

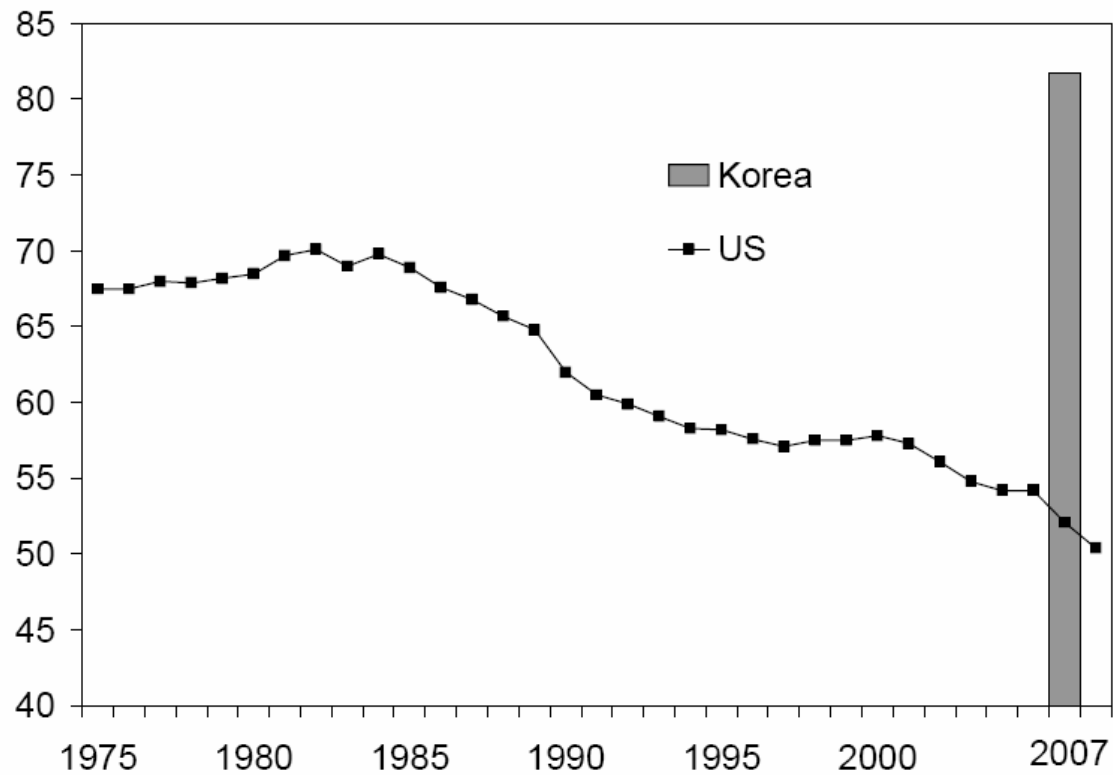
KOREA INTERNATIONAL INVESTMENT FUNDS

**Board of Directors Meeting
March 26, 2008**

Korean households hold far more home equity than US households.

Exhibit 10: Korean households hold far more home equity than US households

Household home equity ratios: Korea versus US

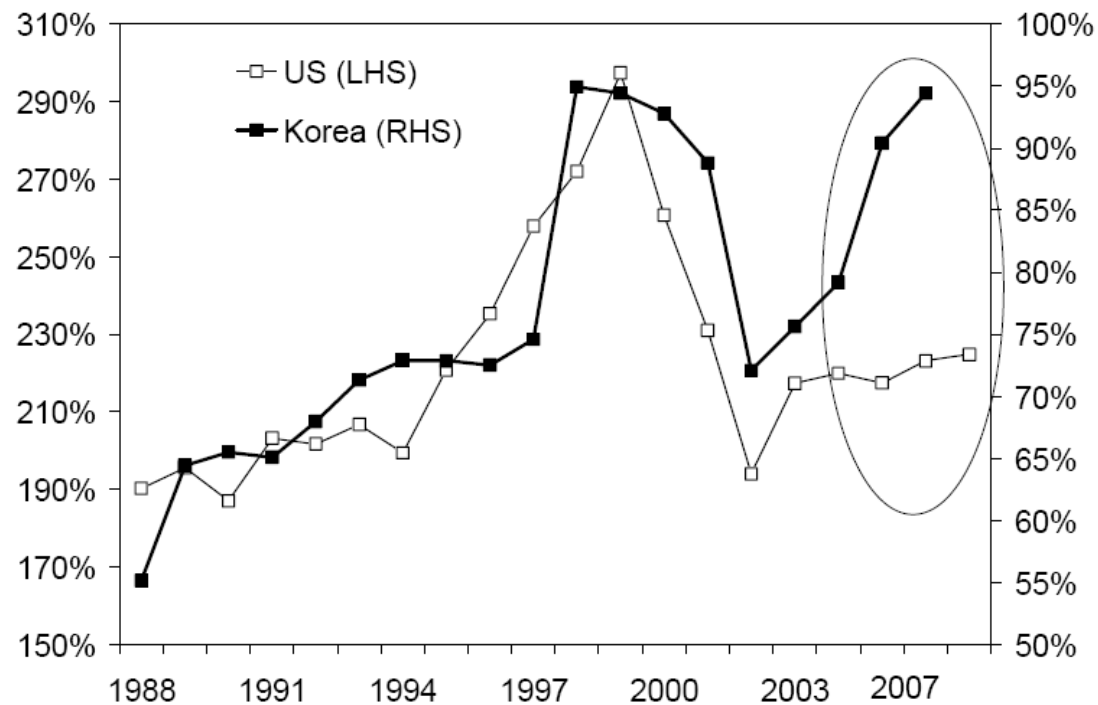


Source: National Statistical Office, GS Economic Research.

Net worth of Korean households has increased even excluding real estate.

Exhibit 7: Net worth of Korean households has increased even excluding real estates

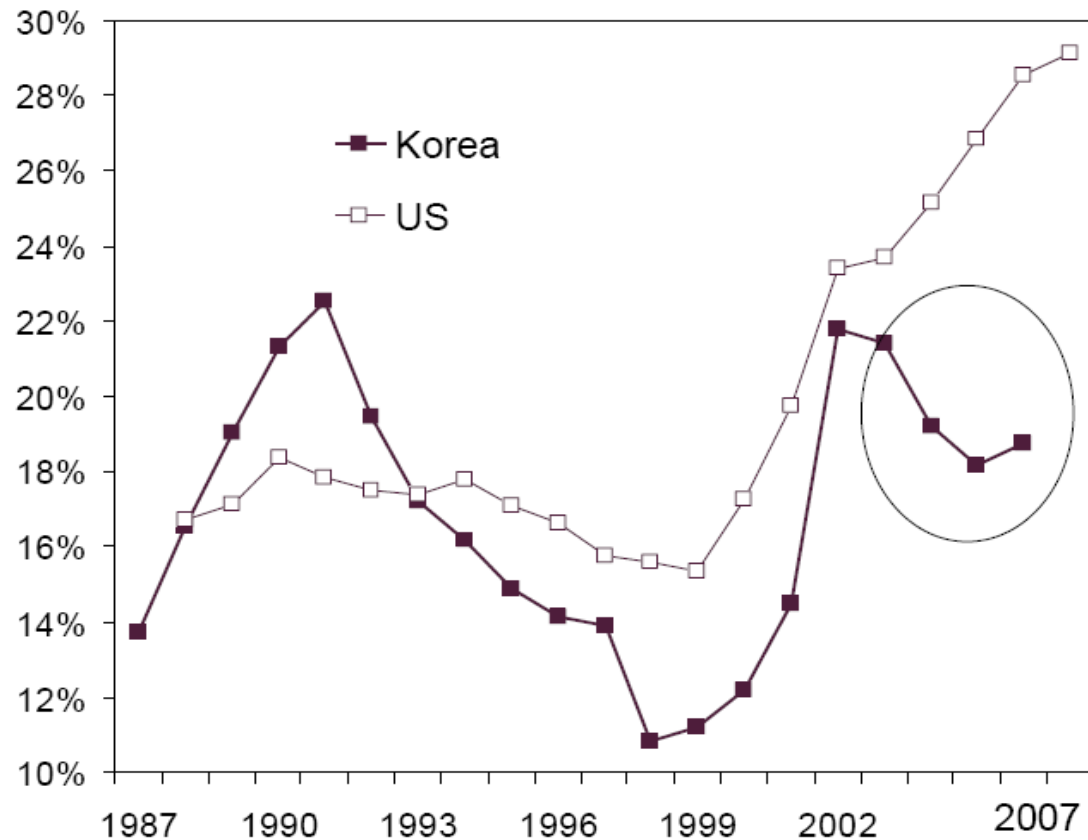
**Net financial assets (in percent of GDP):
Korea versus US**



Source: CEIC, Goldman Sachs Economic Research.

Household leverage ratio rationalizing trend.

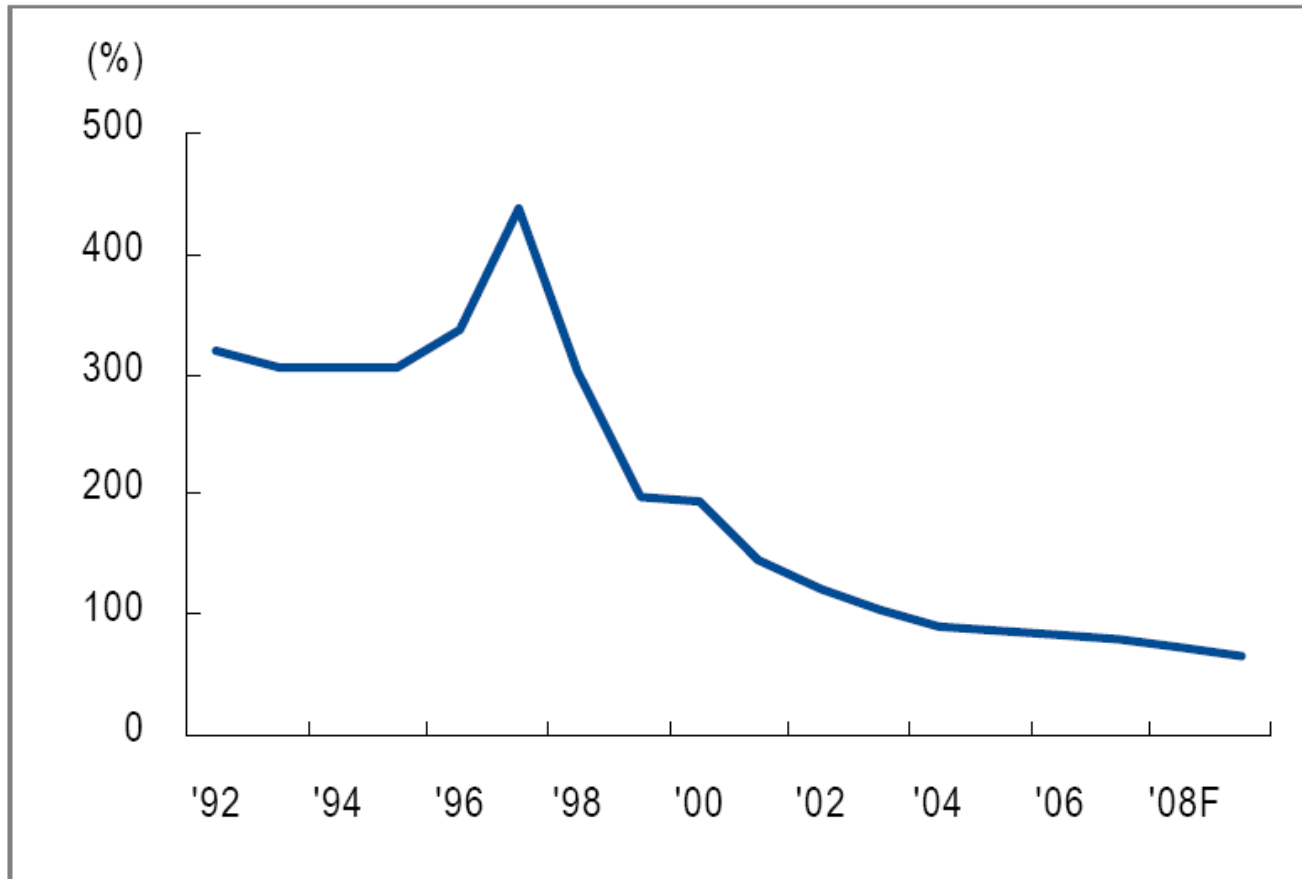
Household leverage ratios, adjusted for housing price changes (1990 prices)



Source: S&P, CEIC, Goldman Sachs Economic Research

This mirrors a trend in the corporate sector.

