

KOREA FUND INC  
Form N-Q  
May 17, 2010

OMB APPROVAL  
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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
FORM N-Q  
QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY  
Investment Company Act File Number: 811-04058**

**Registrant Name: The Korea Fund, Inc.**

Address of Principal Executive Offices: 4 Embarcadero Center, 30<sup>th</sup> Floor, San Francisco, CA 94111

Name and Address of Agent for Service: Lawrence G. Altadonna 1345 Avenue of the Americas, New York, New York 10105

Registrant's telephone number, including area code: 212-739-3371

Date of Fiscal Year End: June 30, 2010

Date of Reporting Period: March 31, 2010

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b 1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles. A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget ( OMB ) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-2001. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**Item 1. Schedule of Investments****The Korea Fund, Inc. Schedule of Investments**

March 31, 2010 (unaudited)

| Shares   |   | Value*       |
|--|---|--------------|
| <b>COMMON STOCK 96.9%</b>                      |   |              |
| <b>Auto Components 1.6%</b>                    |   |              |
| 568,040  | Halla Climate Control Corp.                 | \$ 6,826,017 |
| <b>Automobiles 4.6%</b>                        |   |              |
| 120,265  | Hyundai Motor Co.                           | 12,263,769   |
| 317,060  | Kia Motors Corp.                            | 7,070,093    |
|  |   | 19,333,862   |
| <b>Building Products 1.6%</b>                  |   |              |
| 298,061  | Sung Kwang Bend Co., Ltd. (d)               | 6,817,075    |
| <b>Capital Markets 2.2%</b>                    |   |              |
| 779,750  | Hyundai Securities Co.                      | 9,366,764    |
| <b>Chemicals 5.2%</b>                          |   |              |
| 199,238  | Cheil Industries, Inc.                      | 11,253,905   |
| 50,930   | LG Chemical Ltd.                            | 10,823,990   |
|  |   | 22,077,895   |
| <b>Commercial Banks 8.9%</b>                   |   |              |
| 212,381  | Daegu Bank                                  | 2,842,088    |
| 165,877  | KB Financial Group, Inc.                    | 7,988,733    |
| 1,036,583                                      | Korea Exchange Bank                         | 12,358,117   |
| 368,672  | Shinhan Financial Group Co., Ltd.           | 14,531,628   |
|  |   | 37,720,566   |
| <b>Commercial Services &amp; Supplies 1.3%</b> |   |              |
| 121,937  | Korea Plant Service & Engineering Co., Ltd. | 5,511,529    |
| <b>Construction &amp; Engineering 1.4%</b>     |   |              |

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|  |  |            |
|--|--|------------|
| 109,980  | Hyundai Engineering & Construction Co., Ltd. | 6,032,883  |
| <b>Consumer Finance 0.5%</b>                                   |  |            |
| 48,482   | Samsung Card Co.                             | 2,198,965  |
| <b>Diversified Telecommunication Services 1.9%</b>             |  |            |
| 197,293  | KT Corp.                                     | 8,165,986  |
| <b>Electric Utilities 3.2%</b>                                 |  |            |
| 412,420  | Korea Electric Power Corp. (b)               | 13,382,863 |
| <b>Electronic Equipment, Instruments &amp; Components 1.6%</b> |  |            |
| 192,970  | LG Display Co., Ltd.                         | 6,819,027  |
| <b>Food &amp; Staples Retailing 0.8%</b>                       |  |            |
| 7,602  | Shinsegae Co., Ltd.                          | 3,595,920  |
| <b>Food Products 1.4%</b>                                      |  |            |
| 59,474   | Binggrae Co., Ltd.                           | 2,488,925  |
| 17,997   | CJ CheilJedang Corp.                         | 3,578,187  |
|  |  | 6,067,112  |

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**The Korea Fund, Inc. Schedule of Investments**

March 31, 2010 (unaudited)

