

# The Taiwan Fund, Inc.

## Monthly Insight

April 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 04/30/17)

Net asset value per share	\$20.95
Market price	\$18.79
Premium/discount	-10.81%
Total net assets	\$172.05 m
Market cap	\$154.31 m

### Fund statistics

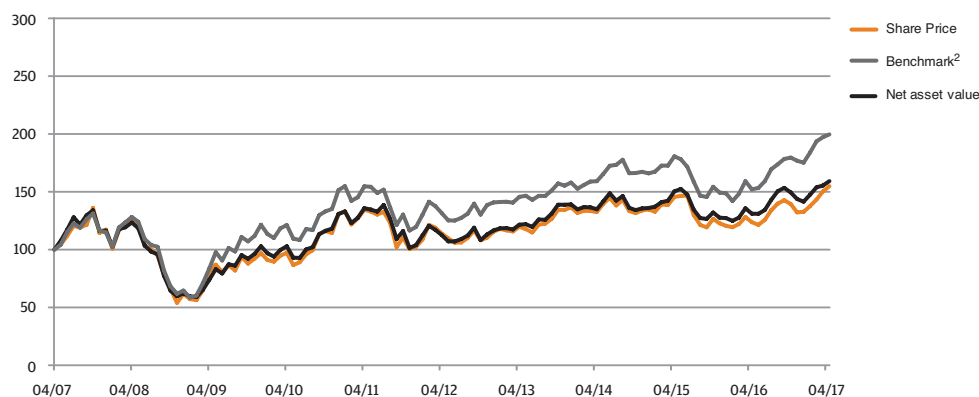
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,212,486
Last dividend (Ex-dividend date)	\$2.6332 (December 26, 2014)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 04/30/17)



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

(as at 04/30/17)

%	1m	3m	YTD <sup>2</sup>	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	2.4	8.0	12.6	21.5	18.1	41.5	59.3
<b>Market Price</b>	3.0	12.6	16.7	25.2	16.8	36.1	55.0
TSE Index	1.2	8.6	14.0	26.0	12.4	27.4	38.4
TAIEX Total Return Index <sup>3</sup>	1.2	8.6	14.0	31.2	25.4	51.8	99.6
MSCI Taiwan Index	2.1	8.7	14.1	32.6	27.6	52.4	72.4

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

(as at 04/30/17)

%	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
<b>The Taiwan Fund, Inc.</b>	21.5	-12.8	11.5	10.9	8.0
<b>Market Price</b>	25.2	-15.0	9.8	10.7	5.3
TSE Index	26.0	-19.0	10.1	6.2	6.8
TAIEX Total Return Index <sup>3</sup>	31.2	-15.8	13.5	9.3	10.8
MSCI Taiwan Index	32.6	-17.1	16.1	7.5	10.4

### Top 10 holdings

(as at 04/30/17)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	9.8%
Hon Hai Precision Industry Co., Ltd.	8.4%
Largan Precision Co., Ltd.	6.4%
Cathay Financial Holding Co., Ltd.	4.1%
Nan Ya Plastics Corp.	3.3%
ASPEED Technology, Inc.	2.3%
Airtac International Group	2.3%
Fubon Financial Holding Co., Ltd.	2.3%
Silergy Corp.	2.2%
Catcher Technology Co., Ltd.	2.2%

<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 04/30/17)

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	1.4%	0.9%	0.5%
Chemical	0.0%	1.0%	-1.0%
Communications & Internet	1.3%	6.1%	-4.8%
Computer & Peripheral Equipment	3.7%	5.8%	-2.1%
Electric & Machinery	6.1%	1.9%	4.2%
Electrical & Cable	0.0%	0.3%	-0.3%
Electronic Parts & Components	6.8%	4.6%	2.2%
Electronic Products Distribution	0.0%	0.8%	-0.8%
Financial & Insurance	11.2%	12.9%	-1.7%
Foods	1.3%	1.9%	-0.6%
Glass & Ceramic	0.0%	0.2%	-0.2%
Information Service	0.0%	0.2%	-0.2%
Iron & Steel	0.6%	2.0%	-1.4%
Oil, Gas & Electricity	1.6%	3.7%	-2.1%
Optoelectronic	10.8%	5.0%	5.8%
Other	7.2%	3.5%	3.7%
Other Electronic	12.5%	8.1%	4.4%
Paper & Pulp	0.0%	0.3%	-0.3%
Plastics	4.2%	6.5%	-2.3%
Rubber	0.0%	1.2%	-1.2%
Semiconductor	23.4%	24.2%	-0.8%
Shipping & Transportation	1.1%	1.4%	-0.3%
Textiles	2.3%	1.7%	0.6%
Tourism	0.2%	0.5%	-0.3%
Trading & Consumers' Goods	1.7%	1.6%	0.1%
Cash	2.6%	0.0%	2.6%
<b>OVERALL TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

