

# The Taiwan Fund, Inc.

## Monthly Insight

July 2018

### Investment objective

The Fund's investment objective is to seek long-term capital appreciation primarily through investments in equity securities listed in Taiwan.

### Fund facts

(as at 07/31/18)

Net asset value per share	\$23.50
Market price	\$20.41
Premium/discount	-13.15%
Total net assets	\$190.79 m
Market cap	\$165.57 m

### Fund statistics

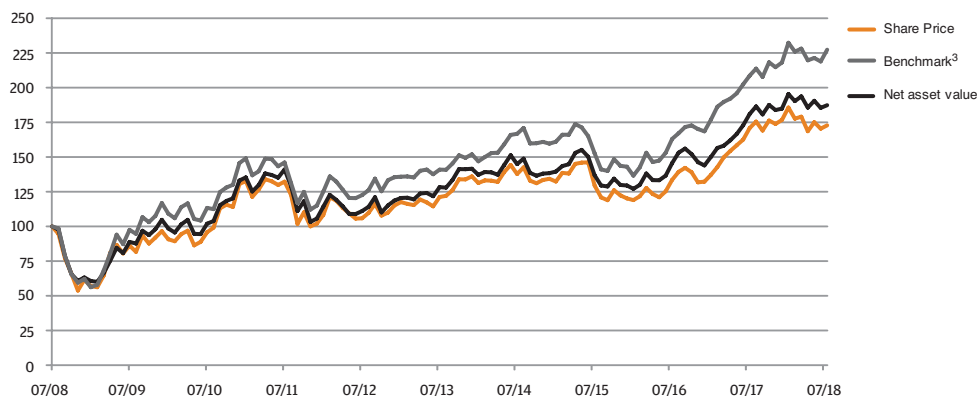
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,112,169
Last dividend (Ex-dividend date)	\$0.66 (December 28, 2017)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 07/31/18)



### Cumulative Performance<sup>1</sup>

(as at 07/31/18)

%	1m	3m	YTD <sup>2</sup>	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	1.0	0.9	1.3	3.5	36.9	46.0	87.4
<b>Market Price</b>	1.4	2.5	-2.2	1.1	33.5	42.6	72.9
TSE Index	1.6	0.3	1.0	4.6	31.6	33.6	57.5
TAIEX Total Return Index <sup>3</sup>	3.9	3.5	4.2	9.0	48.9	61.3	127.4
MSCI Taiwan Index	5.1	3.2	4.1	6.3	42.7	62.1	103.7

### Rolling 12 month performance<sup>1</sup>

(as at 07/31/18)

%	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
<b>The Taiwan Fund, Inc.</b>	3.5	24.3	6.4	-5.6	12.9
<b>Market Price</b>	1.1	27.9	3.2	-6.0	13.7
TSE Index	4.6	22.7	2.5	-11.6	14.9
TAIEX Total Return Index <sup>3</sup>	9.0	28.0	6.8	-8.4	18.3
MSCI Taiwan Index	6.3	28.0	4.9	-4.6	19.0

### Top 10 holdings

(as at 07/31/18)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	19.0%
Largan Precision Co., Ltd.	5.8%
Chroma ATE, Inc.	4.7%
Catcher Technology Co., Ltd.	4.4%
CTBC Financial Holding Co., Ltd.	3.8%
Formosa Plastics Corp.	3.6%
MediaTek, Inc.	3.5%
Cathay Financial Holding Co., Ltd.	3.3%
Vanguard International Semiconductor Corp.	3.3%
Parade Technologies Ltd.	3.1%

<sup>1</sup>In US Dollar terms

<sup>2</sup>Calendar year to date

<sup>3</sup>TAIEX Total Return Index

### Sector breakdown

(as at 07/31/18)

