

INTERNATIONAL INVESTMENT ADVISERS

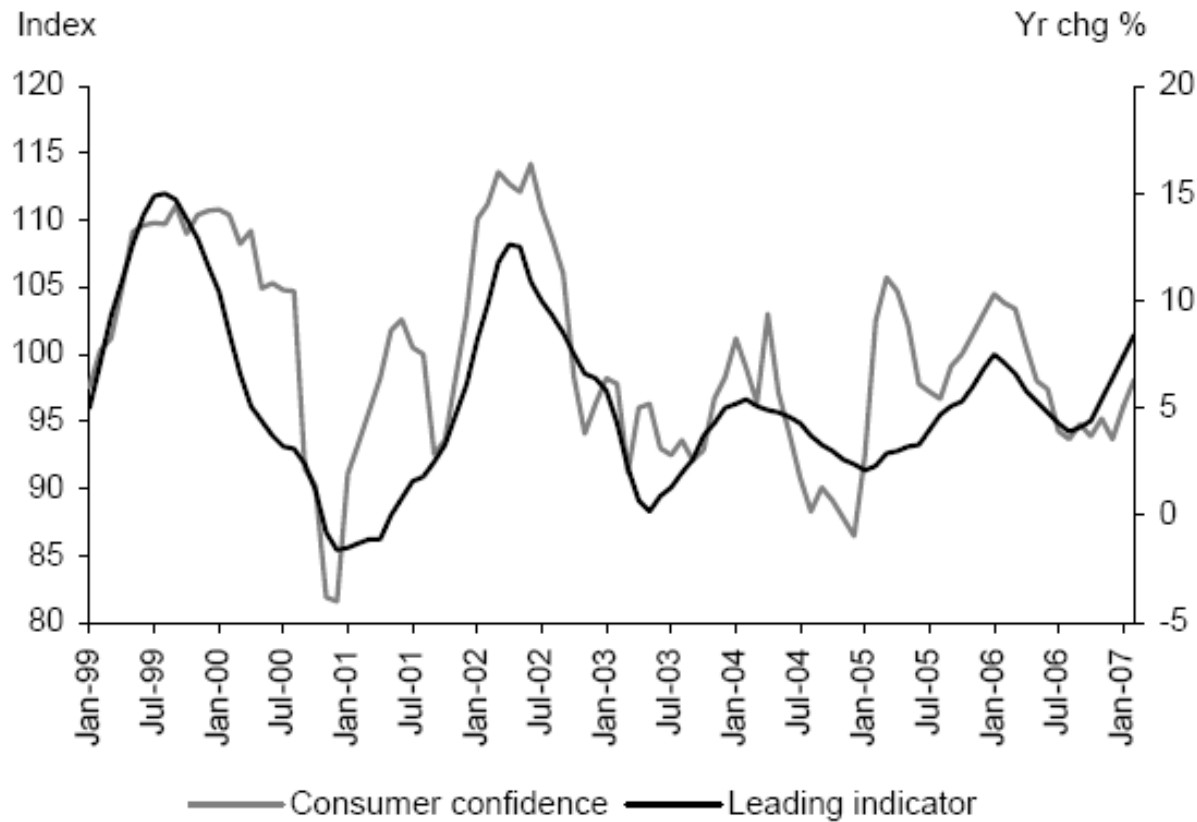
**Korean Stock Market and Economy
Spring, 2007**

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Rebounding leading indicator.

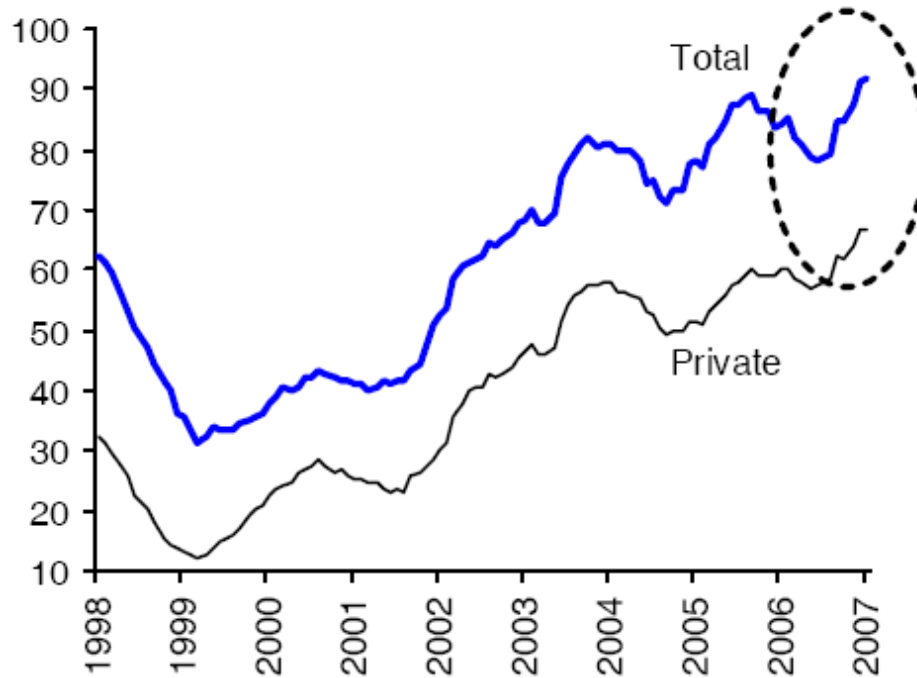
Fig 10 Korean leading indicator on the rise



Construction orders rising sharply.