Average debt-to-equity ratio of listed companies

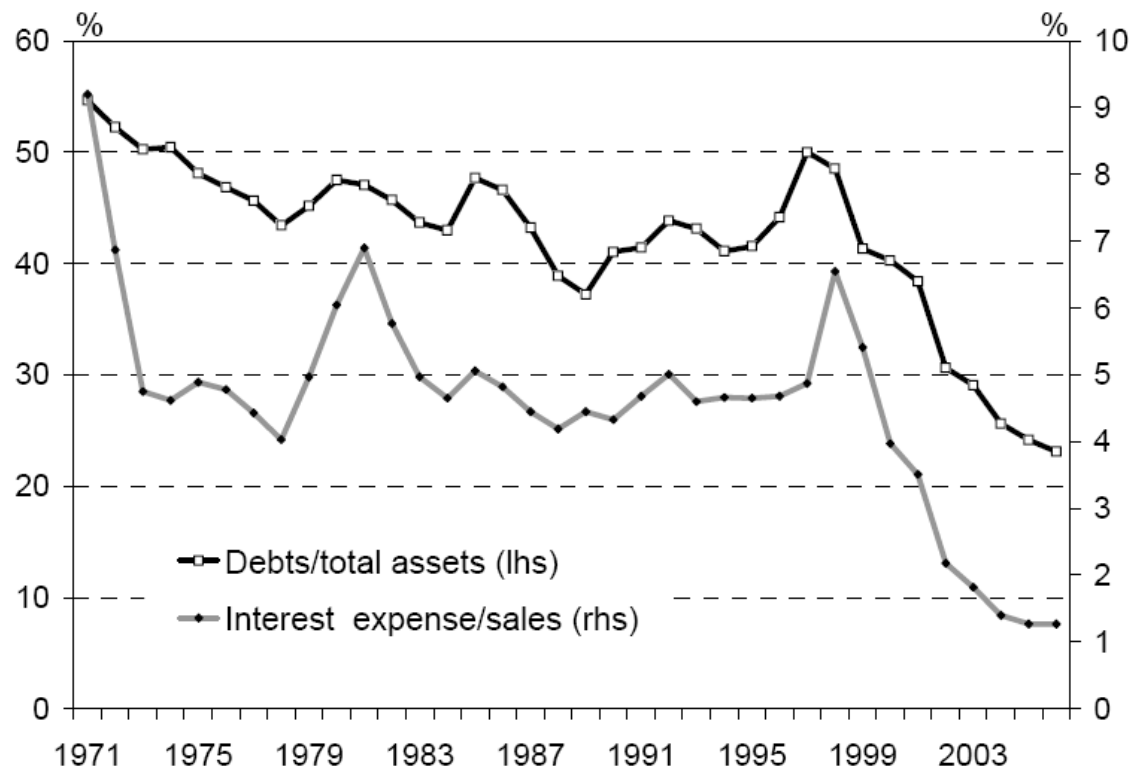


Source: FnGuide

This also applies relative to assets and to interest costs.

Exhibit 14: Korea companies have very low debt and small interest expenses

Debt to asset, and interest expense to sales ratio

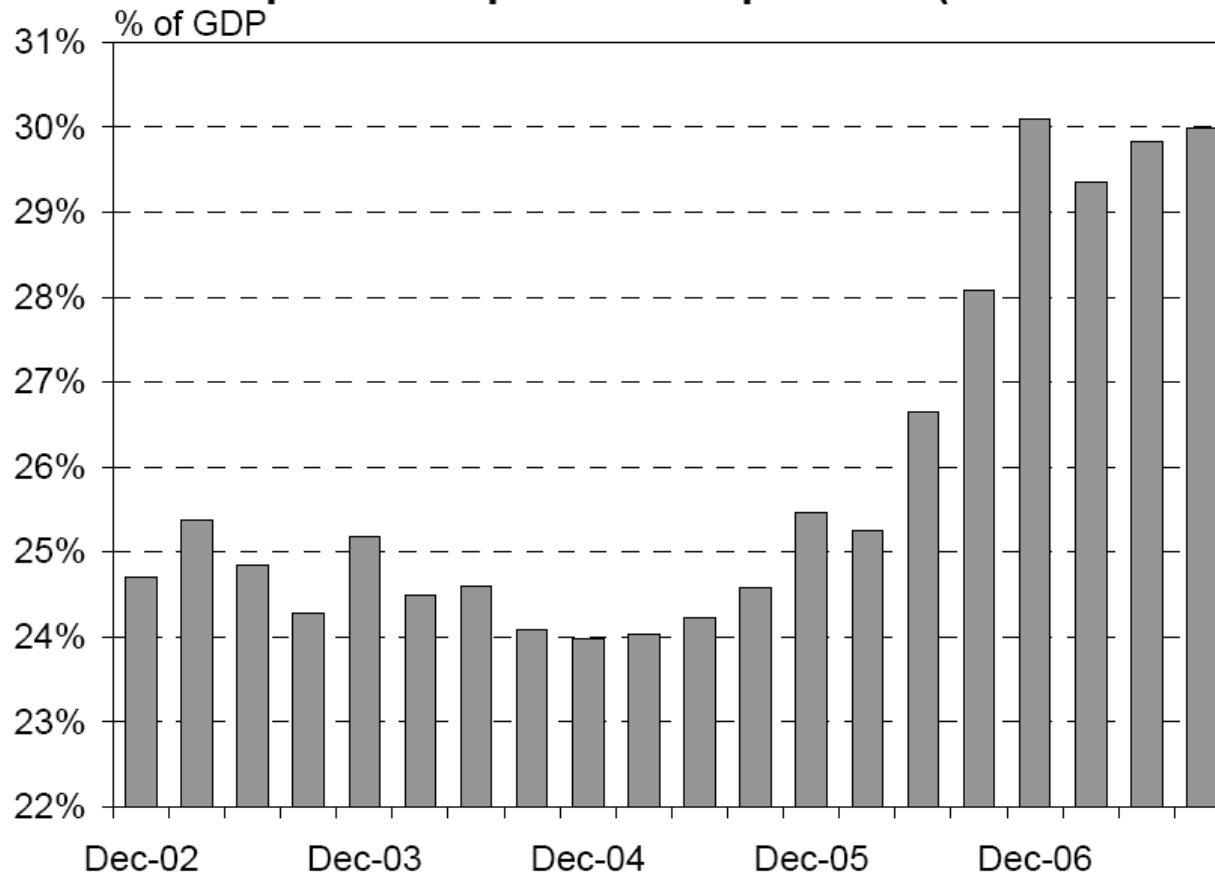


Source: CEIC, Goldman Sachs Economic Research.

The result is that companies are flush with cash.

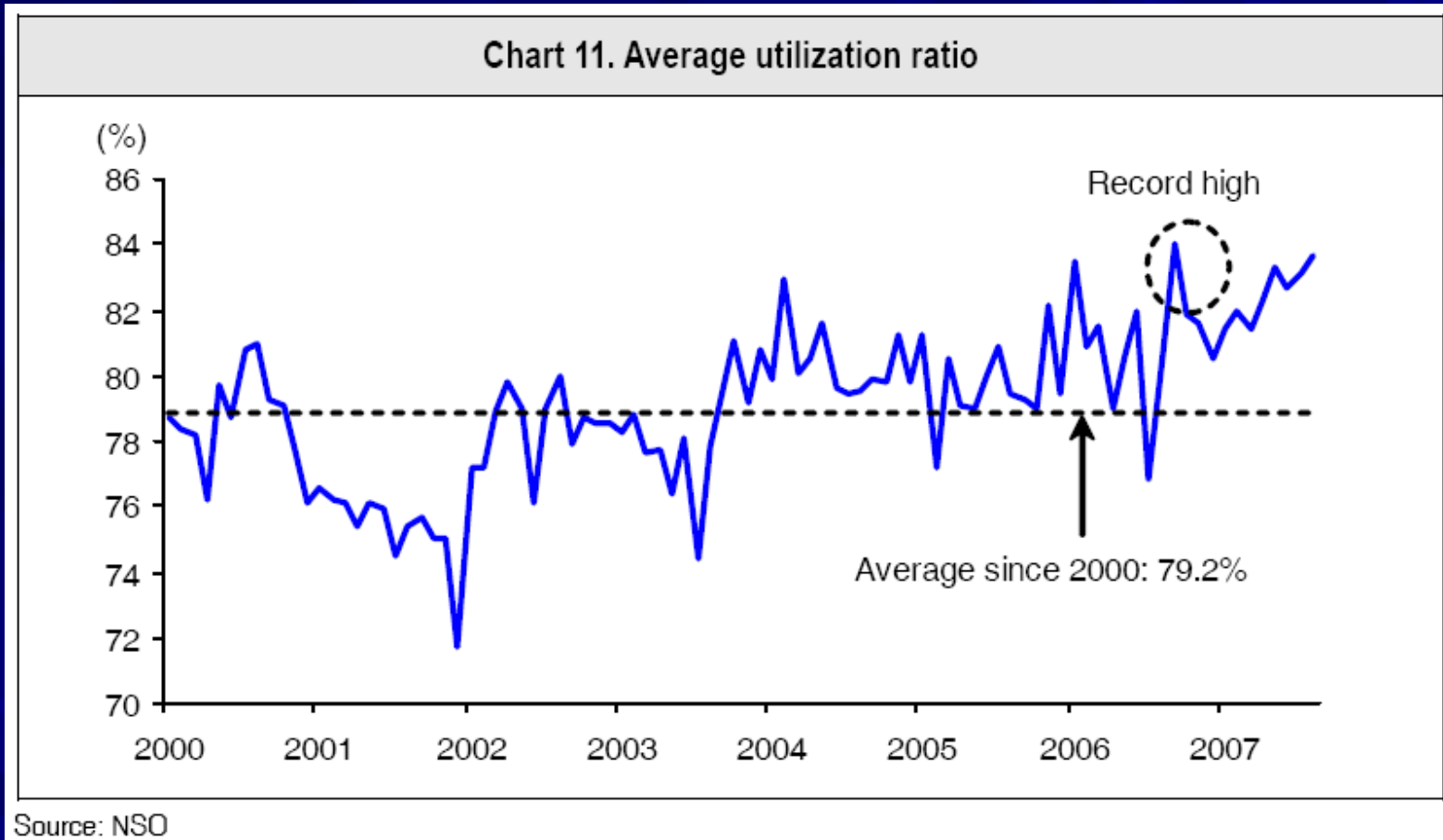
Exhibit 13: Companies are flush with cash

