

# Korea Equity Fund, Inc.

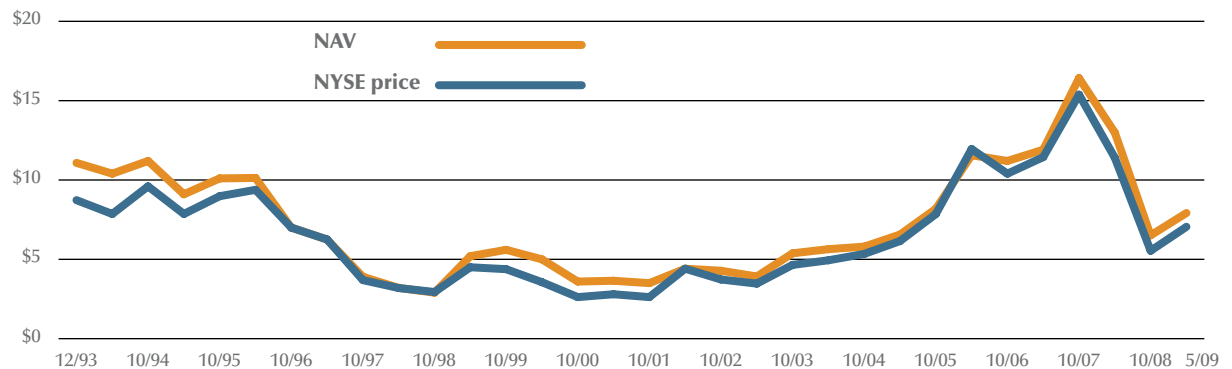
as of 05/31/09

## Fund Objective

**Korea Equity Fund, Inc. ("KEF" or the "Fund")** seeks long-term capital appreciation through investments primarily in equity securities of Korean companies. Under normal circumstances, the Fund will invest at least 80% of its total assets in such securities. KEF is a non-diversified, closed-end management investment company listed on the New York Stock Exchange and the Osaka Securities

Exchange. Nomura Asset Management U.S.A. Inc. has served as the Fund's Manager since the Fund's inception in 1993. Nomura Asset Management Co., Ltd. has served as the Fund's Investment Advisor since the Fund's inception. The Manager and Investment Advisor are subsidiaries of Nomura Holdings, Inc. and affiliates of Nomura Securities Co., Ltd., Tokyo, Japan.

## Net Asset Value Since Inception (December 3, 1993) vs. NYSE Closing Price

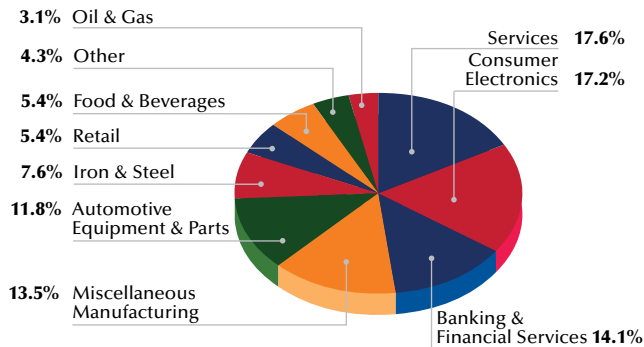


## Fund Facts

- **Net Assets:**  
\$88,767,326
- **Net Asset Value:**  
\$7.92
- **NYSE Close:**  
\$7.05
- **Premium/Discount:**  
-10.98%
- **NYSE Ticker Symbol:**  
KEF
- **Equity Portfolio Holdings:**  
51
- **Cusip:**  
50063B104
- **Inception Date:**  
12/3/93
- **Automatic Reinvestment Option**

## Sector Weightings

As of 05/31/09. Sector weightings may vary over time.



## Top Ten Holdings

As of 05/31/09. Holdings may vary over time.

	Percentage of Net Assets
Samsung Electronics Co., Ltd.	11.9%
POSCO	7.6
Hyundai Mobis	7.4
Shinhan Financial Group Co., Ltd.	4.5
Hyundai Motor Company	4.4
LG Electronics Inc.	4.3
NHN Corp.	4.1
Samsung Engineering Co., Ltd.	3.8
KT&G Corporation	3.6
LG Corp.	2.8

## Performance Overview

Period ending 05/31/09

	Calendar YTD <sup>1</sup>	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception <sup>1</sup>
<b>KEF NAV<sup>2</sup></b>	21.5%	-38.0%	-9.6%	7.1%	4.7%	-1.9%
<b>KEF NYSE Price<sup>3</sup></b>	23.9%	-39.5%	-13.2%	7.5%	5.4%	-3.0%
<b>KOSPI<sup>4</sup></b>	22.8%	-39.3%	-7.8%	9.6%	5.8%	0.6%

<sup>1</sup>Inception date: December 3, 1993. <sup>2</sup>Based on NAV price, adjusted for reinvestment of income dividends and capital gain distributions. <sup>3</sup>Based on New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions. KEF's performance does not represent sales commissions. <sup>4</sup>Korea Composite Stock Price Index ("KOSPI") in U.S. dollars.