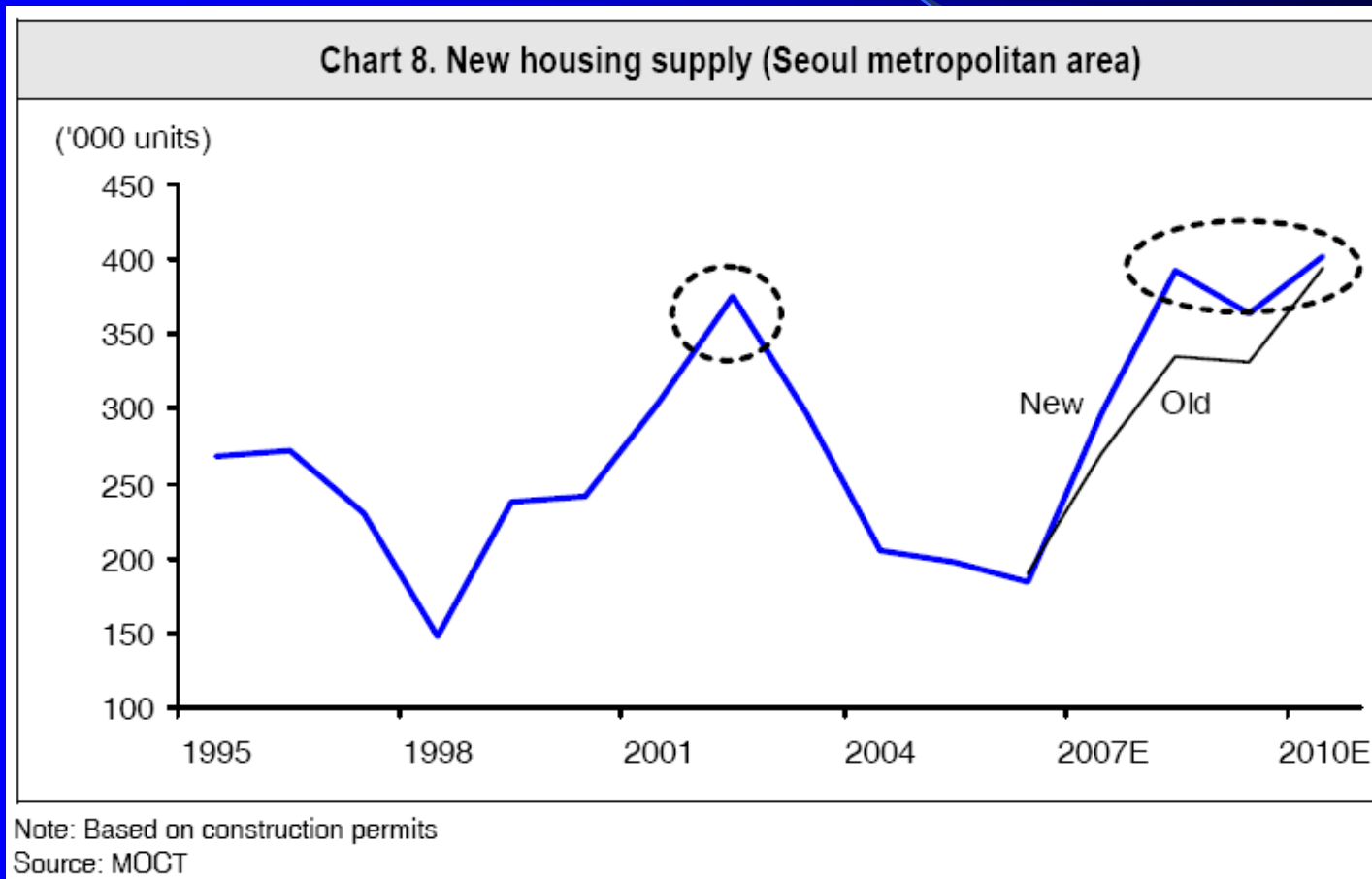
Chart 4. Construction orders (total vs private)

(12 months moving sum, Wt)



Source: NSO

Improvement forecasted in housing supply.

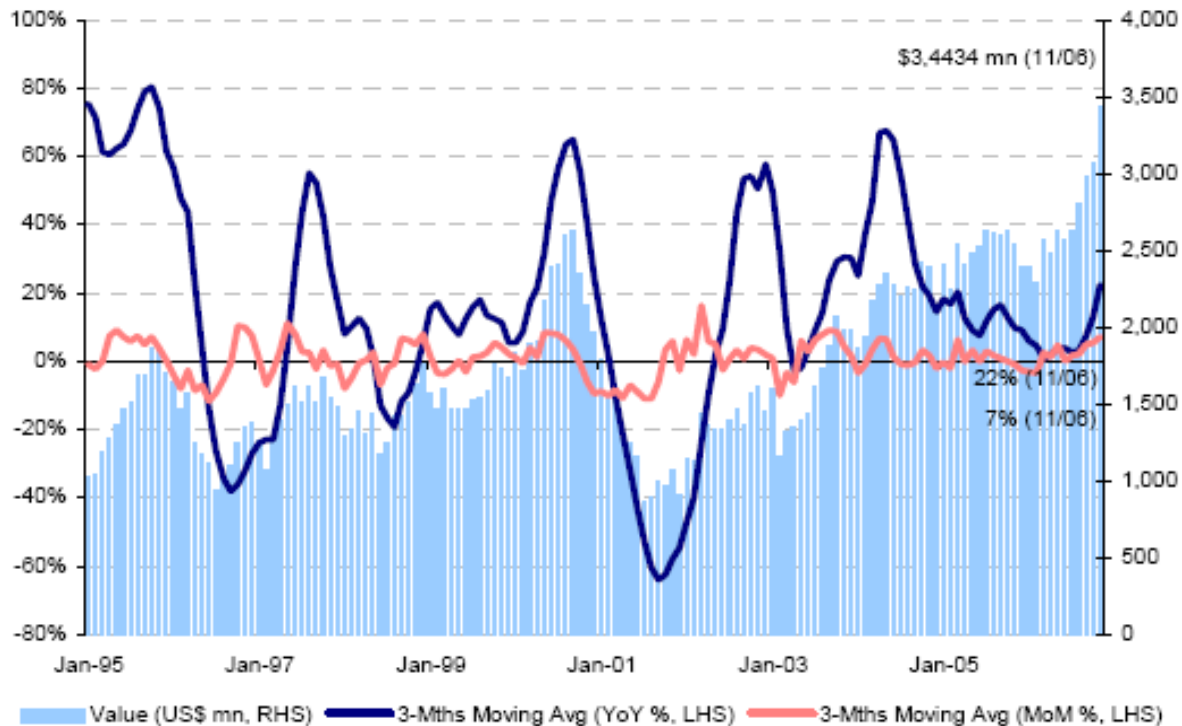


Machinery orders in uptrend.



Semiconductors finally picking up.