### Market review

The TAIEX Total Return Index (TAIEX) closed higher for the fifth consecutive month, rising 0.6% in April. Volume remained light as investors waited for the first quarter earnings results. Most companies reported non-operating foreign exchange losses as the New Taiwan Dollar (NTD) appreciated 6% against the U.S. Dollar in the first quarter. The technology sector outperformed, led by optoelectronic and components, which reported improved profitability. Companies in the Apple Inc. supply chain continued to trade higher. Within the non-technology sectors, consumer stocks outperformed, while commodities and financials underperformed.

### Fund update

The Fund outperformed the TAIEX Index by 1.2% in April. The price of Airtac International Group's stock increased following recovery in demand from China and Apple Inc.'s increase in capital expenditures. The Fund's holdings in Hon Hai Precision Industry Co., Ltd and Largan Precision Co., Ltd., also benefitted from increased sales ahead of the launch of the new iPhone 8. Poya International Co., Ltd. recovered from a period of profit-taking after it announced increased gross margins. Additionally, Glory Science Co., Ltd. improved following strong demand for optical lenses. The Fund's largest performance detractor arose from its underweight position in Taiwan Semiconductor Manufacturing Co., Ltd. Overweight positions in Ennoconn Corp. and Tung Thih Electronic Co., Ltd. also negatively impacted performance, following reports of weaker than expected outlooks.

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 within Other Electronic. The Fund remained overweight in the insurers sector due to the current reflationary environment. Given the weak overall demand for PCs, notebooks, TVs and handsets, the Fund's technology positions are mainly in the cloud, internet-of-things, gaming and semi-conductor sectors. The Fund remained underweight in telecommunications and basic materials.

### Outlook

The extent to which the strong NTD had a negative impact on companies' first quarter earnings of 2017 may subside and lead to an improved outlook for the second half of 2017. However, a potential delay in the launch of the new iPhone 8 could have a negative impact on sentiment. Overall, the strong year-to-date foreign inflows, continuing relatively attractive valuations and the forthcoming dividend payment season may provide some positive support for the market.

