



SPECIAL EDITION OUTLOOK



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SOUTH KOREA RISING

While the rise of China makes all the news, investors sometimes forget how crucially important South Korea is in Asia's stunning economic development.

During my recent trip to Seoul, South Korea, I visited with a number of that country's top economists and stock market analysts.

Over and over again, I heard that investors throughout the world do not understand just how important South Korea is to Asia's economic growth.

Located between Japan and China, South Korea is becoming ASIA'S HUB: a financial hub, a logistics hub, an IT hub, a convention hub and a cultural hub. As an artistic hub, Korean TV and pop stars are favorites of teenagers throughout China, Thailand and Hong Kong. There are also 44 cities with populations of more than a million within a four-hour flight from Seoul.

WARREN BUFFETT IS A BIG INVESTOR IN SOUTH KOREA

South Korea's gross domestic product is growing at around 5% a year. For a developed country, that is a stunning growth rate.

Warren Buffett has described Korea as "ONE OF THE WORLD'S MOST ATTRACTIVELY PRICED MARKETS."

Buffet's holding in steel giant, POSCO (PKXFF), is one of his top-performing stock holdings. Buffett now owns about 4% of the company, which is the most profitable steelmaker on the planet.

Korea's shipbuilding, steel, petrochemical, and other smokestack companies are booming as China, India and other Asian economies are spending heavily to build up their infrastructures.

SOUTH KOREA HAS COME A LONG WAY FAST!

South Korea is a fiercely proud and hard-working society of 48 million people (about the size of Italy) with an \$814 billion economy, growing at 5% a year. It is one of the fastest growing "DEVELOPED COUNTRIES" in the world.

"SOUTH KOREA IS A FIERCELY PROUD AND HARD-WORKING SOCIETY OF 48 MILLION PEOPLE (ABOUT THE SIZE OF ITALY) WITH AN \$814 BILLION ECONOMY, GROWING AT 5% A YEAR. IT IS ONE OF THE FASTEST GROWING DEVELOPED COUNTRIES IN THE WORLD.

South Korea clawed itself out of abject poverty during the 1950's and made a successful transition from a military dictatorship to one of Asia's most vibrant democracies.

The people have just recently elected for the first time, a pro-U.S. corporate executive as their new president. President Lee Myung-bak received the largest margin of victory since democratic elections began 20 years ago. The dominant issue in the election was how to keep the Korean Economic Miracle moving ahead by boosting growth.

South Korea's exports in infotech and autos now account for nearly 40% of exports. Firms like Samsung and LG have become synonymous with cutting-edge technology, beautifully designed mobile phones and flat screen TVs.

South Korea has now surpassed United States and Japan in becoming the world's leader in semiconductors (RAM and Flash Memory) and digital displays (LCD and Plasma Panels).

Automobile manufacturers like Hyundai have now surpassed German rivals Mercedes and BMW in quality surveys. In China, Hyundai is one of the best-performing foreign automakers, where it's Elantra and Sonata models are big sellers.

THERE IS NO DOUBT SOUTH KOREA IS ON A ROLL

As one of the FOUR ASIAN TIGERS, the economy of South Korea is the third largest in Asia and the 10th largest in the world, in terms of nominal GDP as of 2006. In 2000, the World Bank moved Korea from being an emerging market to a developed market.

Goldman Sachs predicted that South Korea's per capita gross domestic product (GDP) will reach \$81,000 by 2050, making it the world's second-richest economy in the world after the U.S. and just slightly ahead of China. Goldman also predicted Korea would be the ninth richest nation by 2025.

TECHNOLOGY IS SOUTH KOREA'S FASTEST GROWING SECTOR

After visiting South Korea I was stunned by the high level



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of technology that is available there but IS NOT available in the U.S. I WAS SADDENED AND DEPRESSED WHEN I REALIZED THAT THE U.S. IS A “THIRD WORLD COUNTRY” COMPARED TO SOUTH KOREA’S ADVANCED CELLULAR, BROADBAND AND DIGITAL TECHNOLOGIES.

The U.S. and Europe are still trying to sort out technology standards and spectrum availability, while South Korea is at least two generations and three to five years or more advanced in these technologies than the United States. They currently have Interactive Full High Definition TV Broadcasting as their standard and 4G cellular technology.

Largely because of the infighting and lack of infrastructure investment among large U.S. telephone companies the U.S. cellular broadband markets are absolutely PRIMITIVE compared to South Korea.

HERE ARE JUST A FEW OF THE NEW INNOVATIONS KOREA IS BRINGING TO MARKET:

South Korea is one of the most wired nations in the world and it has a mania for anything new that’s digital or online. The country has spent billions in building up its digital infrastructure over the past decade. Korea now has one of the highest adoption rates in the world for both broadband internet and advanced mobile cellular communications. No company even provides dial-up access—it is simply obsolete. More than 90% of the nation’s 16 million households have broadband internet service and virtually every adult and teenager carry a cell phone, the bulk of them capable of surfing the internet, handling multimedia messages, and watching streamlined live TV broadcasts and movie downloads.

Young Korean consumers are early adapters, willing to give just about any newfangled digital gadget a try. The country has emerged as a crucial testing ground for Samsung Electronics and LG, as well as many foreign tech companies that want to try out new products before taking them to global markets. Online gaming first took off in Korea and Microsoft used it as one of their top test markets for their XBOX LIVE.

Korea also has the highest investment of any country in the robotics industry. The industry has plans to put one robot in every Korean household by 2020.

Having the best in high-speed data communications has turned Korea into the world’s test market for state-of-the-art wireless and internet services and applications. Samsung, LG Electronics and other Korean tech manufacturers turn out world-class mobile phones, personal digital assistants, high-end memory chips and liquid-crystal displays that are licensed to other companies around the world.

Live digital mobile television is available for cell phones, personal multimedia players, music players, and handheld PCs. Some 7 million consumers (or one in every seven residents) regularly watch sporting events, soap operas, sitcoms and worldwide news programs on their cell phones and other handheld devices.

Best of all, most of the satellite-based 16 video channels and 20 audio channels are required by the government to broadcast for free, soccer games and other sports programming, sitcoms and news programs.





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Korea became the world's first country to broadcast live TV using digital cell phone technology in late 2004. Now it is rolling out the world's first high-speed network based on a technology called Mobile WiMAX (as in worldwide interoperability for microwave access). This is the fastest wireless broadband standard in the world and will allow live video conferencing and large file swapping anytime and anyplace over your cell phone.

All over Korea cell phones are now doubling as TVs, but maybe the trend has gone a little too far. The last time I was visiting Seoul my taxi driver was intently watching a soccer game on his GPS navigational screen mounted on his dashboard while he was driving me to the airport. He was clearly more interested in the soccer game than in on-coming traffic.

As an investor, this is definitely one of my top core Asian investments for the future.

다음 주까지... (UNTIL NEXT WEEK...)

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