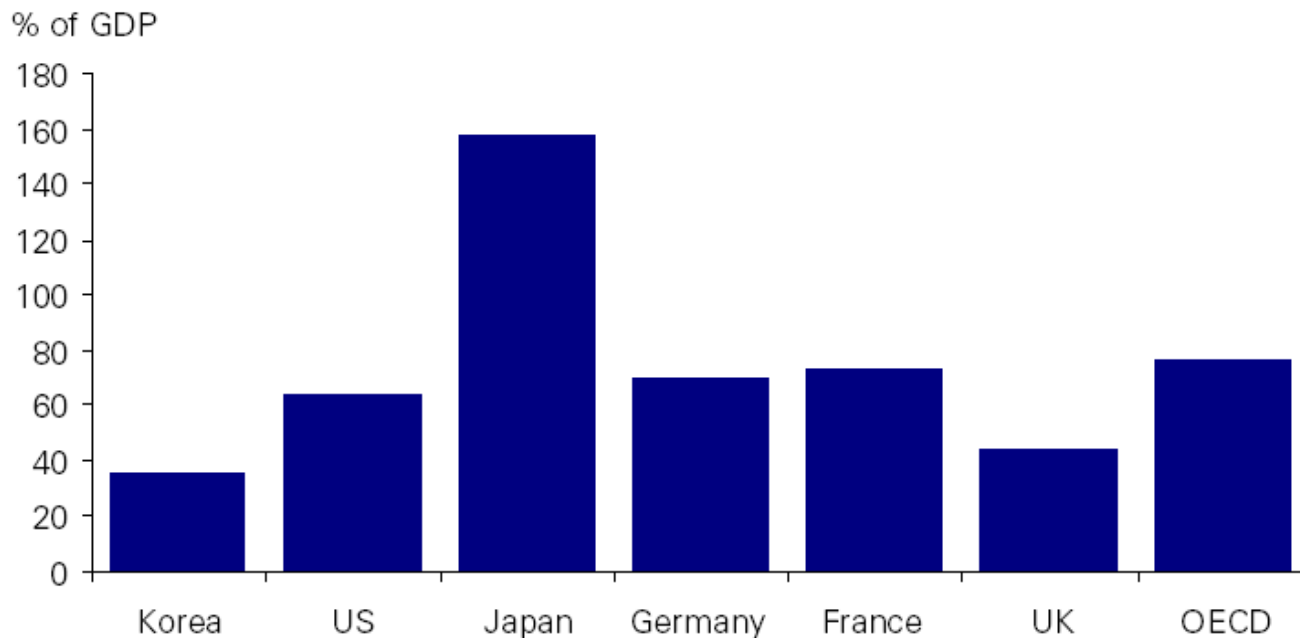
Korean Semiconductor Exports



Source: CEIC, Korea Customers Service, Morgan Stanley Research

Korea is a fiscal conservative.

National debt and South Korea's fiscal soundness

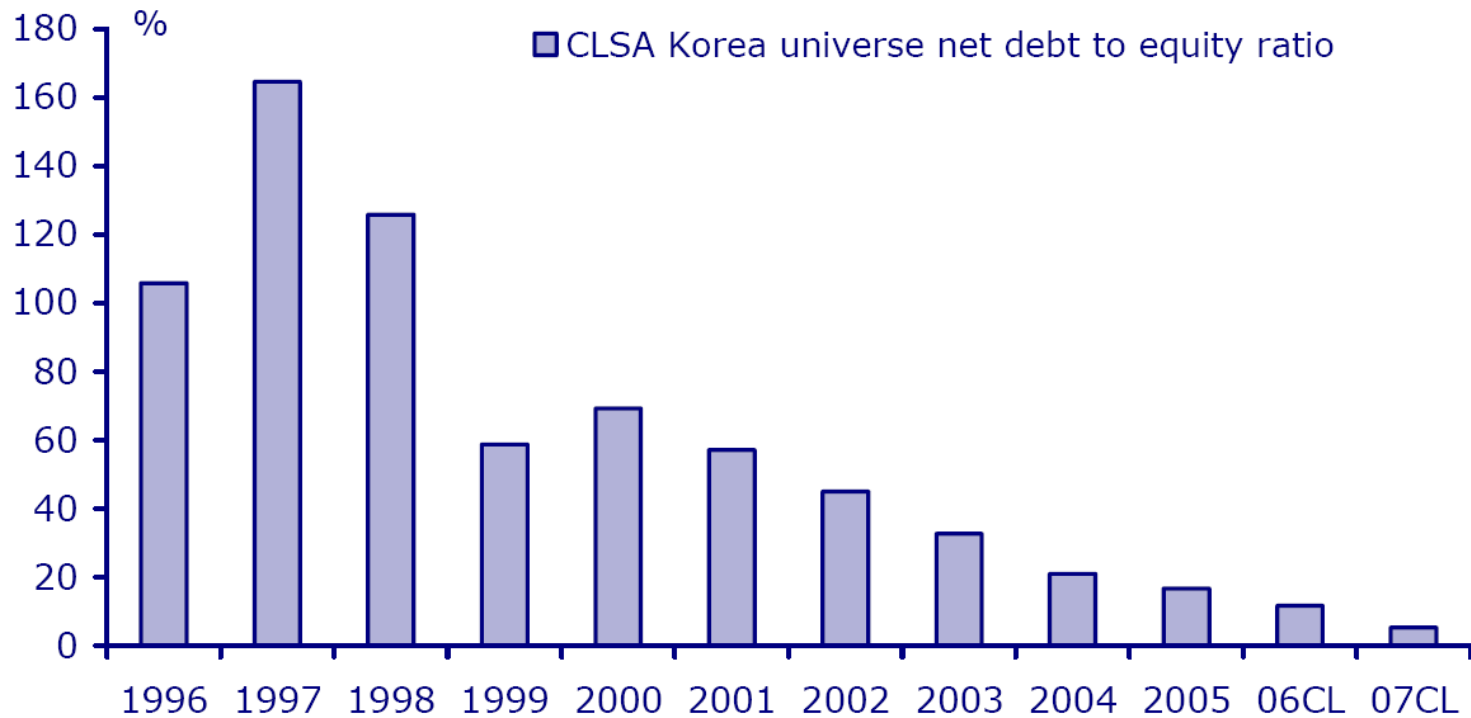


Source: MPB

Extreme improvement in balance sheets.