Cash & deposits of private corporates (in % of GDP)

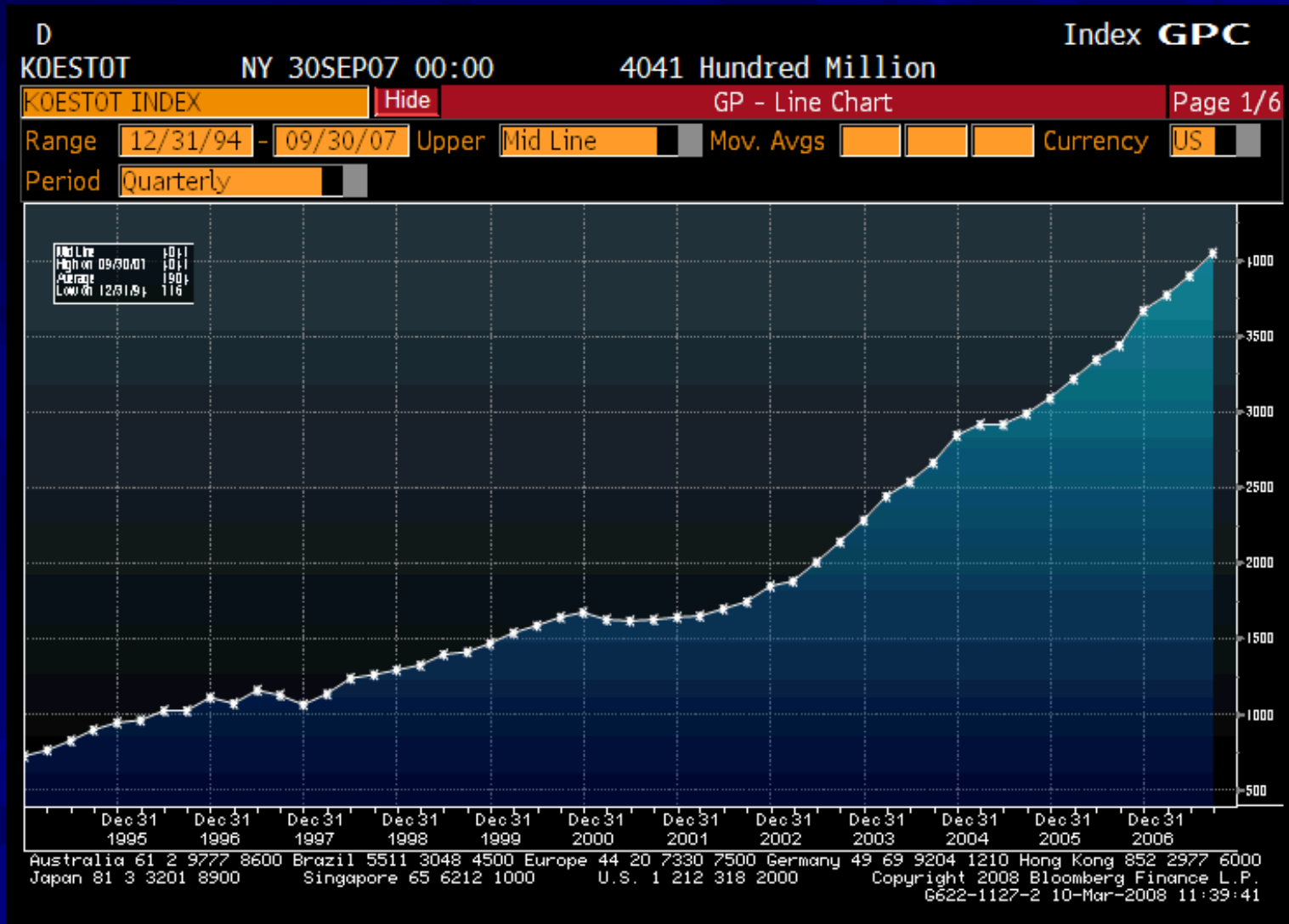


Source: CEIC, Goldman Sachs Economic Research.

The average utilization ratio is now at a record high.



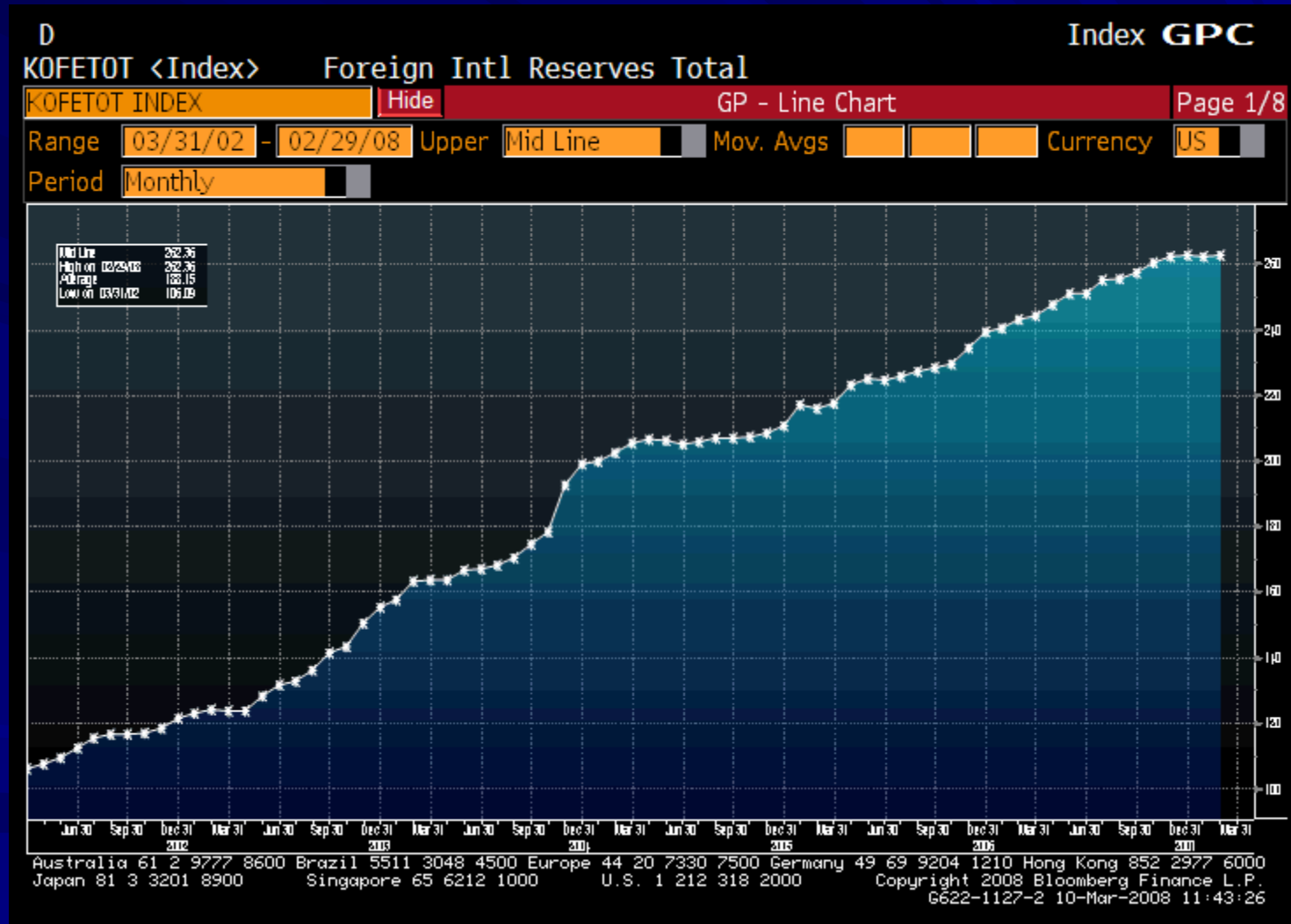
External assets rise unabated, as Korean companies expand worldwide.



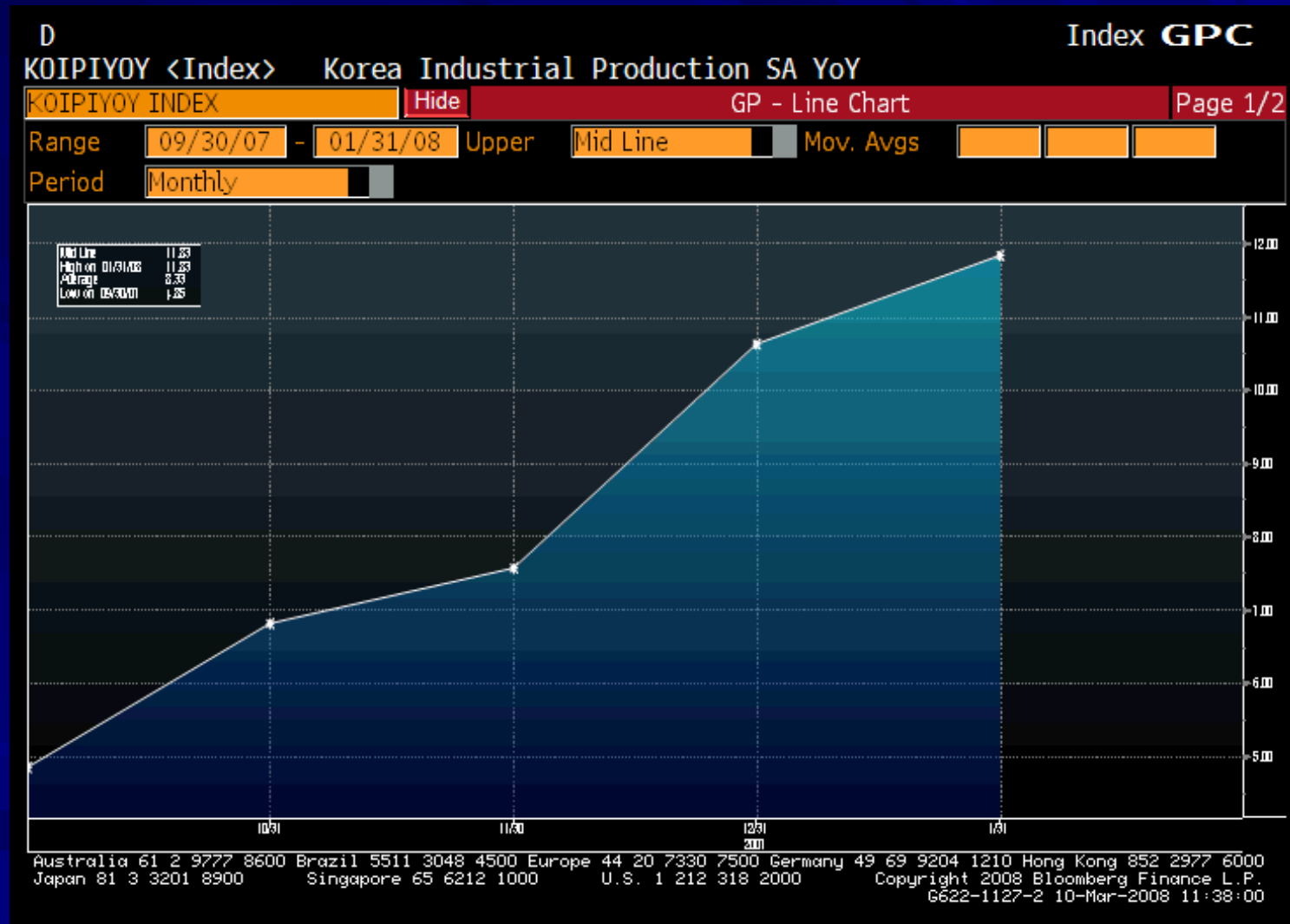
While external liabilities are falling.



