

The Taiwan Fund, Inc.

Monthly Insight

January 2017

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 01/31/17)

Net asset value per share	\$19.40
Market price	\$16.69
Premium/discount	-13.97%
Total net assets	\$159.54 m
Market cap	\$137.26 m

Fund statistics

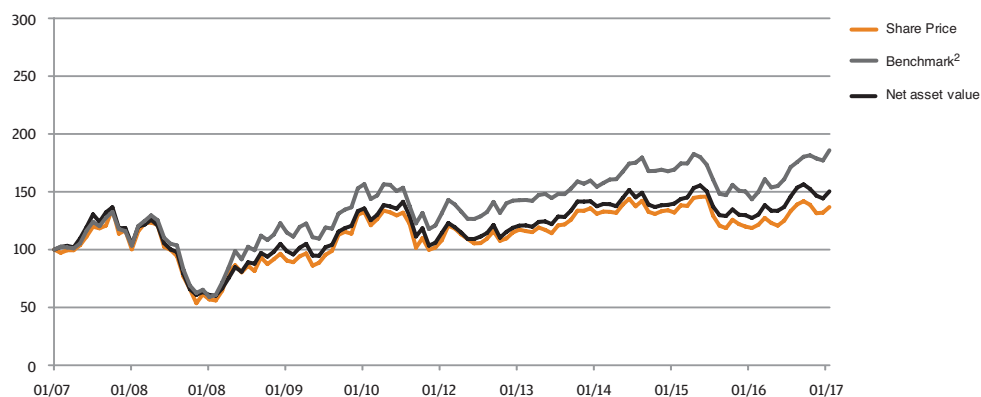
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,224,330
Last dividend (Ex-dividend date)	\$2.6332 (December 26, 2014)
Benchmark	TAIEX Total Return Index

Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

10 year performance data

(as at 01/31/17)



Cumulative Performance¹

(as at 01/31/17)

%	1m	3m	YTD	1Y	3Y	5Y	10Y
The Taiwan Fund, Inc.	4.3	-1.4	4.3	18.1	9.4	31.4	50.5
Market Price	3.7	-1.4	3.7	15.3	4.5	26.6	36.9
TSE Index	5.0	2.4	5.0	24.4	8.0	18.7	28.9
TAIEX Total Return Index ²	5.0	2.4	5.0	29.5	20.4	41.4	85.9
MSCI Taiwan Index	5.0	1.2	5.0	30.4	24.2	40.3	57.5

Rolling 12 month performance¹

(as at 01/31/17)

%	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
The Taiwan Fund, Inc.	18.1	-8.9	1.7	13.9	5.5
Market Price	15.3	-10.1	0.8	11.7	8.5
TSE Index	24.4	-18.4	6.4	5.1	4.6
TAIEX Total Return Index ²	29.5	-15.2	9.6	8.2	8.6
MSCI Taiwan Index	30.4	-16.6	14.3	5.2	7.3

Top 10 holdings

(as at 01/31/17)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	9.7%
Hon Hai Precision Industry Co., Ltd.	6.7%
Largan Precision Co., Ltd.	6.5%
Cathay Financial Holding Co., Ltd.	4.6%
Fubon Financial Holding Co., Ltd.	4.4%
Nan Ya Plastics Corp.	3.4%
Taiwan Paiho Ltd.	3.0%
Ennoconn Corp.	2.9%
Delta Electronics, Inc.	2.6%
Silergy Corp.	2.5%

¹In US Dollar terms

²TAIEX Total Return Index (prior to January 1, 2003, TAIEX Index)

Sector breakdown

(as at 01/31/17)