Figure 5

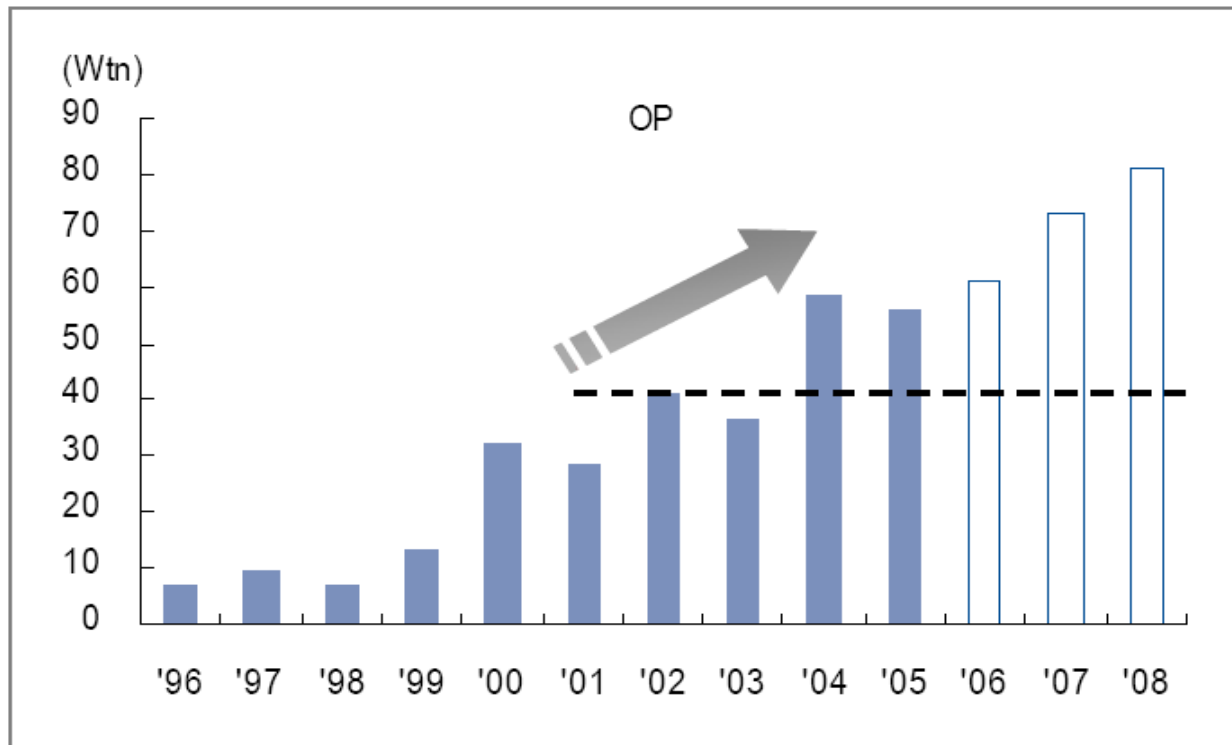
CLSA Korea universe net debt to equity ratio



Source: CLSA Asia-Pacific Markets

Operating profit expected to improve.

Korean corporate operating profit soaring

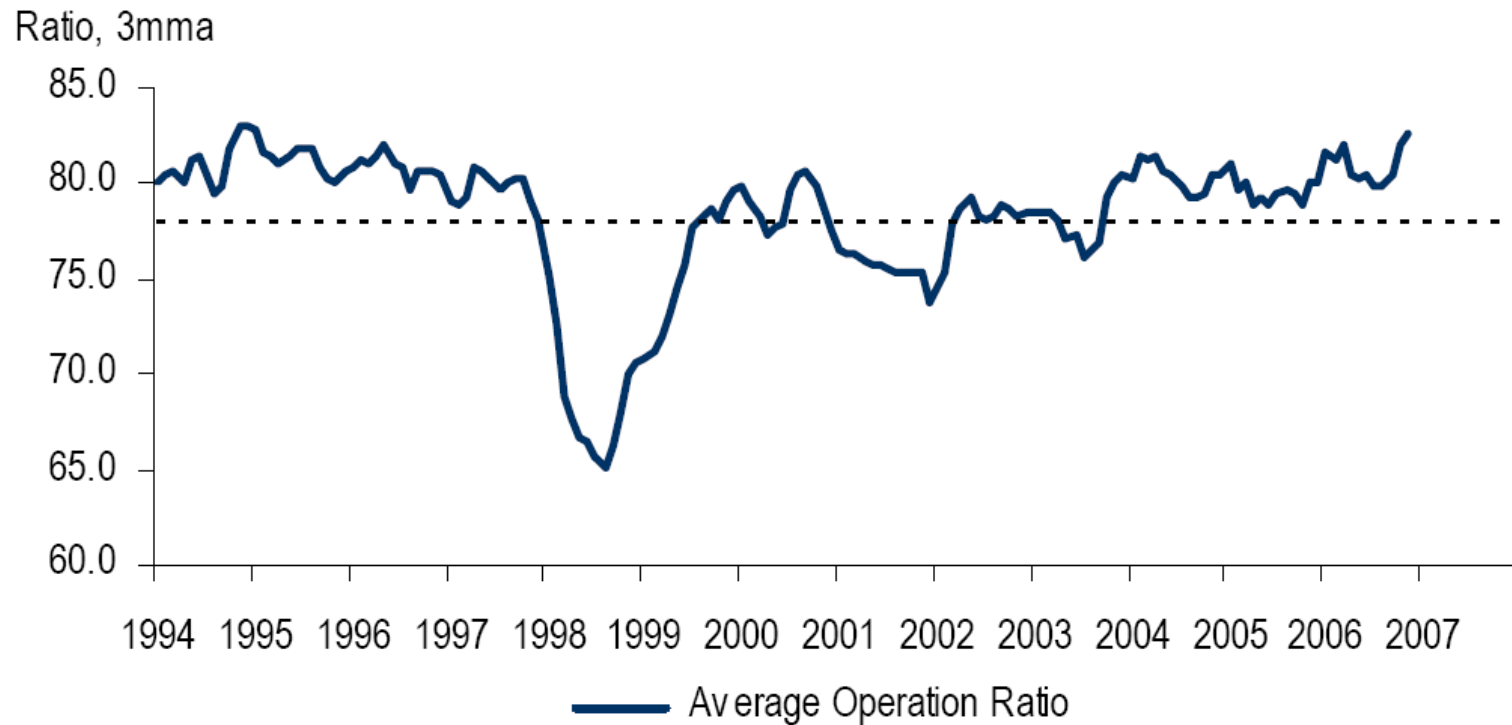


Note: 154 companies under Woori I&S Universe with past data

Source: Woori I&S Research Center

Long term uptrend in operating ratios.

