

# The Taiwan Fund, Inc.

## Monthly Insight

February 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 02/28/18)

Net asset value per share	\$23.87
Market price	\$20.98
Premium/discount	-12.11%
Total net assets	\$195.03 m
Market cap	\$171.42 m

### Fund statistics

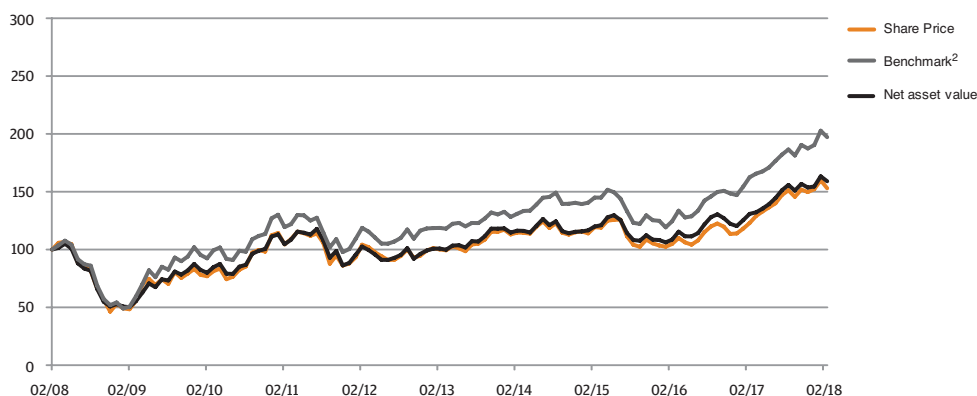
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,170,585
Last dividend (Ex-dividend date)	\$0.66 (December 28, 2017)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 02/28/18)



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

(as at 02/28/18)

%	1m	3m	YTD <sup>2</sup>	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	-2.6	3.5	2.9	21.6	32.6	57.7	59.1
<b>Market Price</b>	-4.3	2.2	0.5	24.4	28.2	52.8	53.1
TSE Index	-2.8	5.2	3.6	16.7	20.9	39.1	36.1
TAIEX Total Return Index <sup>3</sup>	-2.8	5.2	3.6	21.3	36.0	66.1	97.2
MSCI Taiwan Index	-3.0	5.6	4.3	21.1	33.0	65.1	74.4

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

(as at 02/28/18)

%	2018/2017	2017/2016	2016/2015	2015/2014	2014/2013
<b>The Taiwan Fund, Inc.</b>	21.6	20.5	-9.4	3.1	15.3
<b>Market Price</b>	24.4	17.3	-12.2	4.1	14.5
TSE Index	16.7	25.4	-17.4	7.4	7.1
TAIEX Total Return Index <sup>3</sup>	21.3	30.6	-14.1	10.7	10.3
MSCI Taiwan Index	21.1	31.1	-16.3	16.5	6.6

### Top 10 holdings

(as at 02/28/18)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	9.6%
Cathay Financial Holding Co., Ltd.	4.0%
MediaTek, Inc.	3.6%
CTBC Financial Holding Co., Ltd.	3.5%
Formosa Plastics Corp.	3.4%
Formosa Petrochemical Corp.	3.4%
Catcher Technology Co., Ltd.	3.1%
Hiwin Technologies Corp.	2.9%
Acer, Inc.	2.8%
Nan Ya Plastics Corp.	2.8%

<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 02/28/18)

Sector Allocation	Fund %	Benchmark	Deviation
Automobile	0.0	1.2	-1.2
Biotechnology & Medical Care	1.5	0.7	0.8
Building Material & Construction	0.0	1.4	-1.4
Cement	1.8	0.9	0.9
Chemical	0.0	1.0	-1.0
Communications & Internet	3.6	5.7	-2.1
Computer & Peripheral Equipment	10.4	5.3	5.1
Electric & Machinery	6.9	2.1	4.8
Electrical & Cable	0.0	0.3	-0.3
Electronic Parts & Components	6.0	4.5	1.5
Electronic Products Distribution	0.0	0.8	-0.8
Financial & Insurance	13.8	13.0	0.8
Foods	2.2	2.0	0.2
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	3.4	3.7	-0.3
Optoelectronic	3.5	4.1	-0.6
Other	2.9	3.2	-0.3
Other Electronic	8.4	6.9	1.5
Paper & Pulp	0.0	0.4	-0.4
Plastics	8.4	6.7	1.7
Rubber	0.0	1.0	-1.0
Semiconductor	23.6	27.7	-4.1
Shipping & Transportation	0.0	1.5	-1.5
Textiles	0.0	1.5	-1.5
Tourism	0.9	0.5	0.4
Trading & Consumers' Goods	1.9	1.6	0.3
Cash	0.8	0.0	0.8
<b>OVERALL TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>

