

KOREA FUND INC  
Form N-Q  
May 23, 2011

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: 555 Mission Street, Suite 1700, San Francisco, CA 94105

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, 2011

Date of Reporting Period: March 31, 2011

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 30b1-5 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 respond 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.

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

March 31, 2011 (unaudited)

Shares		Value*
<b>COMMON STOCK 97.9%</b>		
<b>Auto Components 1.0%</b>		
18,880	Hyundai Mobis	\$ 5,629,060
<b>Automobiles 10.3%</b>		
150,275	Hyundai Motor Co.	27,772,940
452,220	Kia Motors Corp.	28,418,802
		56,191,742
<b>Capital Markets 1.0%</b>		
275,320	Daewoo Securities Co., Ltd.	5,613,655
<b>Chemicals 14.1%</b>		
56,210	Honam Petrochemical Corp.	19,825,787
54,630	LG Chemical Ltd.	22,857,775
47,210	OCI Co., Ltd.	21,230,469
279,030	SKC Co., Ltd.	13,140,287
		77,054,318
<b>Commercial Banks 7.8%</b>		
293,931	Daegu Bank Ltd.	4,822,309
390,417	KB Financial Group, Inc.	20,422,849
377,362	Shinhan Financial Group Co., Ltd.	17,129,531
		42,374,689
<b>Construction &amp; Engineering 1.5%</b>		
58,170	Hyundai Engineering & Construction Co., Ltd.	4,194,845
20,750	Samsung Engineering Co., Ltd.	3,951,213
		8,146,058
<b>Diversified Telecommunication Services 0.9%</b>		

145,478	KT Corp.	5,158,904
<b>Electric Utilities 0.8%</b>		
176,720	Korea Electric Power Corp. (b)	4,328,735
<b>Electronic Equipment, Instruments &amp; Components 2.3%</b>		
146,099	Interflex Co., Ltd.	4,205,278
54,430	Samsung SDI Co., Ltd.	8,325,381
		12,530,659
<b>Food Products 0.5%</b>		
1,965	Lotte Confectionery Co., Ltd.	2,685,398
<b>Hotels, Restaurants &amp; Leisure 2.7%</b>		
386,470	Hotel Shilla Co., Ltd. (d)	8,994,123
192,077	Modetour Network, Inc.	6,046,870
		15,040,993
<b>Household Durables 3.3%</b>		
187,340	LG Electronics, Inc. (d)	17,913,723

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

March 31, 2011 (unaudited)

Shares		Value*
<b>Household Products 2.4%</b>		
34,670	LG Household & Health Care Ltd. (d)	\$ 13,005,793
<b>Industrial Conglomerates 2.5%</b>		
180,927	LG Corp.	13,473,544
<b>Insurance 5.9%</b>		
63,464	Samsung Fire & Marine Insurance Co., Ltd.	14,020,610
192,843	Samsung Life Insurance Co., Ltd.	18,076,270
		32,096,880
<b>Internet &amp; Catalog Retail 2.0%</b>		
100,311	Hyundai Home Shopping Network Corp.	11,100,769
<b>Machinery 6.3%</b>		
187,080	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	5,801,625
60,240	Hyundai Heavy Industries Co., Ltd.	28,407,324
		34,208,949
<b>Metals &amp; Mining 6.2%</b>		
93,040	Hyundai Steel Co.	11,860,130
20,420	Korea Zinc Co., Ltd. (d)	7,425,829
32,104	POSCO	14,730,078
		34,016,037
<b>Multiline Retail 1.9%</b>		
408,740	Hyundai Greenfood Co., Ltd.	4,542,448
14,500	Lotte Shopping Co., Ltd.	5,936,814
		10,479,262
<b>Oil, Gas &amp; Consumable Fuels 2.4%</b>		

151,863	GS Holdings	12,927,040
<b>Pharmaceuticals 0.8%</b>		
40,685	Dong-A Pharmaceutical Co., Ltd. (d)	4,154,751
<b>Semiconductors &amp; Semiconductor Equipment 14.3%</b>		
260,312	Duksan Hi-Metal Co., Ltd. (b)	5,990,476
76,907	Samsung Electronics Co., Ltd.	65,214,440
194,380	Silicon Works Co., Ltd.	6,713,942
		77,918,858
<b>Software 3.1%</b>		
74,026	Gamevil, Inc. (b)	1,787,577
335,493	Neowiz Games Corp. (b)	15,376,528
		17,164,105
<b>Textiles, Apparel &amp; Luxury Goods 1.3%</b>		
100,078	Fila Korea Ltd.	6,913,496
<b>Tobacco 1.4%</b>		
142,800	KT&G Corp.	7,428,754