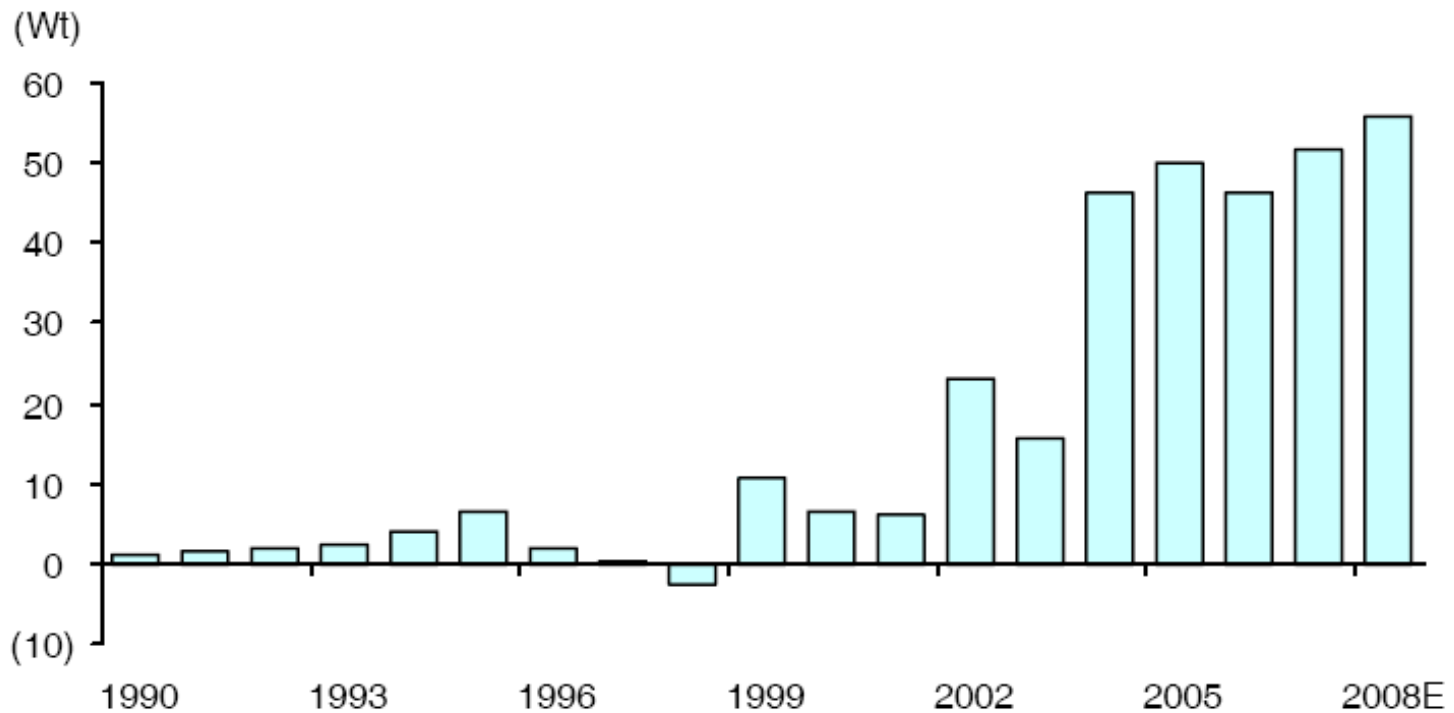
Chart 7: Operating Ratios in the Manufacturing Sector



Source: CEIC, Merrill Lynch calculations.

Corporate earnings to resume uptrend.

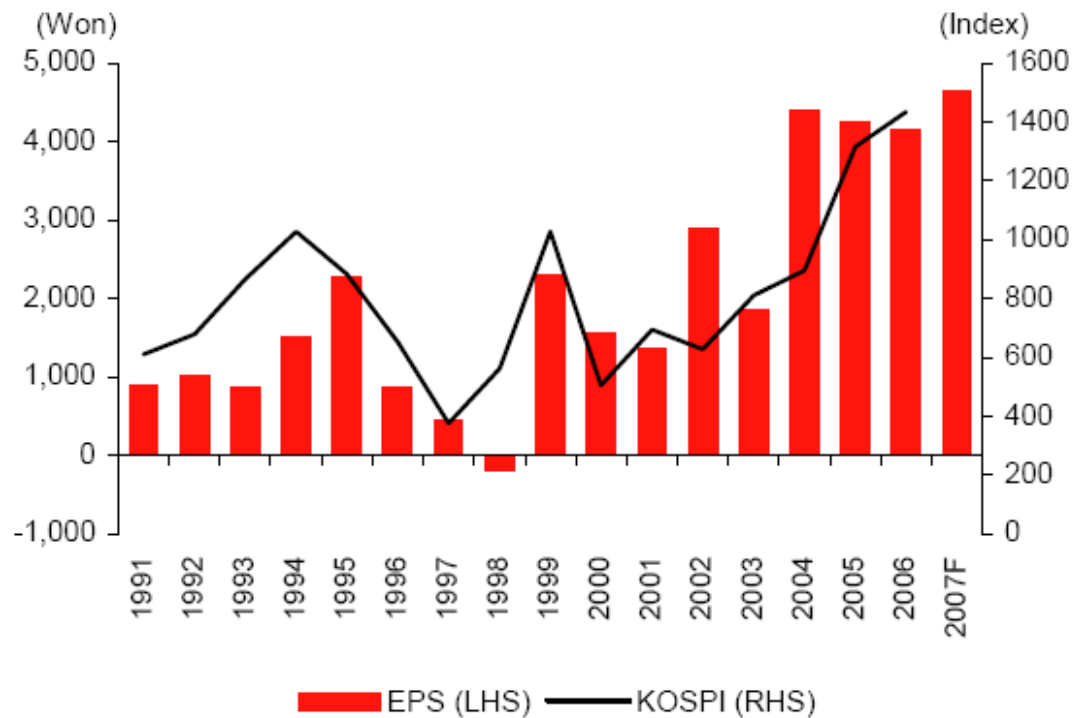
Chart 18. Samsung KOSPI Universe earnings



Note: Based on the 129 companies in the Samsung KOSPI Universe
Source: Samsung Securities estimates

Macquarie concurs.

