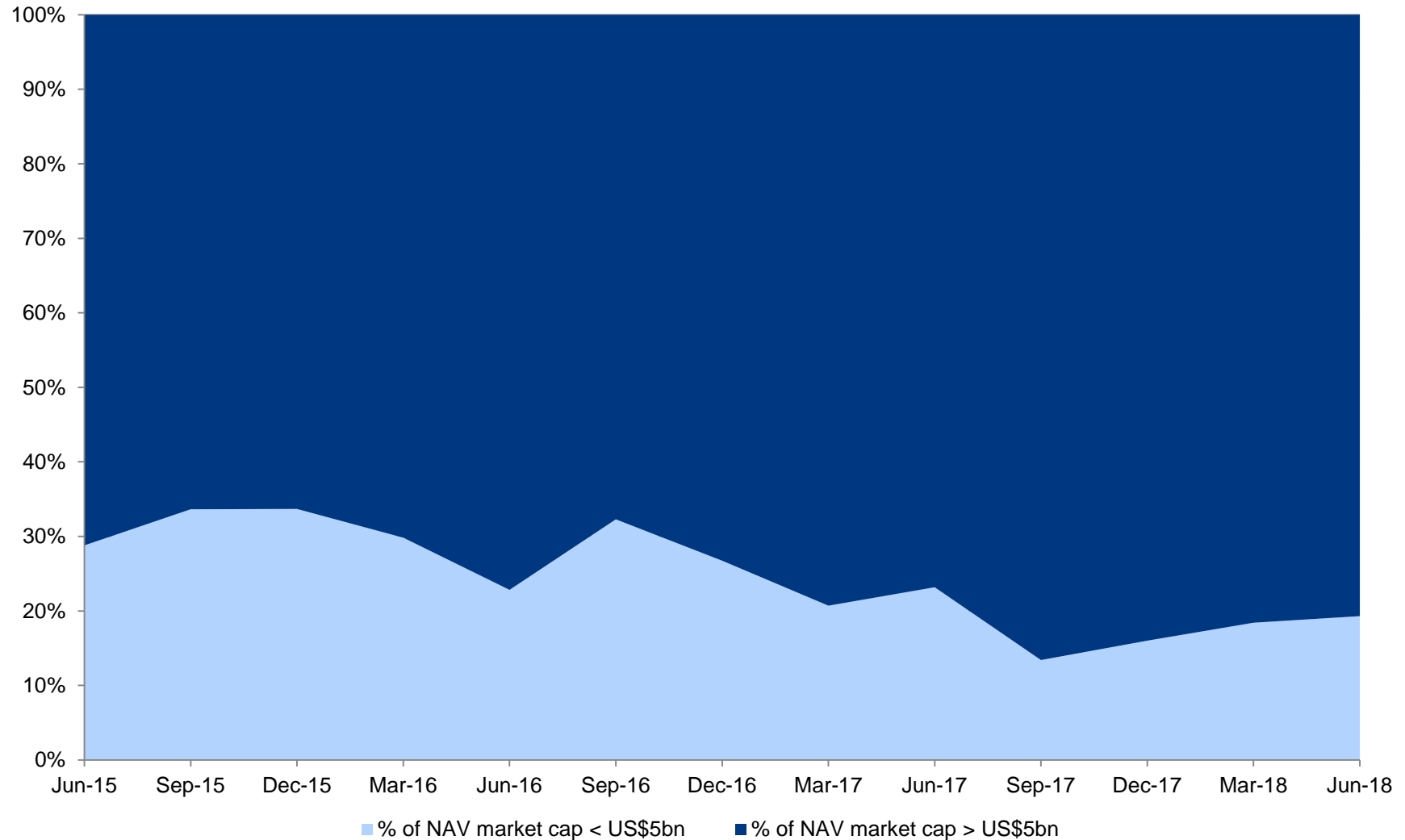
Total Number of Holdings (LHS)



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Source: IDS, Allianz Global Investors, as at June 30, 2018

