

Korea Equity Fund, Inc.

March 31, 2017

Fund Facts (as of 3/31/2017)

NYSE Ticker	KEF
CUSIP	50063B104
NYSE Market Price Close	\$8.78
Net Asset Value	\$9.12
Net Assets	\$88,806,495
Portfolio Holdings	32
Inception Date	December 3, 1993
Premium/Discount	-3.73%
Shares Outstanding	9,740,623
<b>Benchmark</b>	
Korea Composite Stock Price Index ("KOSPI") in U.S. dollars adjusted for distributions.	
<b>Portfolio Managers</b>	
Shigeto Kasahara, CFA, CMA, Lead Portfolio Manager Justin Jeongho Park, Portfolio Manager	

Fund Objectives

**Korea Equity Fund, Inc. ("KEF" or the "Fund")** is a non-diversified, closed-end management investment company listed on the New York Stock Exchange. The Fund's investment objective is to seek 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. 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 Adviser since the Fund's inception. The Manager and Investment Adviser are subsidiaries of Nomura Holdings, Inc. and affiliates of Nomura Securities Co., Ltd., Tokyo, Japan.

Performance Overview (as of 3/31/2017)

	KEF NAV <sup>2</sup>	KEF NYSE Price <sup>3</sup>	KOSPI <sup>4</sup>
<b>Calendar YTD</b>	16.48%	18.49%	14.90%
<b>1 Year</b>	8.86%	13.64%	10.39%
<b>3 Year</b>	2.78%	5.02%	1.24%
<b>5 Year</b>	3.66%	4.77%	1.70%
<b>10 Year</b>	4.17%	4.71%	2.81%
<b>Since Inception<sup>1</sup></b>	1.99%	1.60%	3.77%

<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 as per the dividend reinvestment policy of the Fund.

<sup>3</sup> Based on the New York Stock Exchange's closing market price, adjusted for reinvestment of income dividends and capital gain distributions as per the dividend reinvestment policy of the Fund. KEF's performance does not represent sales commissions.

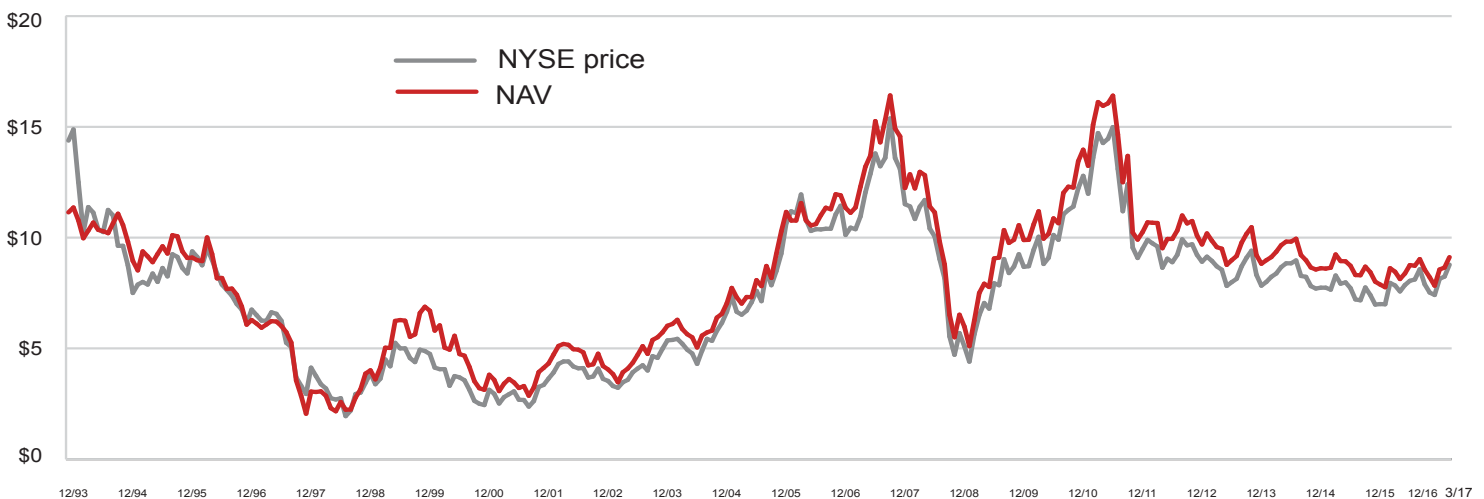
<sup>4</sup> Korea Composite Stock Price Index ("KOSPI") in U.S. dollars adjusted for distributions.

Performance in excess of one year is annualized.

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

Past performance is not indicative of future results. There is a risk of loss.