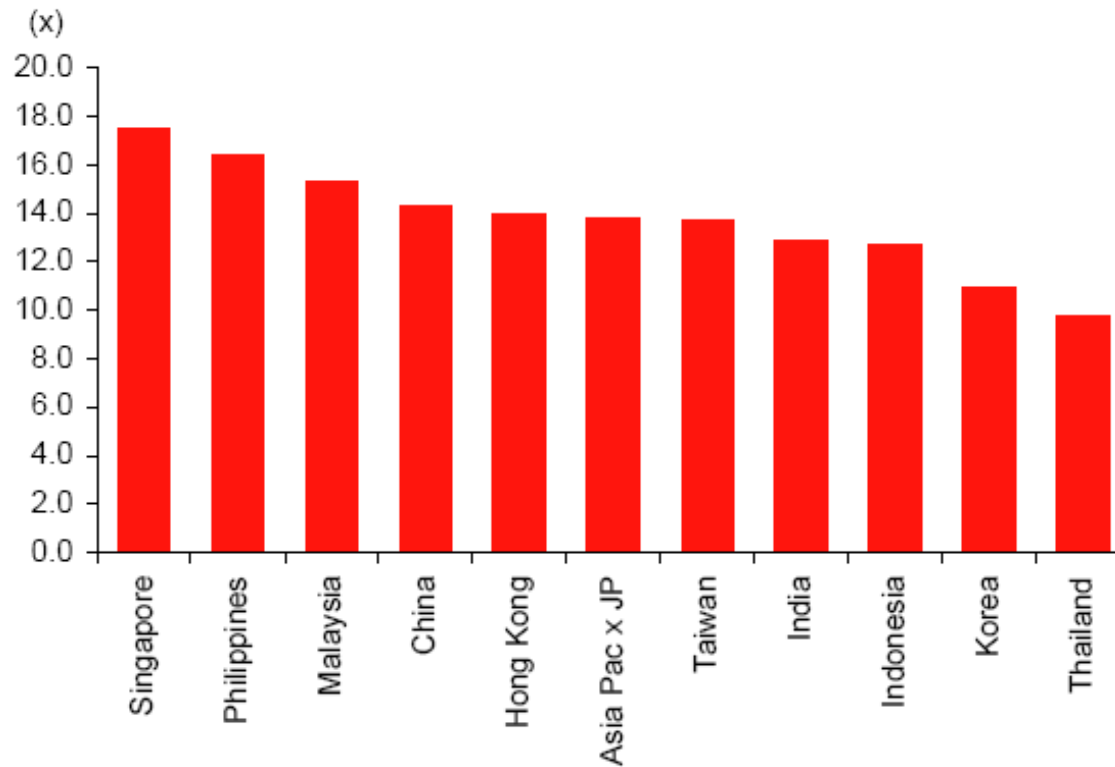
Fig 16 Absolute EPS for Kospi



Source: Macquarie Research, February 2007

One of the cheapest Asian markets.

Fig 16 Regional PER valuation comparison

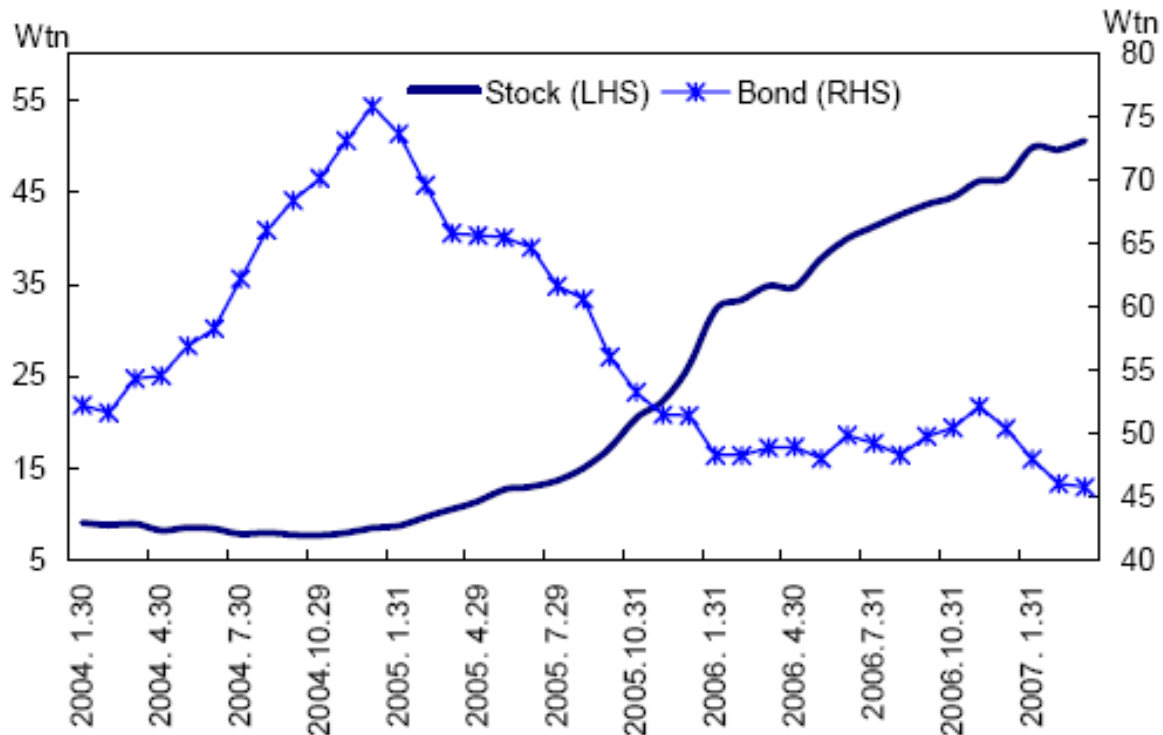


Source: Macquarie Research, March 2007

Local funds continue to accumulate in equities.