Sector Allocation	Fund %	Benchmark	Deviation
Automobile	0.0	1.4	-1.4
Biotechnology & Medical Care	0.0	0.8	-0.8
Building Material & Construction	0.0	1.5	-1.5
Cement	1.2	0.9	0.3
Chemical	0.0	1.0	-1.0
Communications & Internet	2.5	6.3	-3.8
Computer & Peripheral Equipment	8.5	6.0	2.5
Electric & Machinery	6.1	1.9	4.2
Electrical & Cable	0.0	0.3	-0.3
Electronic Parts & Components	5.0	4.5	0.5
Electronic Products Distribution	0.0	0.8	-0.8
Financial & Insurance	14.0	13.2	0.8
Foods	1.2	1.9	-0.7
Glass & Ceramic	0.0	0.2	-0.2
Information Service	0.0	0.2	-0.2
Iron & Steel	0.0	2.2	-2.2
Oil, Gas & Electricity	2.1	3.9	-1.8
Optoelectronic	10.5	4.6	5.9
Other	7.1	3.5	3.6
Other Electronic	9.1	7.2	1.9
Paper & Pulp	0.0	0.3	-0.3
Plastics	5.1	7.0	-1.9
Rubber	0.0	1.3	-1.3
Semiconductor	19.6	23.9	-4.3
Shipping & Transportation	0.3	1.5	-1.2
Textiles	3.3	1.7	1.6
Tourism	0.0	0.5	-0.5
Trading & Consumers' Goods	2.0	1.5	0.5
Cash	2.4	0.0	2.4
OVERALL TOTAL	100.0%	100.0%	0.0%

Market review

The TAIEX Total Return Index (TAIEX) rose 4.98% in January with improving volumes. Foreign investors were active buyers with acquisitions of US\$1.4bn in January relative to a total of US\$10bn for the calendar year ended December 31, 2016. Non-technology sectors led the rally driven by cyclical sectors such as pulp and paper, transportation, machinery, tourism and steel. The technology sector also outperformed, driven by optoelectronics and hardware. Investors are renewing their interest in the Apple supply chain as the market digests the slowdown during the first half of 2017 and anticipates a stronger second half in 2017. Following a strong performance during the last two months, the financial sector closed flat on retreating U.S. bond yields and a weaker U.S. dollar.

Fund update

The Fund underperformed the TAIEX Index by 0.73% in January. The Fund's performance was driven mainly by the overweight position in technology, especially by the strong performance of Largan Precision Co., Ltd. (dual-camera lens provider) and Ennoconn Corp. (systems and boards manufacturer). The major detractor from the Fund's performance was ASPEED Technology, Inc., an electronic chip manufacturer, primarily due to market expectations of weak first quarter results. Nien Made Enterprises Co., Ltd (curtains and window manufacturer) and China Life Insurance Co., Ltd. (life insurer) suffered from profit taking due to weaker than expected fourth quarter results.

There was no change to the Fund's core investment approach with a continued preference for consumer discretionary growth names with sustainable franchises, including those in the sportswear and auto parts sectors. The Fund's overweight technology position is mainly in Apple iPhone, cloud, Internet of Things (IOT), gaming and semi-conductor sectors. The Fund was also overweight in insurers given the rising trend of treasury yields, and remained underweight in telecommunications and basic materials.

Outlook

The continuing low interest rate environment and a weakening U.S. dollar should continue to provide ample liquidity in the Taiwan equity market. However, the new administration of U.S. President Trump continues to generate uncertainty. Our base case remains that the Taiwan market will be supported by stronger GDP and corporate earnings growth in 2017. Against this backdrop, companies with long-term growth opportunities should continue to be in favor.

Full portfolio holdings

(as at 01/31/17)