### Full portfolio holdings

(as at 04/30/17)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>40,251,685</b>	<b>23.4</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	16,857,827	9.8
ASPEED Technology, Inc.	4,004,246	2.3
Silergy Corp.	3,800,338	2.2
Powertech Technology, Inc.	3,138,776	1.8
Advanced Semiconductor Engineering, Inc.	2,912,906	1.7
Nanya Technology Corp.	2,157,661	1.3
Realtek Semiconductor Corp.	2,041,961	1.2
Parade Technologies Ltd.	1,339,465	0.8
Vanguard International Semiconductor Corp.	1,315,382	0.8
Chunghwa Precision Test Tech Co., Ltd.	895,728	0.5
Novatek Microelectronics Corp.	865,069	0.5
Win Semiconductors Corp.	548,325	0.3
MediaTek, Inc.	374,001	0.2
<b>Other Electronic</b>	<b>21,531,022</b>	<b>12.5</b>
Hon Hai Precision Industry Co., Ltd.	14,455,232	8.4
Catcher Technology Co., Ltd.	3,791,389	2.2
Bizlink Holding, Inc.	1,788,787	1.0
Voltronic Power Technology Corp.	1,495,614	0.9
<b>Financial &amp; Insurance</b>	<b>19,271,079</b>	<b>11.2</b>
Cathay Financial Holding Co., Ltd.	7,094,688	4.1
Fubon Financial Holding Co., Ltd.	3,982,036	2.3
Yuanta Financial Holding Co., Ltd.	3,538,083	2.1
CTBC Financial Holding Co., Ltd.	3,026,396	1.8
China Life Insurance Co., Ltd.	1,629,876	0.9
<b>Optoelectronic</b>	<b>18,610,944</b>	<b>10.8</b>
Largan Precision Co., Ltd.	10,970,468	6.4
Epistar Corp.	2,176,593	1.3
Innolux Corp.	2,176,385	1.3
Au Optronics Corp.	1,277,498	0.7
General Interface Solution Holding Ltd.	1,100,212	0.6
Glory Science Co., Ltd.	909,788	0.5
<b>Other</b>	<b>12,472,365</b>	<b>7.2</b>
Taiwan Paiho Ltd.	3,107,835	1.8
Chailease Holding Co., Ltd.	2,632,916	1.5
Giant Manufacturing Co., Ltd.	2,111,051	1.2
Nien Made Enterprise Co., Ltd.	2,075,752	1.2
Merida Industry Co., Ltd.	1,841,702	1.1
KMC Kuei Meng International, Inc.	703,109	0.4
<b>Electronic Parts &amp; Components</b>	<b>11,748,682</b>	<b>6.8</b>
Delta Electronics, Inc.	3,285,816	1.9
King Slide Works Co., Ltd.	1,909,052	1.1
Elite Material Co., Ltd.	1,897,103	1.1
Tripod Technology Corp.	1,857,482	1.1
Sinbon Electronics Co., Ltd.	1,735,432	1.0
Flexium Interconnect, Inc.	541,978	0.3
Zhen Ding Technology Holding Ltd.	521,819	0.3
<b>Electric &amp; Machinery</b>	<b>10,477,730</b>	<b>6.1</b>
Airtac International Group	4,002,188	2.3
Hota Industrial Manufacturing Co., Ltd.	2,338,421	1.4
Hiwin Technologies Corp.	1,907,709	1.1
Global PMX Co., Ltd.	1,455,835	0.8
Macauto Industrial Co., Ltd.	438,749	0.3
Iron Force Industrial Co., Ltd.	334,828	0.2

### Full portfolio holdings (cont'd)

Holding	Market Value USD	Fund %
<b>Plastics</b>	<b>7,164,058</b>	<b>4.2</b>
Nan Ya Plastics Corp.	5,638,461	3.3
Formosa Chemicals & Fibre Corp.	1,525,597	0.9
<b>Computer &amp; Peripheral Equipment</b>	<b>6,445,390</b>	<b>3.7</b>
Mitac Holdings Corp.	2,138,746	1.2
Primax Electronics Ltd.	1,918,905	1.1
Advantech Co., Ltd.	1,609,360	0.9
Ennoconn Corp.	778,379	0.5
<b>Textiles</b>	<b>4,040,229</b>	<b>2.3</b>
Eclat Textile Co., Ltd.	3,695,474	2.1
Toung Loong Textile Manufacturing Co., Ltd.	344,755	0.2
<b>Trading &amp; Consumers' Goods</b>	<b>2,902,142</b>	<b>1.7</b>
Poya International Co., Ltd.	1,971,198	1.2
President Chain Store Corp.	930,944	0.5
<b>Oil, Gas &amp; Electricity</b>	<b>2,730,950</b>	<b>1.6</b>
Formosa Petrochemical Corp.	2,730,950	1.6
<b>Cement</b>	<b>2,333,718</b>	<b>1.4</b>
Taiwan Cement Corp.	2,333,718	1.4
<b>Foods</b>	<b>2,202,440</b>	<b>1.3</b>
Uni-President Enterprises Corp.	2,202,440	1.3
<b>Communications &amp; Internet</b>	<b>2,200,722</b>	<b>1.3</b>
Wistron NeWeb Corp.	1,211,527	0.7
Advanced Ceramic X Corp.	989,195	0.6
<b>Shipping &amp; Transportation</b>	<b>1,911,398</b>	<b>1.1</b>
Evergreen Marine Corp. (Taiwan) Ltd.	1,911,398	1.1
<b>Iron &amp; Steel</b>	<b>1,031,494</b>	<b>0.6</b>
China Steel Corp.	1,031,494	0.6
<b>Tourism</b>	<b>311,326</b>	<b>0.2</b>
Gourmet Master Co., Ltd.	311,326	0.2
<b>Cash</b>	<b>4,415,759</b>	<b>2.6</b>
Cash	4,415,759	2.6
<b>Grand Total</b>	<b>172,053,133</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 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.