Sector Allocation	Fund %	Benchmark	Deviation
Automobile	0.0	1.0	-1.0
Biotechnology & Medical Care	3.2	0.8	2.4
Building Material & Construction	0.0	1.4	-1.4
Cement	1.1	1.1	0.0
Chemical	0.0	1.0	-1.0
Communications & Internet	0.0	5.4	-5.4
Computer & Peripheral Equipment	4.2	5.0	-0.8
Electric & Machinery	7.7	2.0	5.7
Electrical & Cable	0.0	0.4	-0.4
Electronic Parts & Components	0.6	5.3	-4.7
Electronic Products Distribution	0.0	0.8	-0.8
Financial & Insurance	10.7	13.2	-2.5
Foods	1.1	2.2	-1.1
Glass & Ceramic	0.0	0.2	-0.2
Information Service	0.0	0.2	-0.2
Iron & Steel	0.0	2.0	-2.0
Oil, Gas & Electricity	0.0	3.7	-3.7
Optoelectronic	5.8	4.6	1.2
Other	2.3	3.2	-0.9
Other Electronic	11.0	6.6	4.4
Paper & Pulp	0.0	0.3	-0.3
Plastics	6.0	7.0	-1.0
Rubber	0.0	0.9	-0.9
Semiconductor	41.1	26.7	14.4
Shipping & Transportation	0.0	1.3	-1.3
Textiles	0.0	1.6	-1.6
Tourism	0.0	0.4	-0.4
Trading & Consumers' Goods	0.0	1.7	-1.7
Cash	5.2	0.0	5.2
<b>OVERALL TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>

### Market review

The TAIEX Total Return Index (TAIEX) increased 3.9% in July, driven by rises in the stocks of companies operating in the technology, building materials, textile and food markets. Factors contributing to gains in technology included a forecasted increase in demand for high-end smart phones, which benefited companies in the Apple Inc. supply chain. In contrast, concerns over lower than expected demand for smart phones produced in China, excess inventory, and trade tensions between the United States and China led to declines in companies supplying compound semiconductors, passive components, auto components and automation suppliers.

### Fund update

The Fund underperformed the TAIEX by 2.9% in July. Stocks in the Fund's portfolio that operate in the industries that suffered declines, as referred to in the paragraph above, included Win Semiconductors Corp., Visual Photonics Epitaxy Co., Ltd. (compound semi-conductors / passive components), Ennoconn Corp., Airtac International Group, Hiwin Technologies Corp., Hota Industrial Manufacturing Co., Ltd., and Global PMX Co., Ltd. (auto components and automation suppliers). The Fund experienced gains from its holdings in the stocks of companies that supply Apple Inc. (Largan Precision Co., Ltd. and Catcher Technology Co., Ltd.), but these were not sufficient to compensate for the underperformances detailed above.

There is no change to the Fund's core investment approach and the portfolio is concentrated on high conviction quality companies with strong growth profiles. The Fund's overweight position in technology and growth stocks reflects its confidence in the structural trends in numerous subsectors, including artificial intelligence, 3D sensing, industrial internet-of-things and high performance computing. The Fund further reduced its underweight positions in financials, telecommunications and basic materials.

### Outlook

The Fund remains positive about the outlook for the Taiwan equity market. The seasonal high for technology stocks and increasingly positive forecasts for the launch of Apple Inc.'s new products are expected to outweigh negative concerns referred to above.

### Full portfolio holdings

(as at 07/31/18)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>78,321,933</b>	<b>41.1</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	36,256,353	19.0
MediaTek, Inc.	6,687,267	3.5
Vanguard International Semiconductor Corp.	6,267,721	3.3
Parade Technologies Ltd.	5,951,721	3.1
Nanya Technology Corp.	5,830,685	3.1
Global Unichip Corp.	5,154,309	2.7
Globalwafers Co., Ltd.	4,796,106	2.5
Win Semiconductors Corp.	2,315,673	1.2
Chipbond Technology Corp.	1,889,273	1.0
Silergy Corp.	1,607,435	0.9
ASPEED Technology, Inc.	1,565,390	0.8
<b>Other Electronic</b>	<b>20,955,778</b>	<b>11.0</b>
Chroma ATE, Inc.	8,885,886	4.7
Catcher Technology Co., Ltd.	8,375,139	4.4
Voltronic Power Technology Corp.	2,429,711	1.2
Kingpak Technology, Inc.	1,265,042	0.7
<b>Financial &amp; Insurance</b>	<b>20,493,541</b>	<b>10.7</b>
CTBC Financial Holding Co., Ltd.	7,229,356	3.8
Cathay Financial Holding Co., Ltd.	6,320,419	3.3
Fubon Financial Holding Co., Ltd.	3,916,689	2.0
E.Sun Financial Holding Co., Ltd.	3,027,077	1.6
<b>Electric &amp; Machinery</b>	<b>14,634,275</b>	<b>7.7</b>
Hiwin Technologies Corp.	5,229,873	2.8
Hota Industrial Manufacturing Co., Ltd.	4,603,123	2.4
Airtac International Group	1,808,083	1.0
Global PMX Co., Ltd.	1,586,039	0.8
Yeong Guan Energy Technology Group Co., Ltd.	1,407,157	0.7
<b>Plastics</b>	<b>11,507,562</b>	<b>6.0</b>
Formosa Plastics Corp.	6,941,677	3.6
Formosa Chemicals & Fibre Corp.	4,565,885	2.4
<b>Optoelectronic</b>	<b>11,102,763</b>	<b>5.8</b>
Largan Precision Co., Ltd.	11,102,763	5.8
<b>Computer &amp; Peripheral Equipment</b>	<b>8,035,301</b>	<b>4.2</b>
Pegatron Corp.	5,850,362	3.1
Ennoconn Corp.	2,184,939	1.1
<b>Biotechnology &amp; Medical Care</b>	<b>6,081,597</b>	<b>3.2</b>
St. Shine Optical Co., Ltd.	4,154,864	2.2
Grape King Bio Ltd.	1,926,733	1.0
<b>Other</b>	<b>4,337,329</b>	<b>2.3</b>
Chailease Holding Co., Ltd.	2,315,607	1.2
Nien Made Enterprise Co., Ltd.	2,021,722	1.1