And foreign reserves remain 4th largest in the world, over \$260 billion.



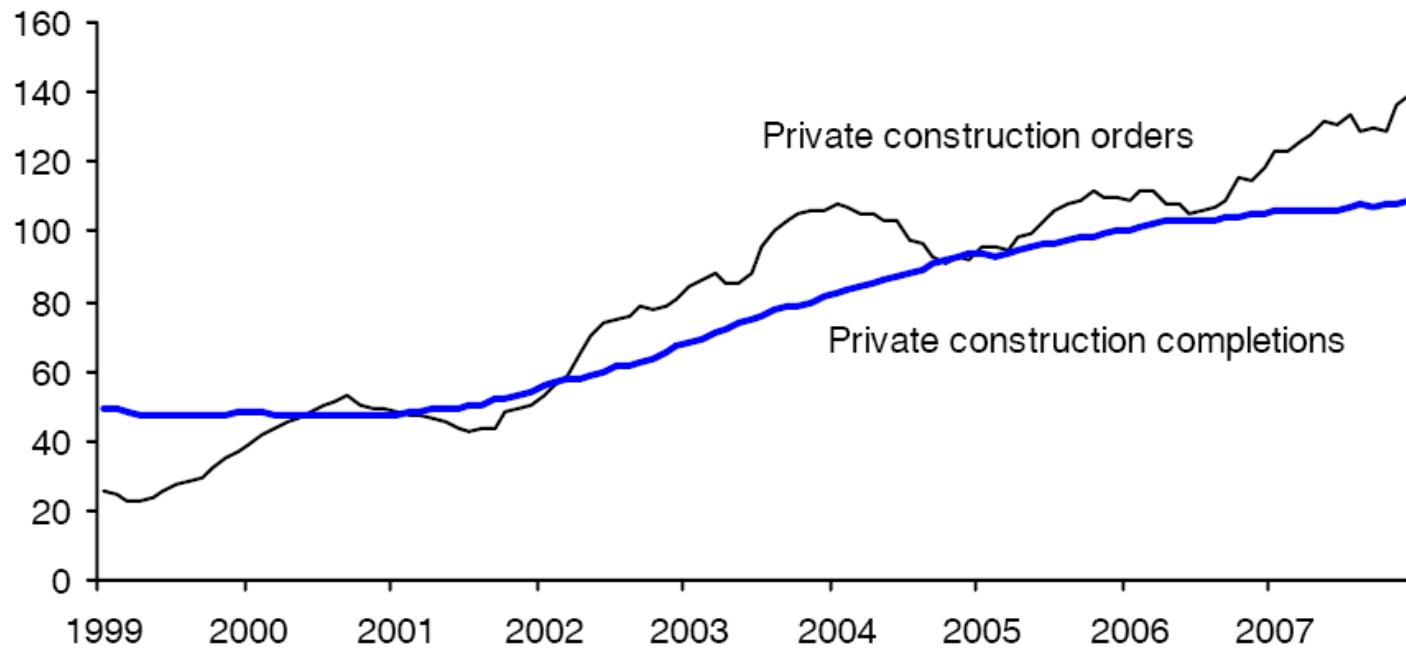
The domestic economy and China are driving Industrial Production.



With private construction leading the way.

Chart 9. Private construction investment growth

(Wt, 12-mo moving sum)



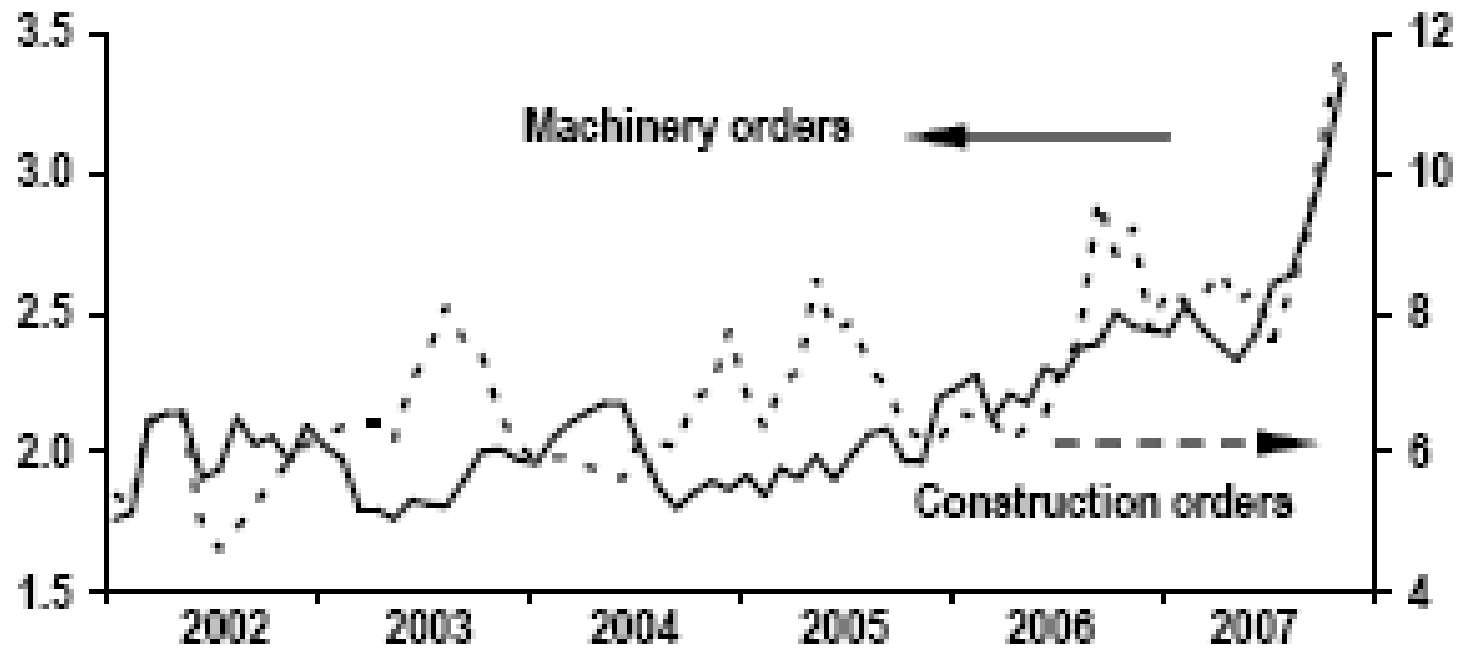
Note: * Numbers recalculated based on sample representativeness (construction orders 54%, completions 50%)

Source: NSO, Samsung Securities estimates

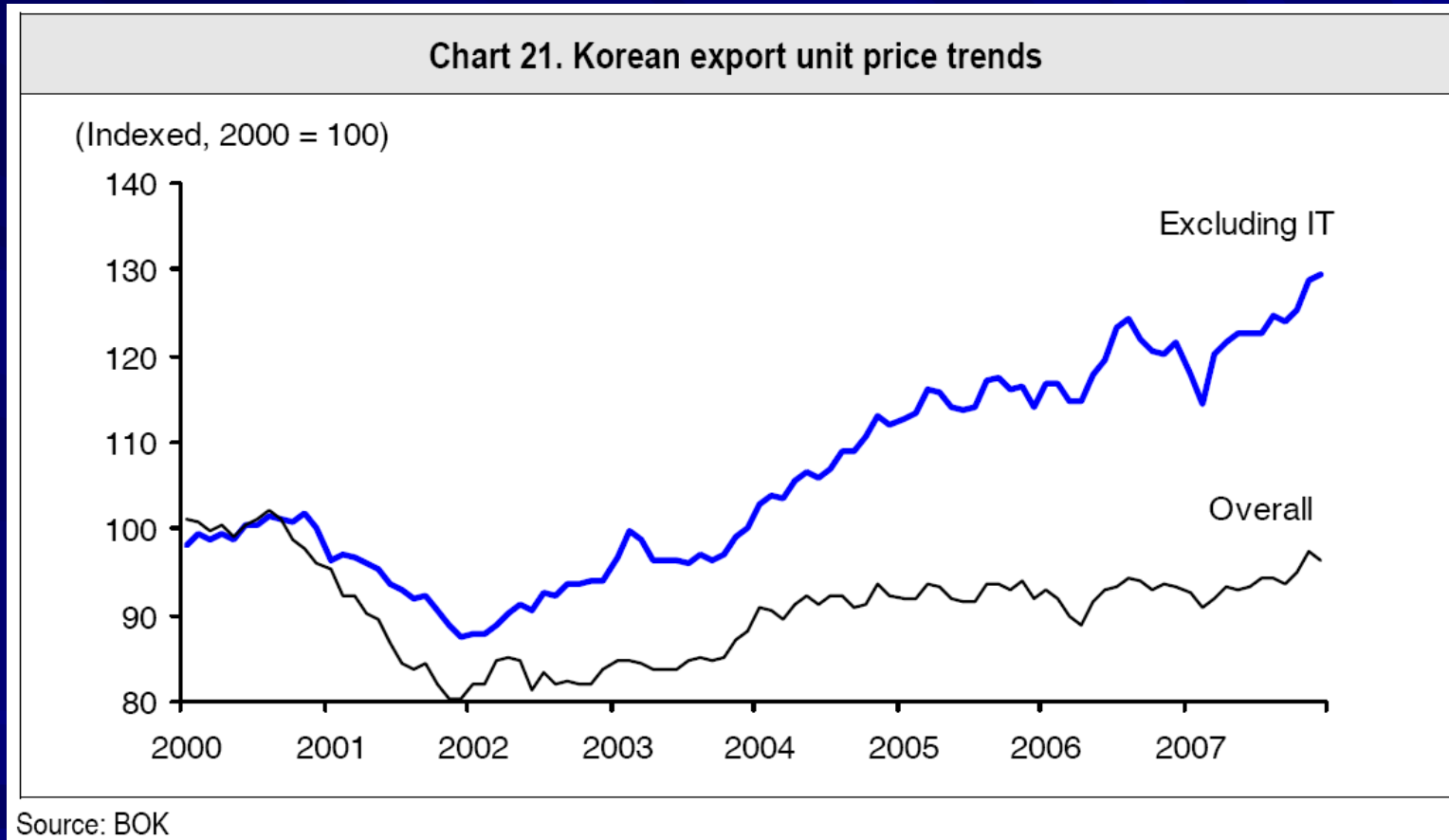
And machinery orders fill out the picture.