Exhibit 2

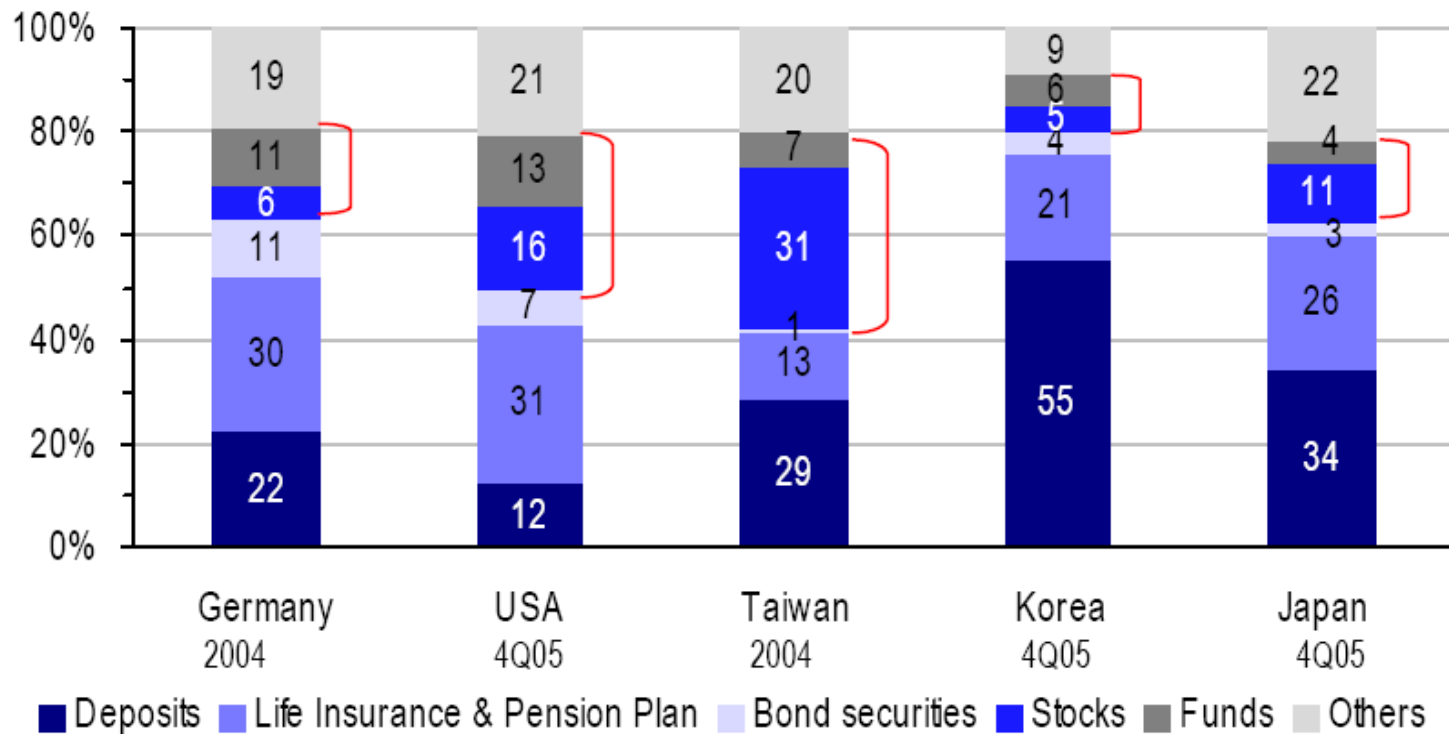
Local Fund Flows (Monthly)



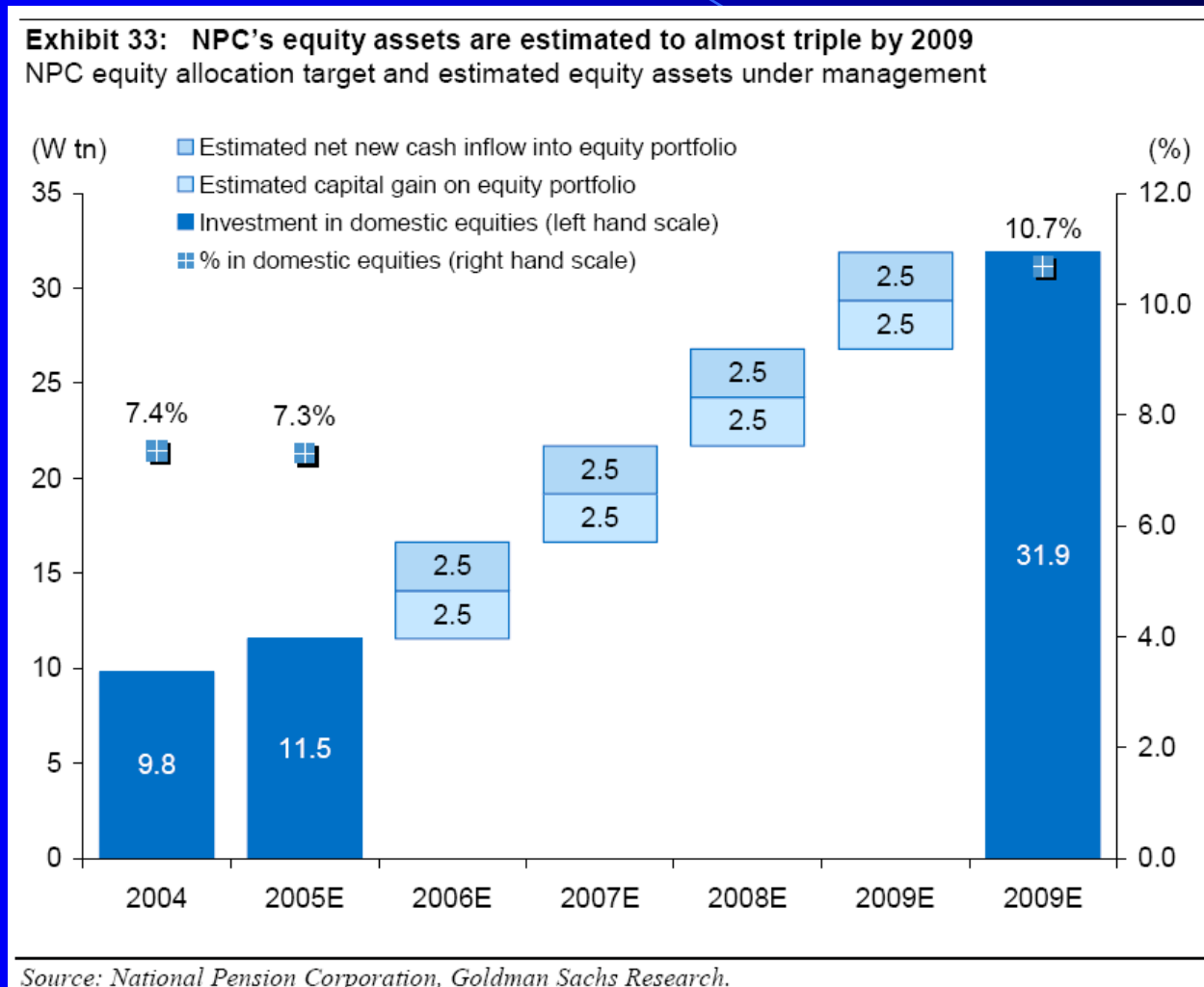
Source: Asset Management Association of Korea, Morgan Stanley Research

Retail investors still underexposed to equities.