Holding	Market Value USD	Fund %
Semiconductor	31,294,566	19.6
Taiwan Semiconductor Manufacturing Co., Ltd.	15,475,101	9.7
Silergy Corp.	4,061,124	2.5
ASPEED Technology, Inc.	3,137,471	2.0
Powertech Technology, Inc.	2,727,621	1.7
Realtek Semiconductor Corp.	2,100,300	1.3
Advanced Semiconductor Engineering, Inc.	1,675,279	1.1
Parade Technologies Ltd.	1,171,058	0.7
Chunghwa Precision Test Tech Co., Ltd.	708,224	0.4
MediaTek, Inc.	238,388	0.2
Financial & Insurance	22,331,908	14.0
Cathay Financial Holding Co., Ltd.	7,323,055	4.6
Fubon Financial Holding Co., Ltd.	6,989,664	4.4
China Life Insurance Co., Ltd.	3,842,328	2.4
Yuanta Financial Holding Co., Ltd.	3,060,244	1.9
E. Sun Financial Holding Co., Ltd.	1,116,617	0.7
Optoelectronic	16,747,805	10.5
Largan Precision Co., Ltd.	10,363,364	6.5
Au Optronics Corp.	2,212,828	1.4
Innolux Corp.	2,203,229	1.4
Epistar Corp.	1,005,343	0.6
Glory Science Co., Ltd.	963,041	0.6
Other Electronic	14,477,711	9.1
Hon Hai Precision Industry Co., Ltd.	10,673,470	6.7
Voltronic Power Technology Corp.	1,487,199	0.9
Tung Thih Electronic Co., Ltd.	1,453,774	0.9
Bizlink Holding, Inc.	863,268	0.6
Computer & Peripheral Equipment	13,552,307	8.5
Ennoconn Corp.	4,623,350	2.9
Micro-Star International Co., Ltd.	2,590,263	1.6
Advantech Co., Ltd.	2,138,869	1.4
Primax Electronics Ltd.	2,127,066	1.3
Mitac Holdings Corp.	2,072,759	1.3
Other	11,425,416	7.1
Taiwan Paiho Ltd.	4,718,484	3.0
Nien Made Enterprise Co., Ltd.	2,052,894	1.3
Giant Manufacturing Co., Ltd.	1,942,353	1.2
Merida Industry Co., Ltd.	1,404,884	0.8
KMC Kuei Meng International, Inc.	782,173	0.5
Nan Liu Enterprise Co., Ltd.	524,628	0.3
Electric & Machinery	9,713,895	6.1
Airtac International Group	3,071,349	1.9
Basso Industry Corp.	2,297,072	1.5
Macauto Industrial Co., Ltd.	1,167,613	0.7
Global PMX Co., Ltd.	1,103,171	0.7
Iron Force Industrial Co., Ltd.	928,531	0.6
Hiwin Technologies Corp.	621,483	0.4
Hota Industrial Manufacturing Co., Ltd.	524,676	0.3
Plastics	8,154,103	5.1
Nan Ya Plastics Corp.	5,451,653	3.4
Formosa Chemicals & Fibre Corp.	2,411,816	1.5
Formosa Plastics Corp.	290,634	0.2

Full portfolio holdings (cont'd)

Holding	Market Value USD	Fund %
Electronic Parts & Components	7,977,696	5.0
Delta Electronics, Inc.	4,191,826	2.6
King Slide Works Co., Ltd.	2,245,534	1.4
Sinbon Electronics Co., Ltd.	1,540,336	1.0
Textiles	5,226,935	3.3
Eclat Textile Co., Ltd.	3,435,548	2.2
Toung Loong Textile Manufacturing Co., Ltd.	1,791,387	1.1
Communications & Internet	3,935,738	2.5
Wistron NeWeb Corp.	3,605,233	2.3
Advanced Ceramic X Corp.	330,505	0.2
Oil, Gas & Electricity	3,380,575	2.1
Formosa Petrochemical Corp.	3,380,575	2.1
Trading & Consumers' Goods	3,136,003	2.0
Poya International Co., Ltd.	1,883,482	1.2
President Chain Store Corp.	1,139,715	0.7
Taiwan FamilyMart Co., Ltd.	112,806	0.1
Foods	1,938,867	1.2
Uni-President Enterprises Corp.	1,938,867	1.2
Cement	1,885,982	1.2
Taiwan Cement Corp.	1,885,982	1.2
Shipping & Transportation	540,665	0.3
Aerospace Industrial Development Corp.	540,665	0.3
Cash	3,823,355	2.4
Cash	3,823,355	2.4
Grand Total	159,543,527	100.0

Source: MSCI. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express of 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.

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.