Domestic machinery ex. vessels and construction orders

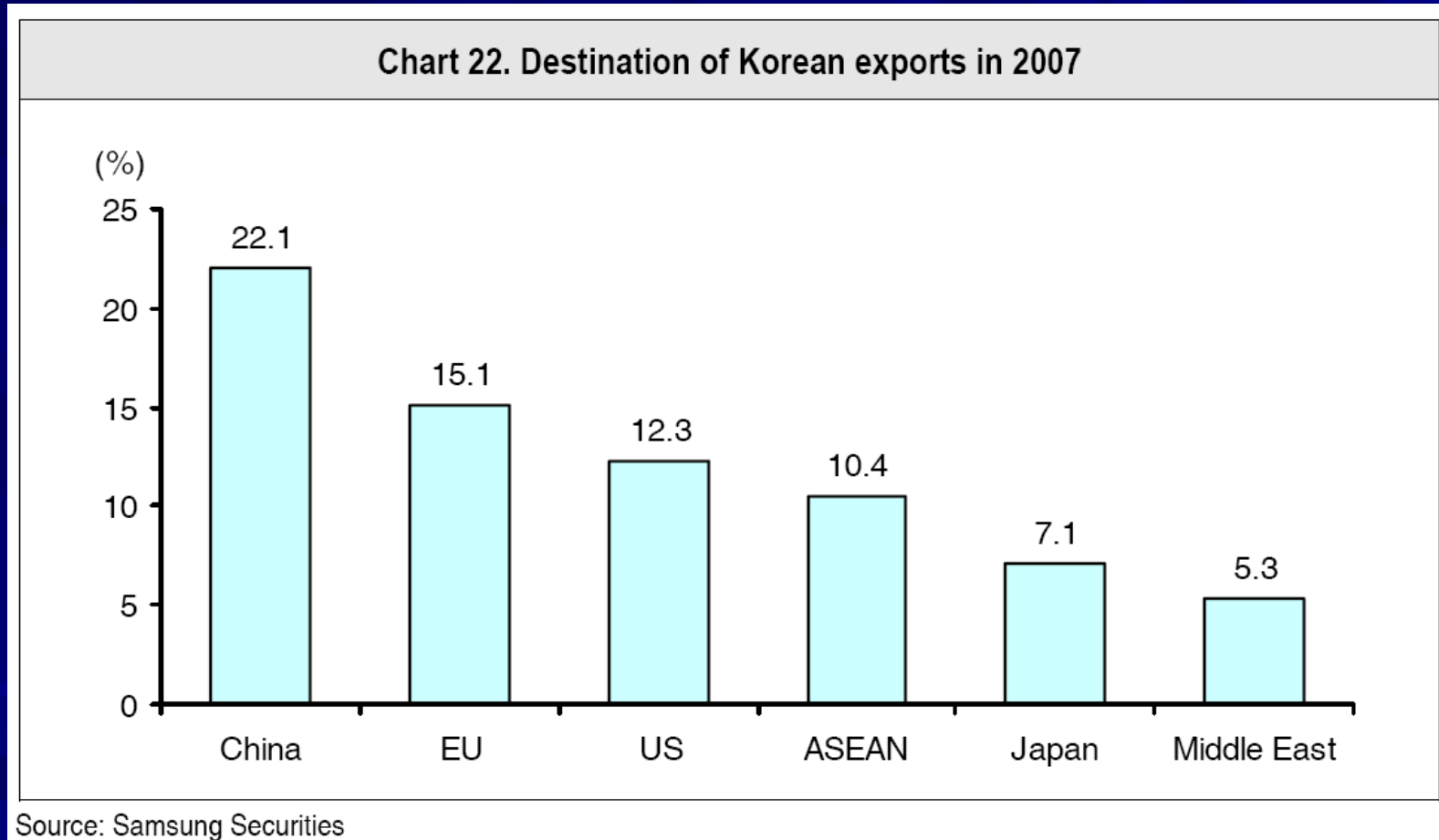
billion won, seasonally adjusted, 3mma



Although volumes are softening, export pricing continues improving.



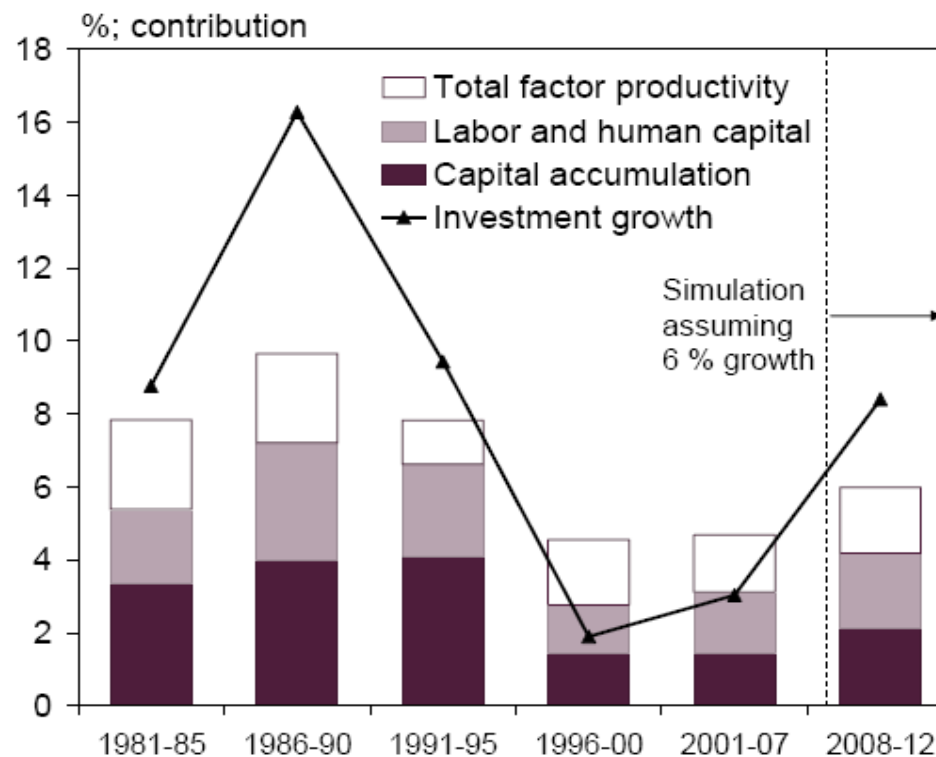
Thankfully, the US has fallen to Korea's third export destination
...and will soon be eclipsed by ASEAN.



Goldman Sachs finds the new President's 6% growth promise credible.

6 percent growth is achievable, without jeopardizing macroeconomic stability

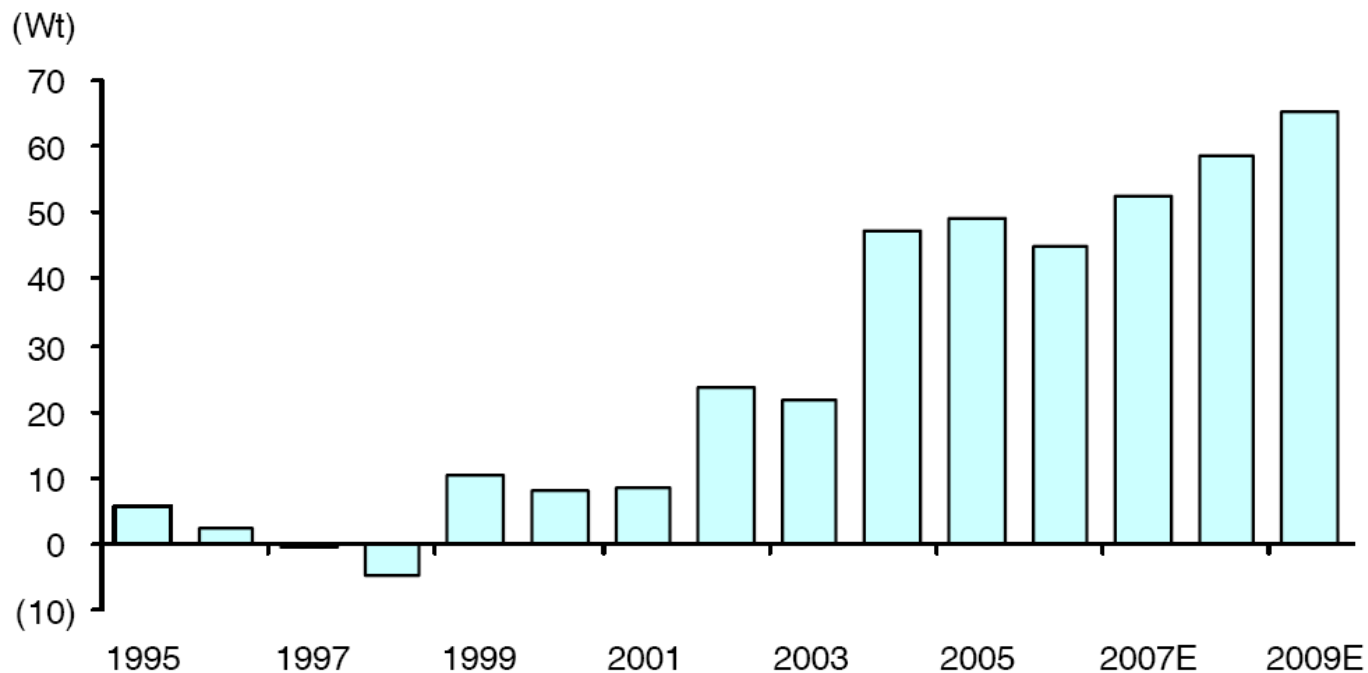
Input contributions to GDP growth and investment requirements



Source: Korea Development Institute, National Statistical Office, Goldman Sachs Economic Research.

The earnings of KOSPI-listed companies still expected to improve this year and next.

Chart 12. Samsung KOSPI Universe earnings trend

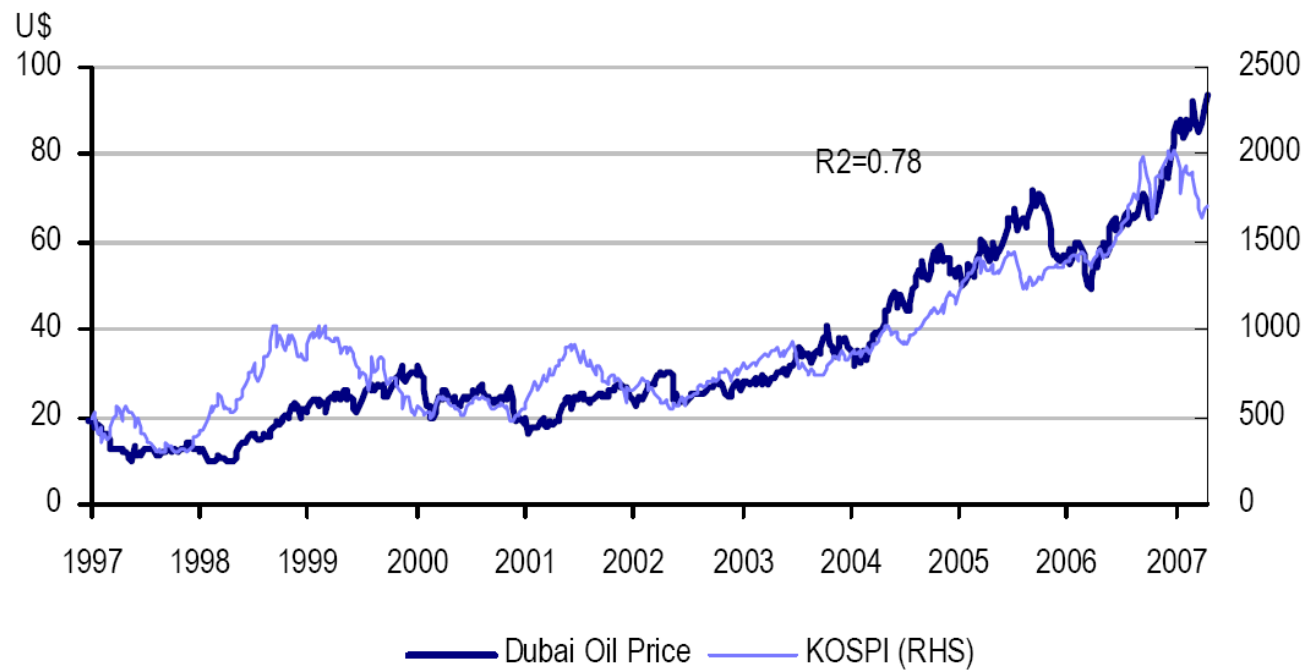


Note: Based on Samsung KOSPI Universe as of Jan 2008

Source: Samsung Securities estimates

Oil price is a concern, but historically has been bullish for Korean equities.