### Market review

The TAIEX Total Return Index (TAIEX) declined 2.8% in February, affected by a drop in global equities and further reductions in orders for the iPhone X in the first half of 2018. The performance of stocks involved in the production of materials, financial services and domestic consumption improved on the basis that they provided some shelter from market volatility and benefitted from government support.

### Fund update

The Fund outperformed the TAIEX by 0.2% in February. Industrial automation holdings, Airtac International Group and Ennoconn Corp., outperformed due to further price rises for their products with increased demand expected to continue through 2018. Win Semiconductors Corp. also rose due to improved guidance for its 3D sensing products. In contrast, Acer, Inc. underperformed ahead of its expected seasonal slowdown, but we remain confident of growth in its gaming personal computers and improved margins in its business. Global Unichip Corp. and Micro-Star International Co., Ltd. also underperformed due to concerns about demand for Bitcoin, although there continues to be strong growth in application-specific integrated circuit from artificial intelligence, high performance computing and machine learning.

There is no change to the Fund's core investment approach with a preference for growth and earnings momentum. The Fund remains overweight in technology, industrials, financials and consumer businesses and underweight in telecommunications and basic materials.

### Outlook

The Fund remains positive about the outlook for the Taiwan equity market and believes that the prices of technology stocks now reflect much of the negative news from the smartphone supply chain. There are already signs of re-stocking inventories for the Android market in China and the iPhone market is also expected to follow this cycle during the second quarter of 2018. The outperformance of stocks in the materials and financial services industries may continue, particularly if there is an increase in interest rates in the second half of 2018.

### Full portfolio holdings

(as at 02/28/18)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>45,924,093</b>	<b>23.6</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	18,705,623	9.6
MediaTek, Inc.	6,959,121	3.6
Global Unichip Corp.	3,185,422	1.6
Win Semiconductors Corp.	3,172,835	1.6
Nanya Technology Corp.	3,094,121	1.6
Parade Technologies Ltd.	2,509,291	1.3
ASPEED Technology, Inc.	1,984,944	1.0
Silergy Corp.	1,847,888	1.0
Chipbond Technology Corp.	1,604,836	0.8
Formosa Sumco Technology Corp.	996,780	0.5
Chunghwa Precision Test Tech Co., Ltd.	943,981	0.5
Globalwafers Co., Ltd.	919,251	0.5
<b>Financial &amp; Insurance</b>	<b>26,877,652</b>	<b>13.8</b>
Cathay Financial Holding Co., Ltd.	7,826,436	4.0
CTBC Financial Holding Co., Ltd.	6,844,753	3.5
Fubon Financial Holding Co., Ltd.	4,228,494	2.2
Yuanta Financial Holding Co., Ltd.	3,722,654	1.9
E. Sun Financial Holding Co., Ltd.	2,195,768	1.1
Mega Financial Holding Co., Ltd.	2,059,547	1.1
<b>Computer &amp; Peripheral Equipment</b>	<b>20,336,046</b>	<b>10.4</b>
Acer, Inc.	5,451,593	2.8
Ennoconn Corp.	4,621,621	2.4
Wistron Corp.	3,952,493	2.0
Micro-Star International Co., Ltd.	3,842,236	2.0
Gigabyte Technology Co., Ltd.	2,468,103	1.2
<b>Plastics</b>	<b>16,374,369</b>	<b>8.4</b>
Formosa Plastics Corp.	6,696,631	3.4
Nan Ya Plastics Corp.	5,366,800	2.8
Formosa Chemicals & Fibre Corp.	4,310,938	2.2
<b>Other Electronic</b>	<b>16,280,453</b>	<b>8.4</b>
Catcher Technology Co., Ltd.	5,965,577	3.1
Chroma ATE, Inc.	4,729,496	2.4
Voltronic Power Technology Corp.	2,392,118	1.2
Kingpak Technology, Inc.	1,756,914	0.9
Bizlink Holding, Inc.	1,436,348	0.8
<b>Electric &amp; Machinery</b>	<b>13,502,685</b>	<b>6.9</b>
Hiwin Technologies Corp.	5,714,237	2.9
Airtac International Group	5,185,444	2.7
Global PMX Co., Ltd.	2,244,182	1.1
Macauto Industrial Co., Ltd.	358,822	0.2
<b>Electronic Parts &amp; Components</b>	<b>11,696,625</b>	<b>6.0</b>
Yageo Corp.	3,916,802	2.0
Delta Electronics, Inc.	3,671,475	1.9
Tripod Technology Corp.	1,991,112	1.0
Primax Electronics Ltd.	1,066,089	0.5
Sinbon Electronics Co., Ltd.	694,482	0.4
Career Technology (MFG.) Co., Ltd.	356,665	0.2