| Shares  |   | Value*        |
|---|---|---------------|
| <b>Hotels, Restaurants &amp; Leisure 5.9%</b> |   |               |
| 612,600                                       | Grand Korea Leisure Co., Ltd.             | \$ 13,265,014 |
| 592,500                                       | Hotel Shilla Co., Ltd.                    | 11,881,320    |
|   |   | 25,146,334    |
| <b>Household Durables 0.5%</b>                |   |               |
| 19,972  | LG Electronics, Inc. (d)                  | 2,030,267     |
| <b>Industrial Conglomerates 3.5%</b>          |   |               |
| 22,501  | LG Corp.                                  | 1,412,557     |
| 54,343  | Orion Corp.                               | 13,544,324    |
|   |   | 14,956,881    |
| <b>Insurance 2.7%</b>                         |   |               |
| 512,420                                       | Hyundai Marine & Fire Insurance Co., Ltd. | 8,278,483     |
| 19,254  | Samsung Fire & Marine Insurance Co., Ltd. | 3,088,799     |
|   |   | 11,367,282    |
| <b>Internet &amp; Catalog Retail 1.0%</b>     |   |               |
| 479,463                                       | YES24 Co., Ltd. (d)                       | 4,190,444     |
| <b>Internet Software &amp; Services 1.0%</b>  |   |               |
| 26,187  | NHN Corp. (b)                             | 4,169,834     |
| <b>Media 1.7%</b>                             |   |               |
| 343,050                                       | CJ CGV Co., Ltd.                          | 7,218,581     |
| <b>Metals &amp; Mining 6.6%</b>               |   |               |
| 63,980  | Korea Zinc Co., Ltd.                      | 11,411,544    |
| 35,824  | POSCO                                     | 16,743,747    |
|   |   | 28,155,291    |

**Multiline Retail 6.7%**

|         |                                    |            |
|---------|------------------------------------|------------|
| 120,992 | Hyundai Department Store Co., Ltd. | 11,073,254 |
| 60,460  | Lotte Shopping Co., Ltd.           | 17,519,091 |
|         |                                    | 28,592,345 |

**Oil, Gas & Consumable Fuels 1.9%**

|         |                   |           |
|---------|-------------------|-----------|
| 222,190 | GS Holdings Corp. | 7,874,045 |
|---------|-------------------|-----------|

**Personal Products 0.7%**

|       |                    |           |
|-------|--------------------|-----------|
| 3,819 | Amorepacific Corp. | 2,777,884 |
|-------|--------------------|-----------|

**Pharmaceuticals 1.4%**

|        |                                 |           |
|--------|---------------------------------|-----------|
| 59,841 | Dong-A Pharmaceutical Co., Ltd. | 6,108,653 |
|--------|---------------------------------|-----------|

**Semiconductors & Semiconductor Equipment 18.3%**

|         |                                  |            |
|---------|----------------------------------|------------|
| 698,899 | Hynix Semiconductor, Inc. (b)(d) | 16,493,767 |
| 84,657  | Samsung Electronics Co., Ltd.    | 61,206,528 |
|         |                                  | 77,700,295 |

**The Korea Fund, Inc. Schedule of Investments**

March 31, 2010 (unaudited)

| Shares  |   | Value*         |
|---|---|----------------|
| <b>Software 1.1%</b>  |   |                |
| 153,218   | Gamevil, Inc. (b)   | \$ 4,459,468   |
| <b>Trading Companies &amp; Distributors 6.7%</b>              |   |                |
| 286,158   | Daewoo International Corp. (d)                                  | 9,101,167      |
| 230,090   | LG International Corp.  | 6,204,252      |
| 242,390   | Samsung C&T Corp.   | 13,043,004     |
|   |   | 28,348,423     |
| <b>Wireless Telecommunication Services 1.0%</b>               |   |                |
| 27,634  | SK Telecom Co., Ltd.  | 4,244,652      |
|   | Total Common Stock (cost \$267,836,011)                         | 411,257,143    |
| <b>SHORT-TERM INVESTMENT 2.8%</b>                             |   |                |
| <b>Collateral Invested for Securities on Loan (c)(e) 2.8%</b> |   |                |
| 11,945,614  | BNY Institutional Cash Reserves Fund, 0.02% (cost \$11,945,614) | 11,945,614     |
|   | <b>Total Investments</b> (cost \$279,781,625) (a) <b>99.7%</b>  | 423,202,757    |
|   | Other assets less liabilities 0.3%                              | 1,387,697      |
|   | <b>Net Assets 100%</b>  | \$ 424,590,454 |

**Notes to Schedule of Investments:**

- \* Portfolio securities and other financial instruments for which market quotations are readily available are stated at market value. Market value is generally

determined on the basis of last reported sales prices, or if no sales are reported, on the basis of quotes obtained from a quotation reporting system, established market makers, or independent pricing services.