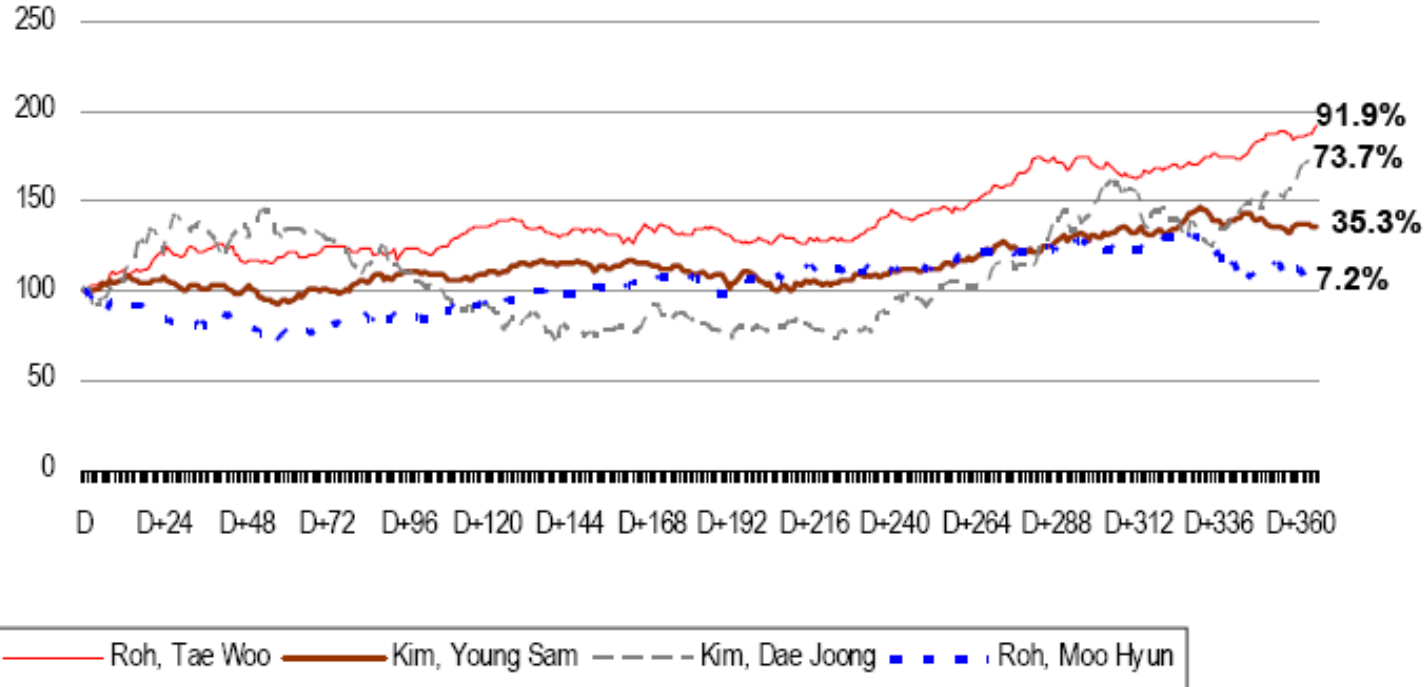
Chart 1: KOSPI vs. oil price



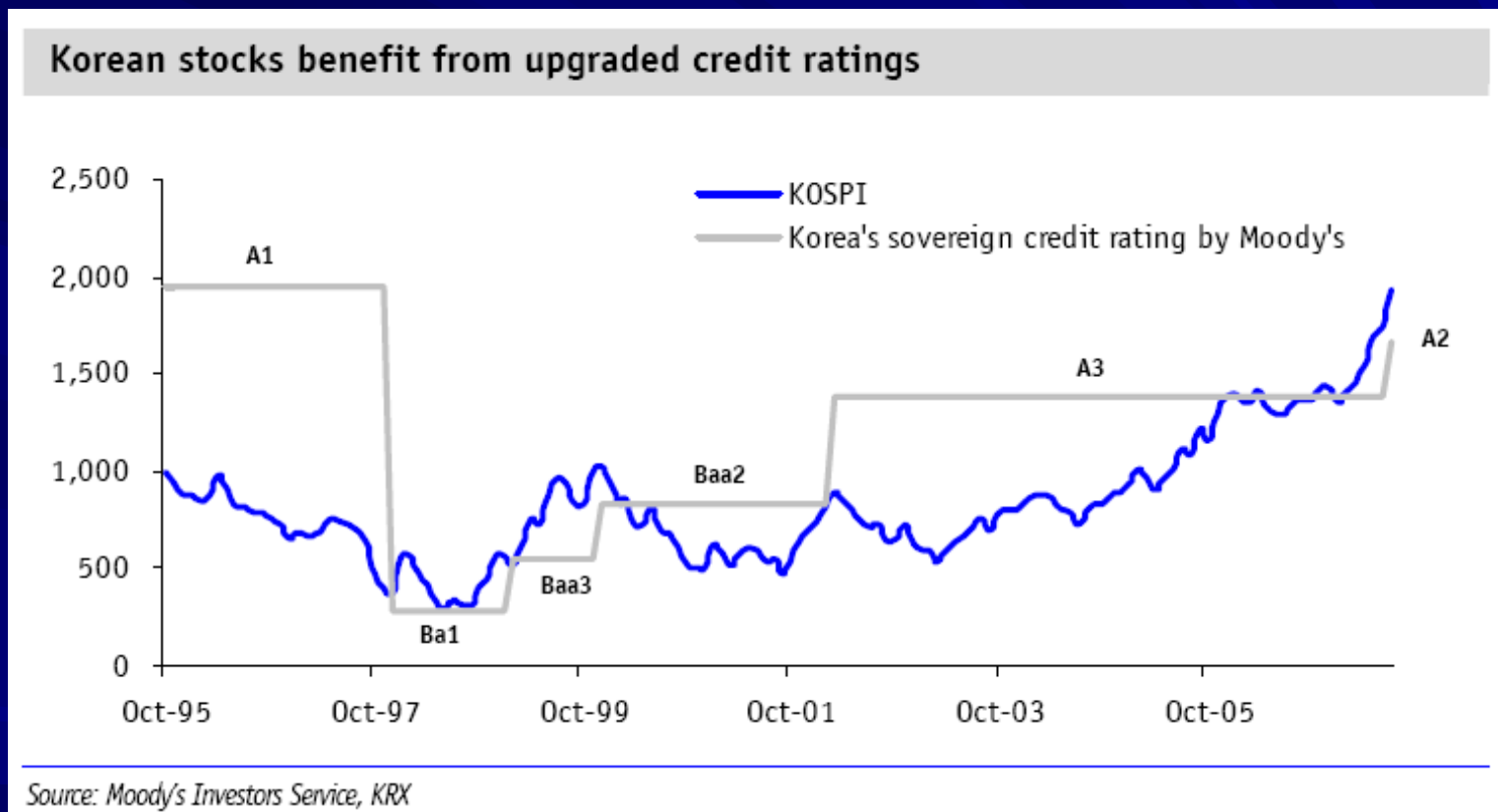
Source: KSE, Bloomberg

The market has risen dramatically in the 12 months following most Presidential elections.

Figure 7. KOSPI Movements After Presidential Elections



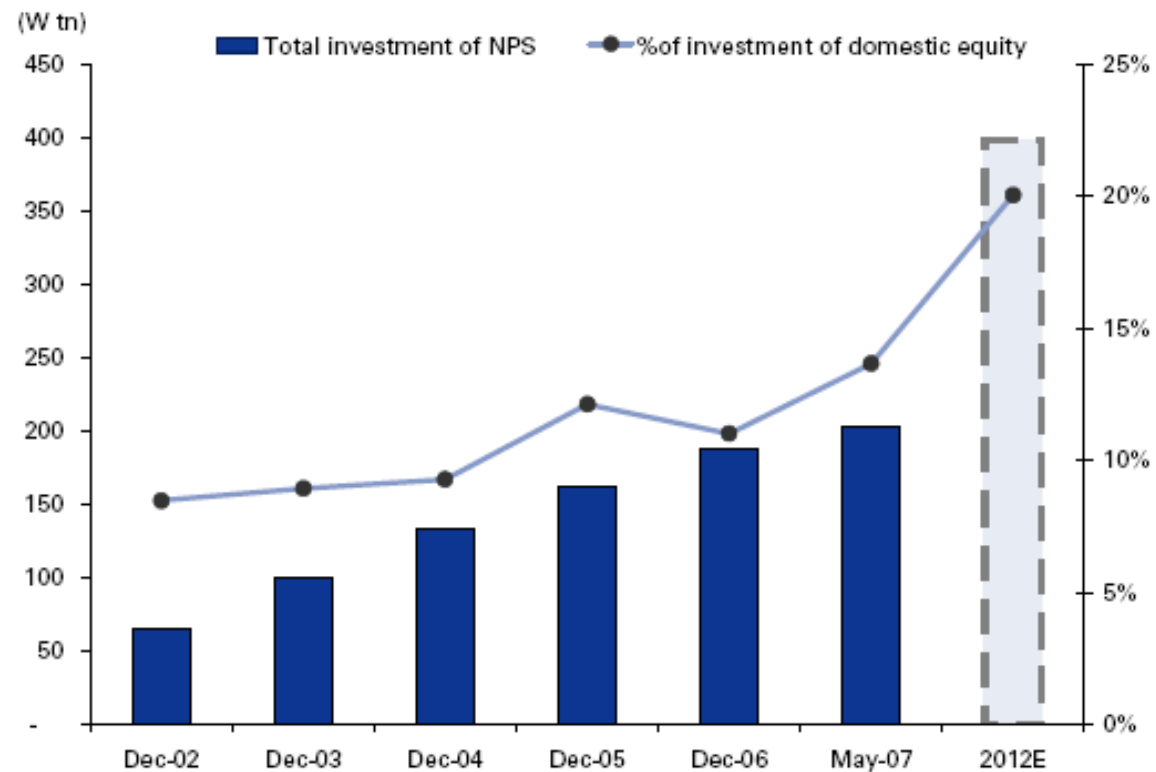
Korean stocks benefit from upgraded ratings, and there are more to come.



National Pension will reach KRW 400 trillion by 2012.

Exhibit 8: National Pension likely to reach W400tn by 2012E...