Net Asset Value Since Inception<sup>1</sup> vs. NYSE Closing Price (as of 3/31/2017)



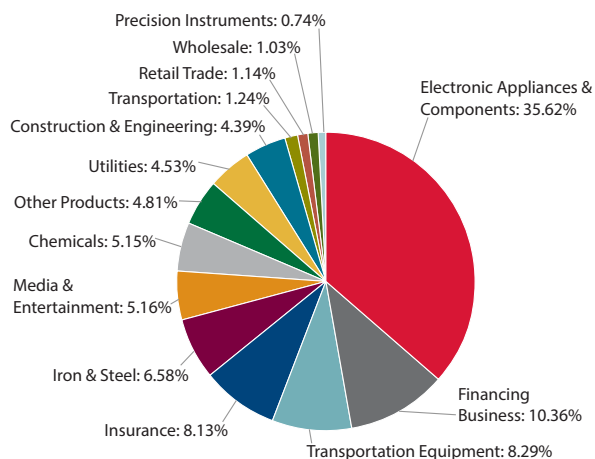
**Top Ten Holdings** (as of 3/31/2017) Holdings may vary over time.

Security	% of Net Assets	% of Benchmark <sup>1</sup>
Samsung Electronics Co., Ltd.	20.69%	21.51%
SK Hynix, Inc.	7.87%	2.73%
Coway Co., Ltd.	6.46%	0.55%
NCsoft Corporation	5.16%	0.50%
Korea Zinc Co., Ltd.	5.14%	0.61%
Korea Electric Power Corporation	4.53%	2.21%
Dongbu Insurance Co., Ltd.	4.32%	0.34%
Shinhan Financial Group Co., Ltd.	3.88%	1.64%
Hana Financial Group Inc.	3.87%	0.81%
Samsung Life Insurance Co., Ltd.	3.81%	1.61%

The ten largest holdings by market value reflect the Fund's investments on the date indicated and may not be representative of the Fund's current or future holdings. Holdings may combine more than one security from the issuer and related depository receipts.

<sup>1</sup> Korea Composite Stock Price Index ("KOSPI") in U.S. dollars adjusted for distributions.

**Sector Weightings** (as of 3/31/2017) Weightings may vary over time.



The industry diversification reflects the Fund's investments on the date indicated and may not be representative of the Fund's current or future holdings.

**Manager's Commentary**

South Korea's KOSPI Index gained 6.6% for the first quarter of 2017, closing at 2,160.23. During the same period, the Korean Won appreciated by 8.4% against the U.S. dollar. Foreign investors were net buyers, purchasing USD 3.3bn during the same period.

The Electric & Electronic Equipment sector outperformed due to expectations of strong earnings from the memory business. Construction stocks also performed well due to expectations of better new order momentum in overseas markets, including the Middle East. Communications outperformed due to defensive characteristics and attractive dividends. On the other hand, the Textile & Apparel sector underperformed

due to concerns about weak new order momentum, while Machinery stocks lagged behind the market due to weaker than expected earnings.

Korean exports increased by 13.7% (YOY) in March, compared with consensus expectations of 12.8% (YOY). Exports to the U.S. and EU declined by 5.3% and 8.7%, respectively while exports to China (+12.1%, YOY) and the ASEAN region (+43.7% YOY) increased significantly. The Bank of Korea (BOK) maintained the policy rate at 1.25%. There was also a major political event when the Constitutional Court voted unanimously to uphold President Park's impeachment.

We may maintain our current position in

the Technology sector given its stable cash flow generation. However, we may take profits from the sector if share prices rally further. We are positive towards selective bank/insurance names as we believe they could benefit from the easing of regulatory concerns. We maintained the position in the Utility sector considering the stable return on equity (ROE) improvement and attractive valuation.

**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. The portfolio information found in this report is as of the date of this brochure and is subject to change at any time without notice.

This report 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. There is a risk of loss. 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. One cannot invest directly in an index.

This material contains the current opinions of the Fund's manager, which are subject to change without notice. It should not be considered investment advice. Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term.

Forward Looking Statements. Certain information discussed in this factsheet may constitute forward-looking statements within the meaning of the U.S. federal securities laws. Although the Investment Manager of the Fund believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be

achieved. Forward-looking information is subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected.

The Fund may participate in new issuances of securities ("New Issues"), and a portion of the Fund's returns consequently may be attributable to its investment in New Issues. The market value of New Issues may fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, and the limited availability for trading and limited information about the issuer. When a composite's asset base is small, New Issues may have a magnified impact on the Fund's performance. As a fund's assets grow, it is probable that the effect of the composite's investment in New Issues on its total returns may not be as significant, which could reduce the Fund's performance. There is no guarantee that the availability or economic attractiveness of New Issues will be consistent from year to year.