### Full portfolio holdings (cont'd)

(as at 02/28/18)

Holding	Market Value USD	Fund %
<b>Communications &amp; Internet</b>	<b>7,034,526</b>	<b>3.6</b>
Visual Photonics Epitaxy Co., Ltd.	3,249,268	1.7
Accton Technology Corp.	2,102,242	1.1
Advanced Ceramic X Corp.	1,683,016	0.8
<b>Optoelectronic</b>	<b>6,896,691</b>	<b>3.5</b>
Largan Precision Co., Ltd.	3,417,136	1.7
Radiant Opto-Electronics Corp.	1,500,488	0.8
Epistar Corp.	1,414,245	0.7
E Ink Holdings, Inc.	564,822	0.3
<b>Oil, Gas &amp; Electricity</b>	<b>6,692,470</b>	<b>3.4</b>
Formosa Petrochemical Corp.	6,692,470	3.4
<b>Other</b>	<b>5,712,966</b>	<b>2.9</b>
Chailease Holding Co., Ltd.	4,312,048	2.2
Nien Made Enterprise Co., Ltd.	749,705	0.4
Taiwan Paiho Ltd.	651,213	0.3
<b>Foods</b>	<b>4,220,981</b>	<b>2.2</b>
Uni-President Enterprises Corp.	4,220,981	2.2
<b>Trading &amp; Consumers' Goods</b>	<b>3,762,950</b>	<b>1.9</b>
President Chain Store Corp.	2,138,480	1.1
Poya International Co., Ltd.	1,624,470	0.8
<b>Cement</b>	<b>3,513,007</b>	<b>1.8</b>
Taiwan Cement Corp.	3,513,007	1.8
<b>Biotechnology &amp; Medical Care</b>	<b>2,871,676</b>	<b>1.5</b>
St. Shine Optical Co., Ltd.	2,198,421	1.1
Grape King Bio Ltd.	673,255	0.4
<b>Tourism</b>	<b>1,837,982</b>	<b>0.9</b>
Gourmet Master Co., Ltd.	1,837,982	0.9
<b>Cash</b>	<b>1,495,262</b>	<b>0.8</b>
Cash	1,495,262	0.8
<b>Grand Total</b>	<b>195,030,434</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.

### Important Information

This document is issued and approved by JF International Management, Inc. ("JFIMI"), as investment advisor of The Taiwan Fund, Inc. (the "Fund"). JFIMI is an investment advisor registered with the US Securities and Exchange Commission. Certain information herein is believed to be reliable but has not been verified by JFIMI. JFIMI makes no representation or warranty and does not accept any responsibility in relation to such information or for opinion or conclusion which the reader may draw from this newsletter.

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.

This newsletter does not constitute an offer of shares. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering, shares are bought and sold on the open market through a stock exchange. JFIMI, its ultimate and intermediate holding companies, subsidiaries, affiliates, clients, directors or staff may, at any time, have a position in the market referred to herein, and may buy or sell securities, currencies, or any other financial instruments in such markets. The information or opinion expressed in this newsletter should not be construed to be a recommendation to buy or sell any security, including the securities, commodities, currencies or financial instruments referred to herein.

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)

The Taiwan Fund, Inc.  
c/o State Street Bank and Trust Company  
P.O. Box 5049 One Lincoln Street  
Boston MA 02206-5049  
Tel: 877-217-9502