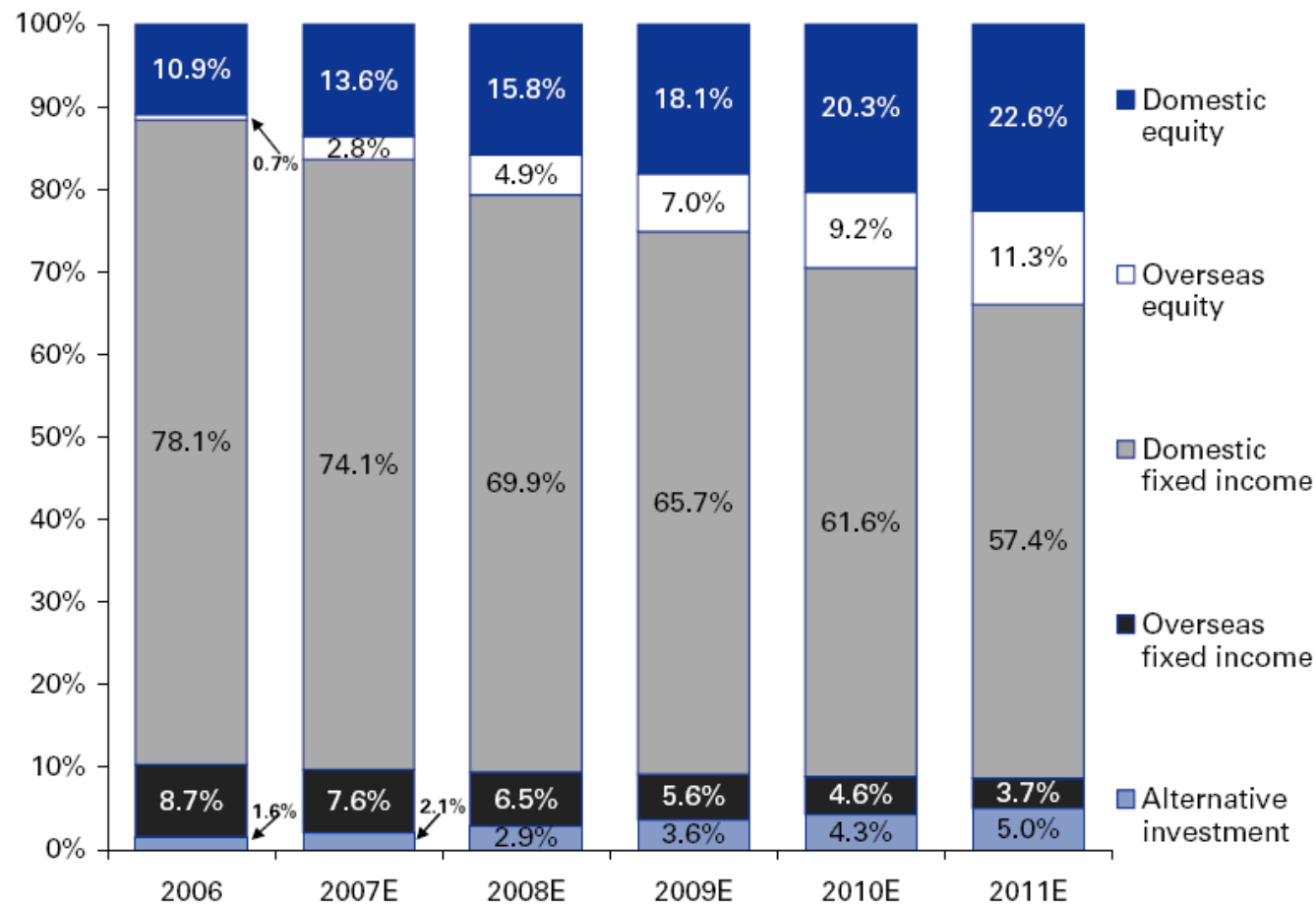
National Pension Funds total investment vs. % of investment in domestic equities



Source: Korean National Pension Service.

Its domestic equity allocation will nearly double.

Exhibit 13: National Pension Fund will continue to increase equity allocation
National Pension Fund annual asset allocation target trend

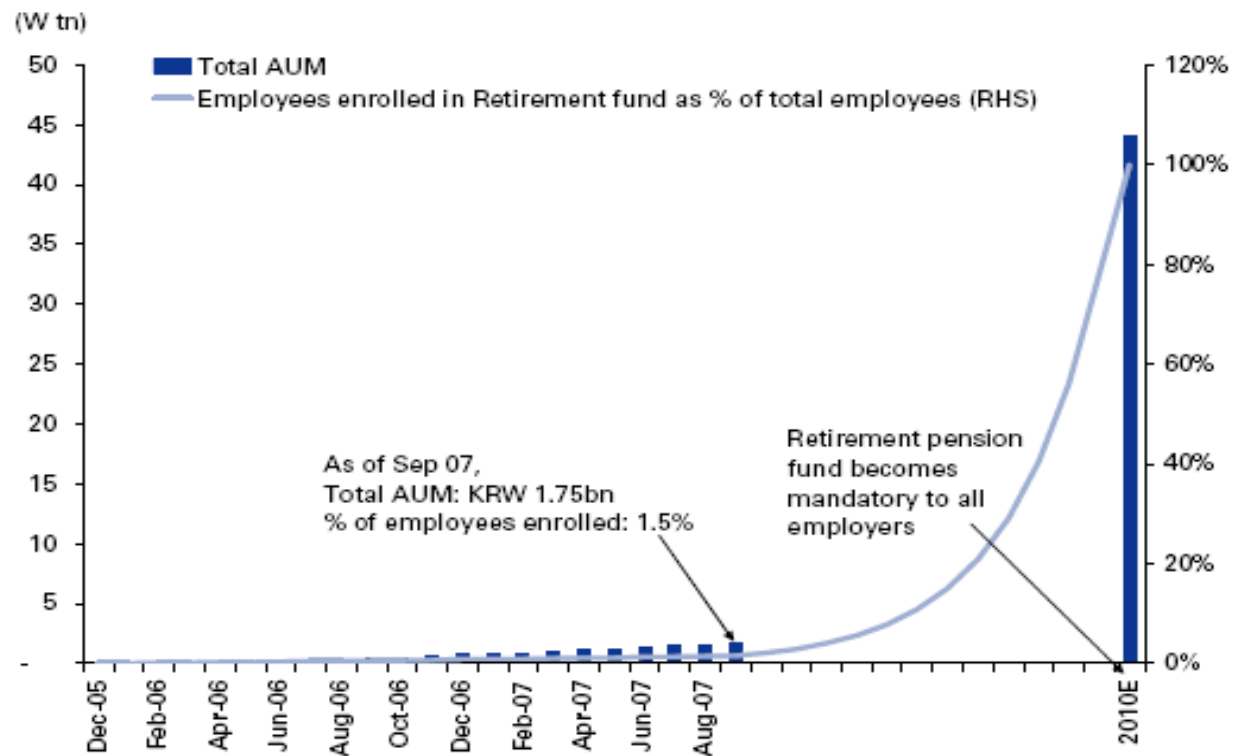


Source: National Pension Fund Management Committee.

Corporate retirement pension funds are also enjoying dramatic growth.

Exhibit 21: Corporate retirement pension funds implementation schedule

AUM and % of employees enrolled in corp pension funds



Source: Financial Supervisory Service, Ministry of Labor, Goldman Sachs Strategy Research estimates.

Together, this means another KRW 100 trillion into domestic equities.

Pensions - AUM and equity exposure now and five years hence

(W trn)	end-2006			end-2011		
	Total assets	Invested in domestic equity	Equity as % to total	Total assets	Invested in domestic equity	Equity as % to total
Korea National Pension	189	21	11%	350	79	23%
Public Funds	80	5	6%	120	18	15%
Severance Pay/Corp retirement funds	120	0	0%	180	18	10%
Korea Post	60	2	3%	90	9	10%
Total	449	27	6%	740	124	17%

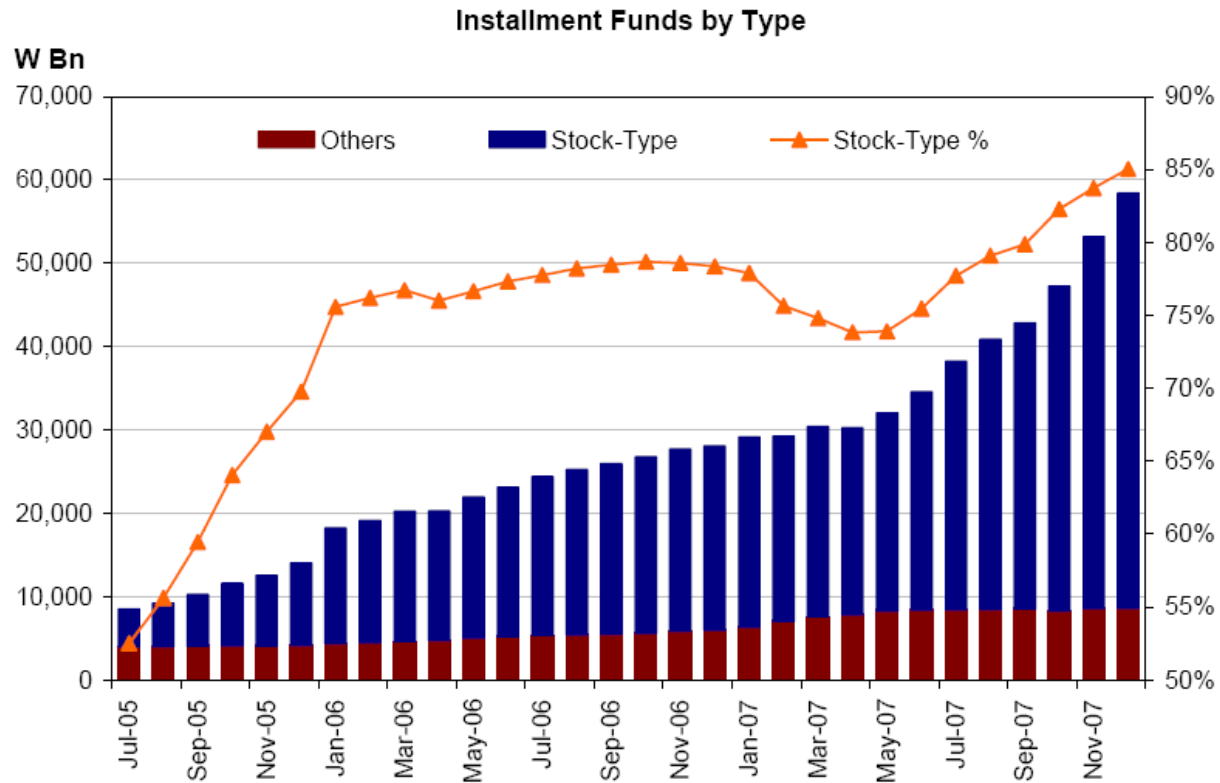
Source: Company data, UBS estimates

Net buying Won96trn

Installment funds continue to rise in popularity.