### Full portfolio holdings (cont'd)

(as at 07/31/18)

Holding	Market Value USD	Fund %
<b>Cement</b>	<b>2,104,262</b>	<b>1.1</b>
Taiwan Cement Corp.	2,104,262	1.1
<b>Foods</b>	<b>2,079,767</b>	<b>1.1</b>
Uni-President Enterprises Corp.	2,079,767	1.1
<b>Electronic Parts &amp; Components</b>	<b>1,207,930</b>	<b>0.6</b>
Yageo Corp.	1,207,930	0.6
<b>Cash</b>	<b>9,929,302</b>	<b>5.2</b>
Cash	9,929,302	5.2
<b>Grand Total</b>	<b>190,791,340</b>	<b>100.0</b>

Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

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The Fund is classified as a diversified investment company under the US Investment Company Act of 1940 as amended. It meets the criteria of a closed end US fund and its shares are listed on the New York Stock Exchange. JFIMI has been appointed investment advisor to the Fund.

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Portfolio holdings are subject to change daily.

It should not be assumed that any of the securities transactions or holdings discussed here were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Investing in the Fund involves certain considerations in addition to the risks normally associated with making investments in securities. The value of the shares issued by the Fund, and the income from them, may go down as well as up and there can be no assurance that upon sale, or otherwise, investors will receive back the amount originally invested. There can be no assurance that you will receive comparable performance returns. Movements in foreign exchange rates may have a separate effect, unfavorable as well as favorable, on the gain or loss otherwise experienced on an investment. Past performance is not a guide to future returns. Accordingly, the Fund is only suitable for investment by investors who are able and willing to withstand the total loss of their investment. In particular, prospective investors should consider the following risks:

*Discretionary investment is not risk-free. The past operating performance does not guarantee a minimum return for the discretionary investment fund. Apart from exercising the duty of care of a prudent adviser, JFIMI will not be responsible for the profit or loss of the discretionary investment fund, nor guarantee a minimum return.*

- It should be noted that investment in the Fund is only suitable for sophisticated investors who are aware of the risk of investing in Taiwan and should be regarded as long term. Funds which invest in one country carry a higher degree of risk than those with portfolios diversified across a number of markets.
- Investment in the securities of smaller and unquoted companies can involve greater risk than is customarily associated with investment in larger, more established, companies. In particular, smaller companies often have limited product lines, markets or financial resources and their management may be dependent on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Proper information for determining their value, or the risks to which they are exposed, may not be available.
- Investments within emerging markets such as Taiwan can be of higher risk. Many emerging markets, and the companies quoted on their stock exchanges, are exposed to the risks of political, social and religious instability, expropriation of assets or nationalization, rapid rates of inflation, high interest rates, currency depreciation and fluctuations and changes in taxation which may affect the Fund's income and the value of its investments.
- The marketability of quoted shares may be limited due to foreign investment restrictions, wide dealing spreads, exchange controls, foreign ownership restrictions, the restricted opening of stock exchanges and a narrow range of investors. Trading volume may be lower than on more developed stock markets, and equities are less liquid. Volatility of prices can also be greater than in more developed stock markets. The infrastructure for clearing, settlement and registration on the primary and secondary markets may be undeveloped. Under certain circumstances, there may be delays in settling transactions in some of the markets.

If you have any questions or comments about the Fund, please contact the Fund at the address or telephone number below or via the website [www.thetaiwanfund.com](http://www.thetaiwanfund.com)

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