

# The Taiwan Fund, Inc.

## Monthly Insight

March 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 03/31/18)

Net asset value per share	\$24.30
Market price	\$21.15
Premium/discount	-12.96%
Total net assets	\$198.17 m
Market cap	\$172.49 m

### Fund statistics

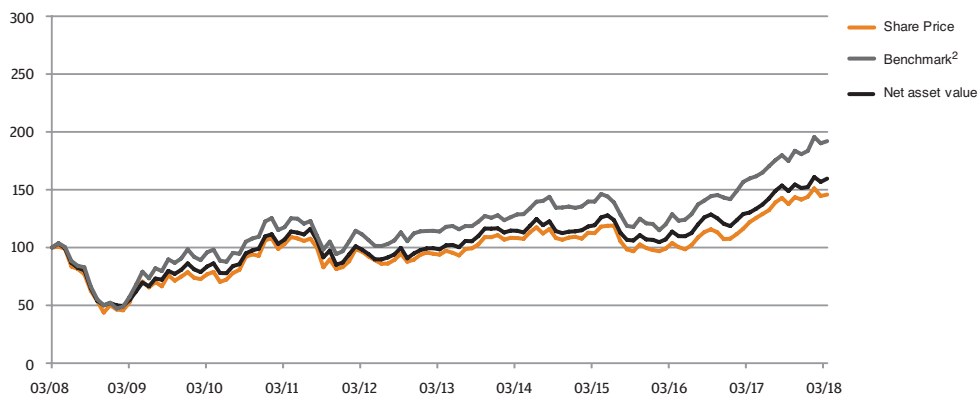
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,155,368
Last dividend (Ex-dividend date)	\$0.66 (December 28, 2017)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 03/31/18)



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

(as at 03/31/18)

%	1m	3m	YTD <sup>2</sup>	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	1.8	4.8	4.8	22.5	33.8	62.1	59.7
<b>Market Price</b>	0.8	1.3	1.3	19.5	29.7	55.3	45.9
TSE Index	1.0	4.6	4.6	15.7	22.1	41.3	32.6
TAIEX Total Return Index <sup>3</sup>	1.0	4.6	4.6	20.2	37.4	68.6	92.0
MSCI Taiwan Index	1.3	5.7	5.7	20.6	35.7	68.6	72.5

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

(as at 03/31/18)

%	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
<b>The Taiwan Fund, Inc.</b>	22.5	14.5	-4.6	4.2	16.3
<b>Market Price</b>	19.5	17.4	-7.6	3.9	15.3
TSE Index	15.7	19.0	-11.3	5.4	9.7
TAIEX Total Return Index <sup>3</sup>	20.2	24.0	-7.8	8.7	13.0
MSCI Taiwan Index	20.6	23.0	-8.5	12.4	10.5

### Top 10 holdings

(as at 03/31/18)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	9.4%
MediaTek, Inc.	4.6%
Chroma ATE, Inc.	3.9%
CTBC Financial Holding Co., Ltd.	3.9%
Cathay Financial Holding Co., Ltd.	3.8%
Hiwin Technologies Corp.	3.7%
Catcher Technology Co., Ltd.	3.4%
Formosa Plastics Corp.	3.4%
Yageo Corp.	3.1%
Acer, Inc.	2.9%

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

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

<sup>3</sup>TAIEX Total Return Index (prior to January 1, 2003, TAIEX Index)

### Sector breakdown

(as at 03/31/18)

Sector Allocation	Fund %	Benchmark	Deviation
Automobile	0.0	1.1	-1.1
Biotechnology & Medical Care	2.0	0.8	1.2
Building Material & Construction	0.0	1.4	-1.4
Cement	1.7	0.9	0.8
Chemical	0.0	1.0	-1.0
Communications & Internet	3.0	5.8	-2.8
Computer & Peripheral Equipment	10.6	5.1	5.5
Electric & Machinery	8.2	2.1	6.1
Electrical & Cable	0.0	0.4	-0.4
Electronic Parts & Components	6.2	4.7	1.5
Electronic Products Distribution	0.0	0.8	-0.8
Financial & Insurance	12.7	12.8	-0.1
Foods	2.1	2.0	0.1
Glass & Ceramic	0.0	0.2	-0.2
Information Service	0.0	0.2	-0.2
Iron & Steel	0.0	1.9	-1.9
Oil, Gas & Electricity	2.9	3.7	-0.8
Optoelectronic	2.5	3.9	-1.4
Other	2.6	3.3	-0.7
Other Electronic	10.1	7.0	3.1
Paper & Pulp	0.0	0.3	-0.3
Plastics	8.3	6.7	1.6
Rubber	0.0	0.9	-0.9
Semiconductor	24.5	28.0	-3.5
Shipping & Transportation	0.0	1.4	-1.4
Textiles	0.0	1.5	-1.5
Tourism	0.0	0.5	-0.5
Trading & Consumers' Goods	1.9	1.6	0.3
Cash	0.7	0.0	0.7
<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 1.0% in March, supported by a recovery in demand for smartphones in China and further price rises in wafer<sup>1</sup>, passive<sup>2</sup> and memory components used in electronics. Trade tensions between the United States and China impacted investor sentiment and created uncertainty for some Taiwan exporters.

### Fund update

The Fund outperformed the TAIEX by 0.8% in March. Outperforming companies included Yageo Corp., as a result of price rises in electronic components referred to above, Win Semiconductors Corp. and Chroma ATE, Inc., on rising expectations of an early adoption of 3D sensing for iPhones, and MediaTek, Inc., due to increased demand arising from restocking of smartphones in China. Underperforming companies had a relatively insignificant impact on returns, as many were not included in the Fund's holdings.