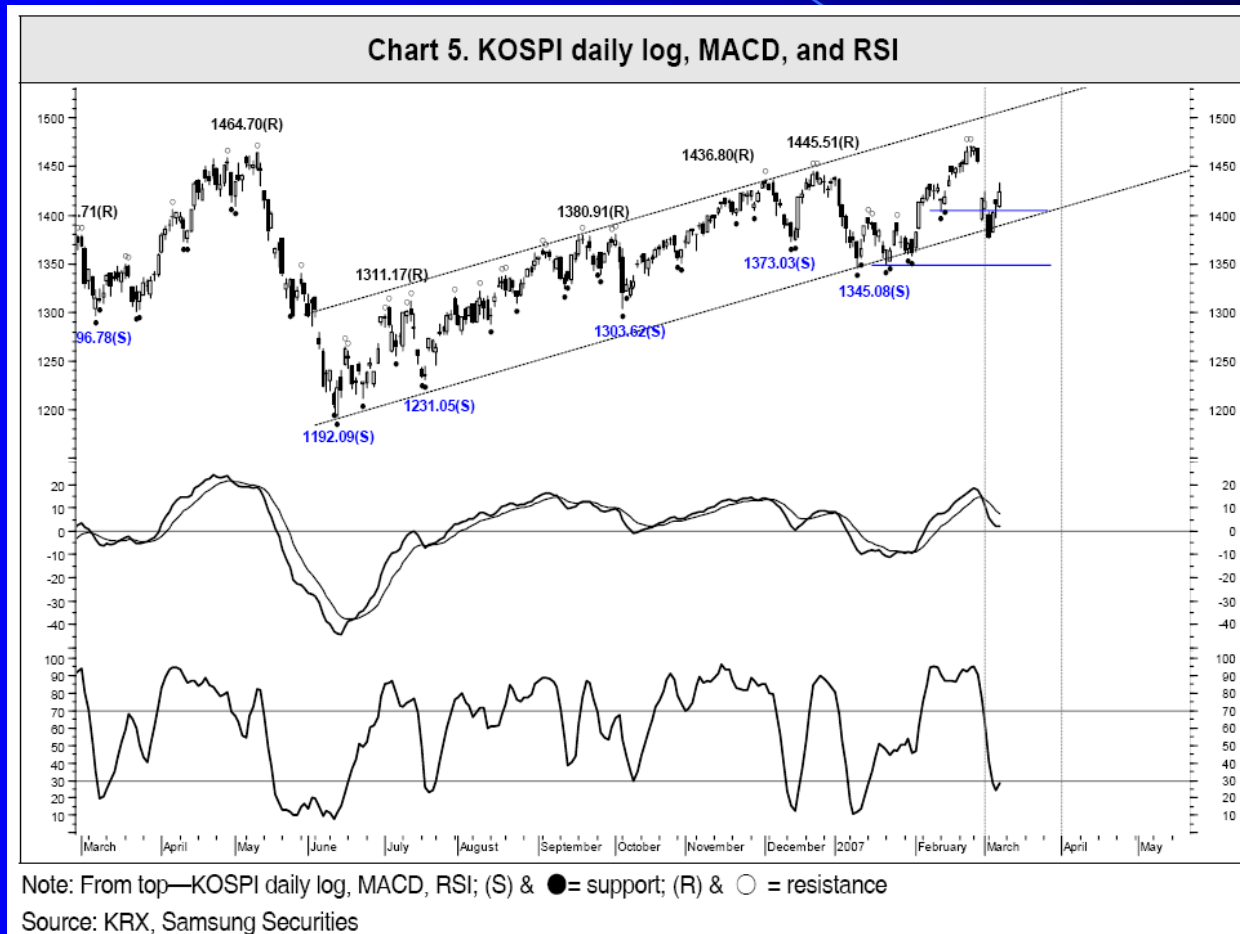
Composition of household financial assets



Aggressive equity mandate for pension funds.



Technicians see uptrend unchanged by recent sell-off.



Dramatic reduction of volatility

Volatility of Korean stock market

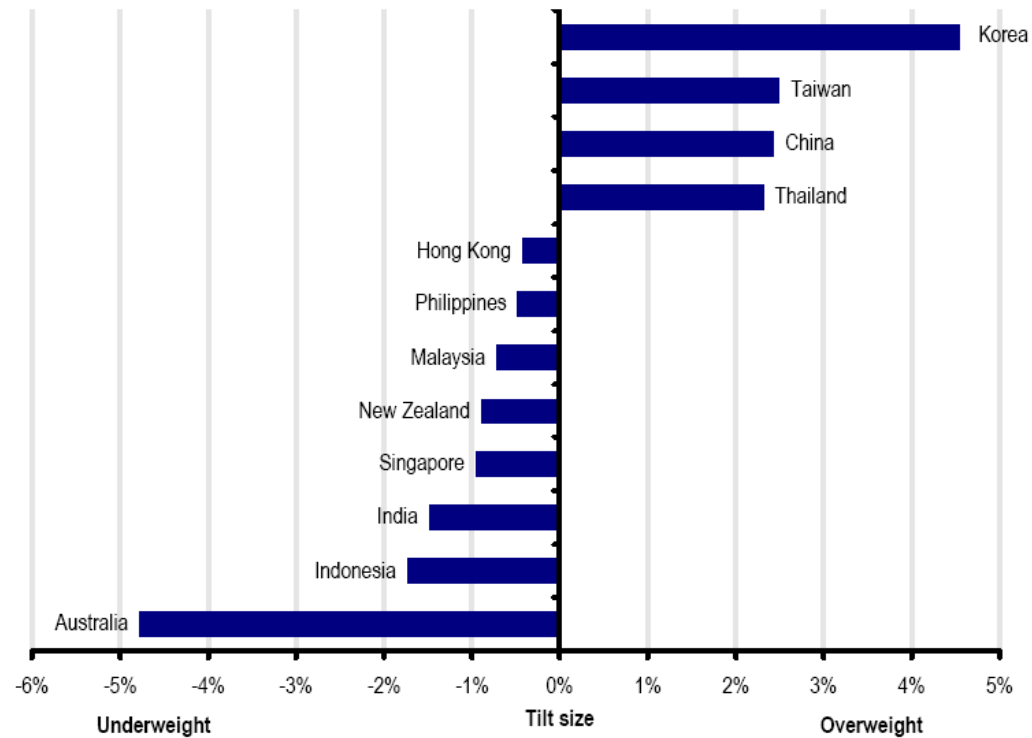


Note: historical volatility based on 52 weekly data

Source: Samsung Securities

UBS puts Korea far ahead of the rest of Asia.

Chart 11: UBS country tilts



Source: UBS