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

March 31, 2011 (unaudited)

Shares		Value*
<b>Trading Companies &amp; Distributors 0.4%</b>		
41,370	Samsung C&T Corp.	\$ 2,705,041
<b>Wireless Telecommunication Services 0.8%</b>		
27,634	SK Telecom Co., Ltd.	4,113,631
	Total Common Stock (cost \$346,160,969)	534,374,844
<b>SHORT-TERM INVESTMENTS 4.8%</b>		
<b>Collateral Invested for Securities on Loan (c)(e) 4.7%</b>		
25,543,965	BNY Institutional Cash Reserves Fund, 0.154% (cost \$25,543,965)	25,543,965
Principal Amount (000s)		
<b>Time Deposits 0.1%</b>		
HKD 45	Brown Brothers Harriman & Co. Grand Cayman, 0.005%, 4/1/11	5,836
¥ 965	0.005%, 4/1/11	11,606
£ 16	0.117%, 4/1/11	25,908
46	Citibank London, 0.11%, 4/1/11	65,492
\$ 328	HSBC Bank Grand Cayman, 0.03%, 4/1/11	328,191
	Total Time Deposits (cost \$438,120)	437,033
	Total Short-Term Investments (cost \$25,982,085)	25,980,998
	<b>Total Investments</b> (cost \$372,143,054) (a)(f) <b>102.7%</b>	560,355,842
	Liabilities in excess of other assets (2.7)%	(14,684,528)
	<b>Net Assets 100%</b>	\$ 545,671,314

**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 foreign equity securities (with certain exceptions, if any), 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.

- (a) Securities with an aggregate value of \$521,369,051, representing 95.5% of net assets, were valued utilizing modeling tools provided by a third-party vendor.
- (b) Non-income producing.
- (c) Purchased with cash proceeds from securities on loan.
- (d) All or portion of securities on loan with an aggregate market value of \$24,716,304; cash collateral of \$25,543,965 was received with which the Fund purchased short-term investments.
- (e) In connection with the Fund's cash collateral investment in BNY Intuition Cash Reserves (CR) at September 12, 2008, the Fund may be subject to losses on investments in certain Lehman Brothers securities held in CR.
- (f) At March 31, 2011, the cost basis of portfolio securities for federal income tax purposes was \$372,179,260. Aggregate gross unrealized appreciation for securities in which there was an excess value over tax cost was \$190,829,645; aggregate gross unrealized depreciation for securities in which there was an excess of tax cost over value was \$2,653,063; and net unrealized appreciation for federal income tax purposes was \$188,176,582. The difference between book and tax cost was attributable to wash sales.

**Glossary:**

£ British Pound

Euro

HKD Hong Kong Dollar

¥ Japanese Yen





**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 rates, 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, 2011 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 a foreign equity given information available at 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 following are certain inputs and techniques that the Fund generally uses to evaluate how to classify each major category of assets and liabilities for level 2 and level 3, in accordance with Generally Accepted Accounting Principles.

**Equity Securities (Common and Preferred Stock)** Equity securities traded in inactive markets and certain foreign equity securities are valued using inputs which include broker-dealer quotes, recently executed transactions adjusted for changes in the benchmark index, or evaluated price quotes received from independent pricing services that take into account the integrity of the market sector and issuer, the individual characteristics of the security, and information received from broker-dealers and other market sources pertaining to the issuer or security. To the extent that these inputs are observable, the values of equity securities are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

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, 2011 in valuing the Fund's assets and liabilities is listed below:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at 3/31/11
<b>Investments in Securities</b>				
<b>Assets</b>				
Common Stock:				
Household Products	\$ 13,005,793			\$ 13,005,793
All Other		\$ 521,369,051		521,369,051
Short-Term Investments		25,980,998		25,980,998
<b>Total Investments</b>	\$ 13,005,793	\$ 547,350,049		\$ 560,355,842

There were no significant transfers between Levels 1 and 2 during the nine months ended March 31, 2011.

**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 23, 2011

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

Date: May 23, 2011

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 23, 2011

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

Date: May 23, 2011