There is no change to the Fund's core investment approach with a preference for quality companies with strong growth profiles supported by earnings momentum. The resumption of inventory restocking and the product cycle is expected to gradually improve sentiment in some technology stocks. The Fund's overweight position in technology and growth stocks reflects its confidence in the structural trends in numerous subsectors. It also remains overweight in non-technology industrial, financial and consumer businesses and underweight in telecommunications and basic materials.

### Outlook

The Fund remains positive about the outlook for the Taiwan equity market. The growth in sales of lower priced smartphone devices and limited specification upgrades are expected to create challenges for the supply chain. In contrast, upstream companies are expected to benefit from strong demand for artificial intelligence, electric vehicle and industrial internet of things.

### Notes

<sup>1</sup> A procedure composed of many repeated sequential processes to produce complete electrical or photonic circuits.

<sup>2</sup> Electronic components that do not require a source of energy to perform their intended functions.

### Full portfolio holdings

(as at 03/31/18)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>48,538,062</b>	<b>24.5</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	18,578,043	9.4
MediaTek, Inc.	9,036,458	4.6
Win Semiconductors Corp.	3,703,570	1.9
Parade Technologies Ltd.	3,545,495	1.8
Global Unichip Corp.	3,282,231	1.6
Nanya Technology Corp.	2,877,549	1.4
ASPEED Technology, Inc.	1,844,500	0.9
Chipbond Technology Corp.	1,606,955	0.8
Silergy Corp.	1,577,323	0.8
Globalwafers Co., Ltd.	1,526,083	0.8
Formosa Sumco Technology Corp.	959,855	0.5
<b>Financial &amp; Insurance</b>	<b>25,152,757</b>	<b>12.7</b>
CTBC Financial Holding Co., Ltd.	7,645,485	3.9
Cathay Financial Holding Co., Ltd.	7,448,526	3.8
Fubon Financial Holding Co., Ltd.	4,063,741	2.0
E.Sun Financial Holding Co., Ltd.	3,212,553	1.6
Yuanta Financial Holding Co., Ltd.	2,782,452	1.4
<b>Computer &amp; Peripheral Equipment</b>	<b>21,102,813</b>	<b>10.6</b>
Acer, Inc.	5,829,015	2.9
Ennoconn Corp.	4,460,120	2.3
Micro-Star International Co., Ltd.	4,396,282	2.2
Wistron Corp.	4,030,405	2.0
Gigabyte Technology Co., Ltd.	2,386,991	1.2
<b>Other Electronic</b>	<b>20,073,309</b>	<b>10.1</b>
Chroma ATE, Inc.	7,676,939	3.9
Catcher Technology Co., Ltd.	6,732,328	3.4
Voltronic Power Technology Corp.	2,709,373	1.4
Kingpak Technology, Inc.	1,646,191	0.8
Bizlink Holding, Inc.	1,308,478	0.6
<b>Plastics</b>	<b>16,463,497</b>	<b>8.3</b>
Formosa Plastics Corp.	6,673,080	3.4
Nan Ya Plastics Corp.	5,453,894	2.7
Formosa Chemicals & Fibre Corp.	4,336,523	2.2
<b>Electric &amp; Machinery</b>	<b>16,262,569</b>	<b>8.2</b>
Hiwin Technologies Corp.	7,399,602	3.7
Airtac International Group	5,037,007	2.5
Global PMX Co., Ltd.	2,487,911	1.3
Cub Elecparts, Inc.	989,865	0.5
Macauto Industrial Co., Ltd.	348,184	0.2
<b>Electronic Parts &amp; Components</b>	<b>12,275,106</b>	<b>6.2</b>
Yageo Corp.	6,170,731	3.1
Delta Electronics, Inc.	3,438,287	1.7
Tripod Technology Corp.	2,001,903	1.0
Sinbon Electronics Co., Ltd.	664,185	0.4
<b>Communications &amp; Internet</b>	<b>5,899,390</b>	<b>3.0</b>
Visual Photonics Epitaxy Co., Ltd.	3,268,083	1.7
Accton Technology Corp.	1,785,506	0.9
Advanced Ceramic X Corp.	845,801	0.4
<b>Oil, Gas &amp; Electricity</b>	<b>5,661,436</b>	<b>2.9</b>
Formosa Petrochemical Corp.	5,661,436	2.9
<b>Other</b>	<b>5,124,121</b>	<b>2.6</b>
Chailease Holding Co., Ltd.	4,396,886	2.2
Nien Made Enterprise Co., Ltd.	727,235	0.4

### Full portfolio holdings (cont'd)

(as at 03/31/18)

Holding	Market Value USD	Fund %
<b>Optoelectronic</b>	<b>4,949,438</b>	<b>2.5</b>
Largan Precision Co., Ltd.	3,069,761	1.5
Radiant Opto-Electronics Corp.	1,302,140	0.7
E Ink Holdings, Inc.	577,537	0.3
<b>Foods</b>	<b>4,183,677</b>	<b>2.1</b>
Uni-President Enterprises Corp.	4,183,677	2.1
<b>Biotechnology &amp; Medical Care</b>	<b>3,878,006</b>	<b>2.0</b>
St. Shine Optical Co., Ltd.	3,079,021	1.6
Grape King Bio Ltd.	798,985	0.4
<b>Trading &amp; Consumers' Goods</b>	<b>3,707,459</b>	<b>1.9</b>
President Chain Store Corp.	2,130,397	1.1
Poya International Co., Ltd.	1,577,062	0.8
<b>Cement</b>	<b>3,474,864</b>	<b>1.7</b>
Taiwan Cement Corp.	3,474,864	1.7
<b>Cash</b>	<b>1,425,656</b>	<b>1</b>
Cash	1,425,656	0.7
<b>Grand Total</b>	<b>198,172,160</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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