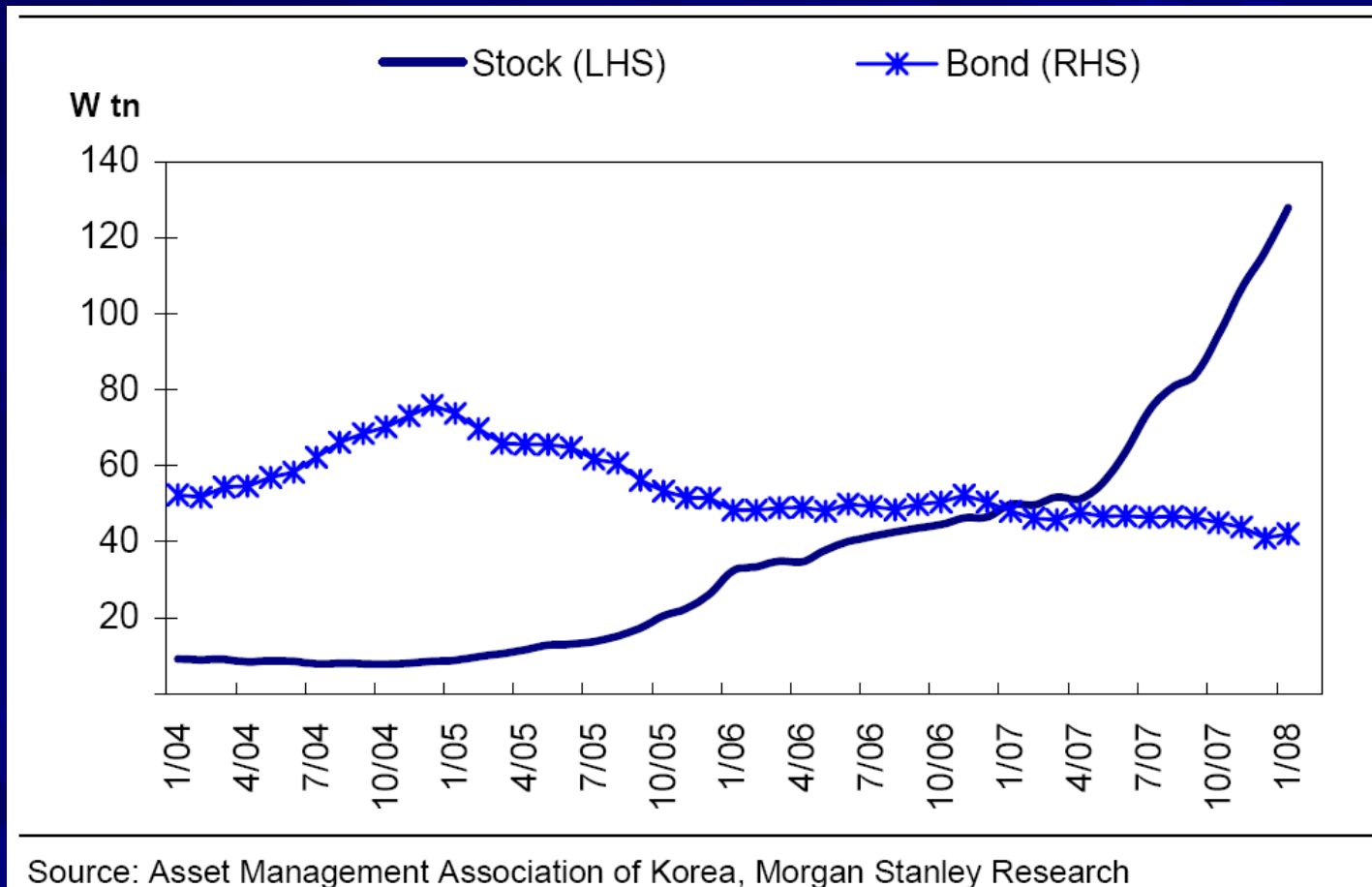
Exhibit 3

Equity-type Installment Funds Rise in Popularity



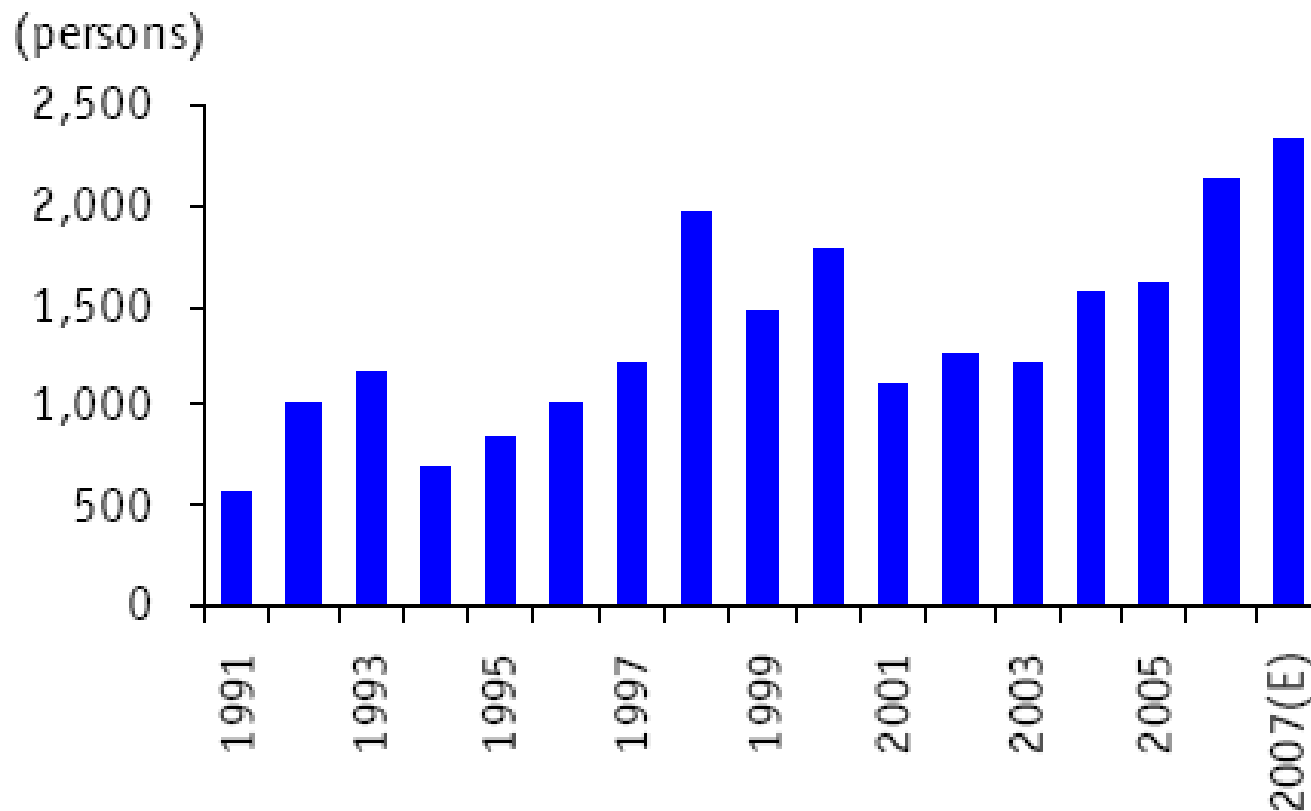
Source: Asset Management Association of Korea, Morgan Stanley Research

With equities favored enormously.



Foreigners buy selectively, but continue to register.

Registered foreign investors



Source: FSS, GMSH

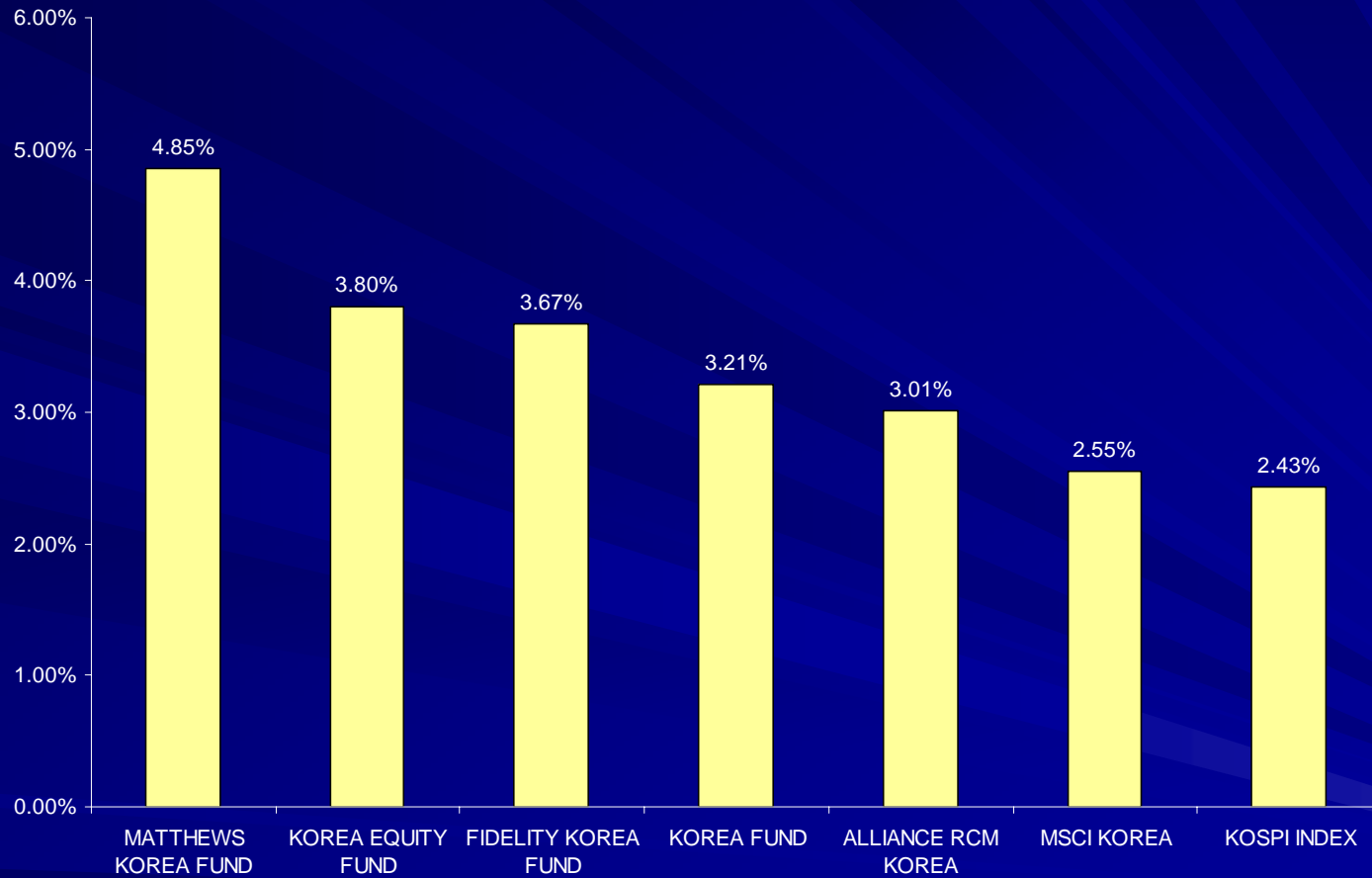
Current portfolio

SAMSUNG ELECTRONICS	16.64%
POSCO	8.81%
HYUNDAI HEAVY	6.06%
SHINHAN FINANCIAL	5.28%
HYUNDAI MOTOR	5.15%
LG ELECTRONICS	5.11%
LG.PHILIPS LCD	4.20%
SK TELECOM	3.89%
HYUNDAI ENG&CONS	3.88%
KT&G CORP	3.78%
KOREAN AIR LINES	3.45%
LG CHEMICAL LTD	2.65%
SHINSEGAE CO LTD	2.64%
NHN CORP	2.49%
KOREA ELEC POWER	2.45%
HYUNDAI STEEL	2.31%
S-OIL CORP	2.19%
KOOKMIN BANK	2.05%
KOREA GAS CORP	2.03%
GS ENGINEERING	1.97%
HYUNDAI MARINE	1.80%
DONGBU INSURANCE	1.67%
SK ENERGY CO LTD	1.59%
HANJIN SHIPPING	1.47%
HYUNDAI MOBIS	1.37%
PUSAN BANK	1.30%
KT CORP	1.26%
CASH	2.52%

Consensus-driven stock selection this year results in superior valuations.

	2007-2010 EPS Growth	2010 PEG	Long-Term Growth	ROE	Operating Margin	Dividend Yield	Debt-to- Equity	Beta
KIIF	21.7%	0.38	15.6%	17.6%	16.0%	2.0%	23.9%	0.9
Korean Market	12.6%	0.67	13.2%	15.7%	11.8%	1.5%	70.6%	1.0

As well as outperformance.



KIIF ytd outperformance (net of fees).