Performance in excess of one year is annualized.

Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P.

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## Manager's Commentary

The KOSPI increased by 1.94% in May, mainly supported by foreign investors, while local institutions remained cautious net sellers of stocks. Financials, Automobiles, Steel, and Construction sectors led the rally; while the Telecommunications, Machinery, and Utilities sectors underperformed. The South Korean Won ("won") started to stabilize around the 1,250 level, and is likely to remain steady in the medium term as the government has sufficient reserves to provide stability.

The Bank of Korea maintained its key interest rate at 2% for the third consecutive month given that the pace of the economic slowdown has moderated. A recent assessment of liquidity reached the conclusion that the risk of escalating inflationary pressure or asset bubbles would not trigger any serious side effects. South Korea's trade surplus continued to increase for a third month. Exports and imports declined by -19.0% and -35.6% (yoy), respectively.

The government continues to pursue economic stimulus policies and has recently set aside a 20.2 trillion won fund for corporate restructuring. Part of this will be used to acquire 4.7 trillion won of financial institutions' non-performing loans from project financings and 1 trillion won worth of ships from struggling shipping companies. The ban on short selling would also be partially lifted on June 1, 2009, as the Seoul bourse shows clear signs of stabilizing.

This recent sharp rally seems to reflect growing confidence that the economy is finding a bottom and expectations that corporate earnings are improving faster than anticipated. The government is becoming more cautious about the ample liquidity in the stock market. As such, it is now important to focus on monitoring event-driven news, which could determine whether the rally is sustainable or a correction is due.

## Fund Information by Calendar Year\*

	KEF Performance**	KOSPI Performance***	NAV At Period End	NYSE Closing Price At Period End	Income Dividend	Capital Gain Distributions	Net Assets (\$ millions)
1994 <sup>†</sup>	-39.1%	21.4%	\$9.81	\$8.75	—	\$0.28	\$87.7
1995	-4.3%	-12.4%	\$9.06	\$8.38	\$0.02	—	\$76.3
1996	-26.9%	-32.3%	\$6.07	\$6.13	—	—	\$51.0
1997	-52.1%	-71.2%	\$2.05	\$2.94	—	—	\$17.3
1998	17.0%	110.7%	\$3.86	\$3.44	—	—	\$32.5
1999	41.8%	94.0%	\$6.88	\$4.88	—	—	\$57.9
2000	-50.0%	-56.1%	\$3.13	\$2.44	—	—	\$26.3
2001	37.4%	32.9%	\$4.12	\$3.35	—	—	\$34.6
2002	8.1%	-0.2%	\$4.20	\$3.62	—	—	\$35.4
2003	37.6%	28.5%	\$5.72	\$4.98	—	—	\$48.1
2004	23.5%	27.3%	\$6.56	\$6.15	—	—	\$55.2
2005	50.9%	57.6%	\$10.28	\$9.28	—	—	\$86.5
2006	23.3%	13.1%	\$11.91	\$11.44	—	—	\$100.2
2007	14.5%	31.4%	\$14.57	\$13.10	—	—	\$163.3
2008	-55.1%	-56.1%	\$6.52	\$5.69	—	—	\$73.2
5/09	23.9%	22.8%	\$7.92	\$7.05	—	—	\$88.8

\*Sources: Nomura Asset Management U.S.A. Inc. and Bloomberg L.P. \*\*Based on New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions. KEF's performance does not

reflect sales commissions. \*\*\*Korea Composite Stock Price Index in U.S. dollars. <sup>†</sup>The Fund's inception date was December 3, 1993.

## Additional Information

Comparisons between changes in the Fund's net asset value per share and changes in the Korea Composite Stock Price Index should be considered in light of the Fund's investment policy and objective, the characteristics and quality of the Fund's investments, the size of the Fund, and variations in the Korean won/U.S. dollar exchange rate.

This report is for informational purposes only. The financial information is taken from the records of the Fund without examination by independent accountants who do not express an opinion thereon.

It is not a prospectus, circular or representation intended for use in the sale of shares of the Fund or of any securities mentioned in this report. Past performance is not indicative of future results. Current performance may be lower or higher than the performance presented. Investment products offered are not FDIC insured, may lose value, and are not bank guaranteed. The Korea Composite Stock Price Index is a market capitalization-weighted index. The index was developed with a base value of 100 as of January 4, 1980.

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