Fund NAV by market cap



Top 10 Holdings and Non-Benchmark Stocks

June 30, 2018

Top 10 Holdings	Portfolio %*
Samsung Electronics Co	21.1%
Sk Hynix Inc	5.6%
LG Household & Healthcare	4.6%
Samsung Electro-Mechanics	4.0%
Kb Financial Group Inc	3.7%
LG Chemical	3.5%
Shinhan Financial Group	3.4%
Naver Corp	3.3%
E-Mart Co Ltd	3.1%
Posco	3.0%

Top Non-Benchmark Stocks	Portfolio %*
Fila Korea Ltd	2.6%
Daewoo Shipbuilding & Mar	1.7%
Korean Reinsurance Co	1.6%
Hana Tour Service	1.5%
Kakao M Corp	1.3%
Jejuair Co Ltd	0.9%
Modetour Network Inc	0.9%
Jin Air Co Ltd	0.5%
Hite Jinro	0.5%
Kiwoom Securities Co. Ltd	0.5%

Source : Wilshire

* Portfolio weight includes cash.

The top ten holdings are subject to change and the portfolio holdings will vary over time. References to specific securities and their issues are examples of securities held in the portfolio and are not intended to be, and should not be interpreted as an offer, solicitation or recommendation to purchase or sell any financial instrument, an indication that the purchase of such securities was or will be profitable, or representative of the composition or performance of the portfolio.

Top 10 Overweight / Underweight Stocks

June 30, 2018

Top 10 Overweighted Stocks	Active %
Samsung Electro-Mechanical	2.9%
LG Household & Healthcare	2.8%
Fila Korea Ltd	2.6%
E-Mart Co Ltd	2.4%
Pan Ocean Co Ltd	2.0%
Gs Retail Co Ltd	1.9%
Daewoo Shipbuilding & Mar	1.7%
Korean Reinsurance Co	1.6%
Hana Tour Service	1.5%
Hyundai Heavy Industries	1.5%

Top 10 Underweighted Stocks	Active %
Kt&G Corporation	-1.5%
Samsung Sdi	-1.5%
Celltrion Health Care Co	-1.4%
Samsung Electronics Co	-1.4%
Hyundai Mobis	-1.3%
Samsung C&T Corporation	-1.1%
Sk Holdings Co Ltd	-1.0%
Samsung Fire & Marine	-1.0%
Kia Motors Corp	-1.0%
Kakao Corp	-0.7%

Source : Wilshire

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Outlook for Korean Equities

<p>Overall</p>	<ul style="list-style-type: none"> ▪ Trade tensions between the US and China have thus far had limited impact on Korean companies. However if the trade war continues to escalate, Korean exports, especially those with heavy China exposure, may eventually be affected. ▪ As the US and North Korea reached a preliminary agreement on the latter's denuclearization, geopolitical risks concerning the Korean peninsula will likely not be a major issue in the near term.
<p>Economy</p>	<ul style="list-style-type: none"> ▪ Unemployment showed a pick-up in recent months while income gap widened. This may have been caused by the government's policies on minimum wage and maximum working hours. ▪ The weaker job market, combined with rising trade tensions and softening housing market, may have a negative impact on consumption.
<p>Monetary Policy</p>	<ul style="list-style-type: none"> ▪ An interest rate hike does not seem imminent. While the Korean won has depreciated against the US dollar recently, it is not yet at a level that would worry the Bank of Korea.
<p>Corporate Earnings</p>	<ul style="list-style-type: none"> ▪ Earnings picture is mixed. Materials and industrials sectors will likely report weak results for 2Q. Semiconductor remains the bright spot in the technology sector, but mobile phones and selective components could disappoint.
<p>Valuation</p>	<ul style="list-style-type: none"> ▪ Valuation of small-mid cap growth stocks look quite high. Meanwhile, banks and insurance stocks trade at low multiples due to worries about regulatory risks.

Portfolio Strategy

- Positive on consumer staples, banks and selective industrials
- Cautious on auto and materials

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