Portfolio securities and other financial instruments for which market quotations are not readily available or for which a development/event occurs that may significantly impact the value of a security, are fair-valued, in good faith, pursuant to procedures established by the Board of Directors, or persons acting at their discretion pursuant to procedures established by the Board of Directors. The Fund's investments are valued daily and the net asset value ( NAV ) is calculated as of the close of regular trading (normally 4:00 p.m. Eastern time) on the New York Stock Exchange ( NYSE ) on each day the NYSE is open for

business using prices supplied by dealer quotations, or by using the last sale price on the exchange that is the primary market for such securities, or the last quoted mean price for those securities for which the over-the-counter market is the primary market or for listed securities in which there were no sales. For Korean equity securities (with rare exceptions), the Fund fair values its securities daily using modeling tools provided by a statistical research service. This service utilizes statistics and programs based on historical performance of markets and other economic data (which may include changes in the value of U.S. securities or security indices). Short-term securities maturing in 60 days or less are valued at amortized cost, if their original term to maturity was 60 days or less, or by amortizing their value on the 61st day prior to maturity, if the



original term to maturity exceeded 60 days.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the NAV of the Fund's shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than U.S. dollar may be affected significantly on a day that the NYSE is closed. The prices used by the Fund to value securities may differ from the value that would be realized if the securities were sold and these differences could be material.

- (a) Securities with an aggregate value of \$373,072,343, representing 87.9% of net assets, were valued utilizing modeling tools provided by a third-party vendor.

- (b) Non-income producing.
  - (c) Security purchased with cash proceeds from securities on loan.
  - (d) All or portion of securities on loan with an aggregate market value of \$11,410,934; cash collateral of \$11,945,614 was received with which the Fund purchased short-term investments.
  - (e) In connection with the Fund's cash collateral investment in BNY Institutional Cash Reserves ( CR ) at September 12, 2008, the Fund may be subject to losses on investments in certain Lehman Brothers securities held in CR.
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**Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants. The three levels of the fair value hierarchy are described below:

Level 1 quoted prices in active markets for identical investments that the Fund has the ability to access

Level 2 valuations based on other significant observable inputs (including quoted prices for similar investments, interest rate prepayment speeds, credit risk, etc.) or quotes from inactive exchanges

Level 3 valuations based on significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

An investment asset's or liability's level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement. The objective of fair value measurement remains the same even when there is a significant decrease in the volume and level of activity for an asset or liability and regardless of the valuation technique used.

The valuation techniques used by the Fund to measure fair value during the nine months ended March 31, 2010 maximized the use of observable inputs and minimized the use of unobservable inputs. When fair-valuing securities, the Fund utilized the estimation of the price that would have prevailed in a liquid market for international equities, given information available at the time of evaluation.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund's policy is to recognize transfers between levels at the end of the reporting period.

A summary of the inputs used at March 31, 2010 in valuing the Fund's assets and liabilities is listed below:

|   | Level 1<br>Quoted Prices | Level 2<br>Other Significant<br>Observable<br>Inputs | Level 3<br>Significant<br>Unobservable<br>Inputs | Value at<br>3/31/10  |
|---|--------------------------|--|--|----------------------|
| <b>Investments in Securities Assets</b> |                          |  |  |                      |
| Common Stock:                           |                          |  |  |                      |
| Food Products                           | \$ 2,488,925             | \$ 3,578,187   |  | \$ 6,067,112         |
| Hotels, Restaurants & Leisure           | 13,265,014               | 11,881,320   |  | 25,146,334           |
| Industrial Conglomerates                | 13,544,324               | 1,412,557  |  | 14,956,881           |
| Personal Products                       | 2,777,884                |  |  | 2,777,884            |
| Pharmaceuticals                         | 6,108,653                |  |  | 6,108,653            |
| All Other                               |                          | 356,200,279  |  | 356,200,279          |
| Short-Term Investment                   |                          | 11,945,614   |  | 11,945,614           |
| <b>Total Investments</b>                | <b>\$38,184,800</b>      | <b>\$385,017,957</b>                                 |  | <b>\$423,202,757</b> |

There were no significant transfers into and out of Levels 1 and 2 during the nine months ended March 31, 2010.

**Item 2. Controls and Procedures**

(a) The registrant's President & Chief Executive Officer and Treasurer, Principal Financial & Accounting Officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))), are effective based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of this document.

(b) There were no significant changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3 (d) under the Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits**

(a) Exhibit 99.302 Cert. Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: The Korea Fund, Inc.

By: /s/ Robert Goldstein  
Robert Goldstein  
President & Chief Executive Officer

Date: May 17, 2010

By: /s/ Brian S. Shlissel  
Brian S. Shlissel  
Treasurer, Principal Financial &  
Accounting Officer

Date: May 17, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Robert Goldstein  
Robert Goldstein  
President & Chief Executive Officer

Date: May 17, 2010

By: /s/ Brian S. Shlissel  
Brian S. Shlissel  
Treasurer, Principal Financial &  
Accounting Officer

Date: May 17, 2010