

# The Taiwan Fund, Inc.

## Monthly Insight

May 2019

### 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 05/31/19)

Net asset value per share	\$18.41
Market price	\$15.99
Premium/discount	-13.15%
Total net assets	\$142.11 m
Market cap	\$123.47 m

### Fund statistics

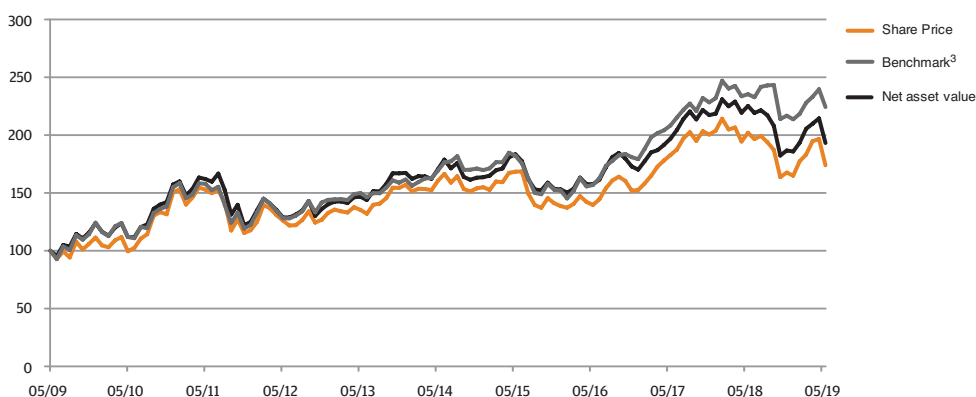
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	7,721,396
Last dividend (Ex-dividend date)	\$1.7078 (December 20, 2018)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 05/31/19)



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

(as at 05/31/19)

%	1m	3m	YTD <sup>2</sup>	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	-9.9	-6.0	4.0	-14.2	22.6	13.3	93.3
<b>Market Price</b>	-11.6	-5.0	5.5	-13.9	24.6	8.3	74.0
TSE Index	-6.4	-1.6	4.9	-8.5	26.9	9.7	56.8
TAIEX Total Return Index	-6.4	-1.6	4.9	-4.7	43.0	32.5	124.3
MSCI Taiwan Index	-7.8	-1.9	4.5	-5.5	38.6	30.6	108.3

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

(as at 05/31/19)

%	2019/2018	2018/2017	2017/2016	2016/2015	2015/2014
<b>The Taiwan Fund, Inc.</b>	-14.2	14.4	25.0	-14.1	7.5
<b>Market Price</b>	-13.9	10.5	31.0	-17.1	4.9
TSE Index	-8.5	8.7	27.5	-17.2	4.4
TAIEX Total Return Index	-4.7	13.0	32.8	-13.9	7.6
MSCI Taiwan Index	-5.5	9.9	33.4	-15.5	11.5

### Top 10 holdings

(as at 05/31/19)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	22.9%
MediaTek, Inc.	4.8%
Formosa Plastics Corp.	4.7%
Largan Precision Co., Ltd.	3.9%
CTBC Financial Holding Co., Ltd.	3.7%
Delta Electronics, Inc.	3.4%
Fubon Financial Holding Co., Ltd.	3.3%
ASE Technology Holding Co Ltd	3.3%
Chroma ATE, Inc.	3.1%
Formosa Chemicals & Fibre Corp.	3.0%

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

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

### Sector breakdown

(as at 05/31/19)

Sector Allocation	Fund %	Benchmark	Deviation
Automobile	0.0	1.5	-1.5
Biotechnology & Medical Care	1.8	0.8	1.0
Building Material & Construction	0.0	1.6	-1.6
Cement	1.2	1.3	-0.1
Chemical	0.0	0.9	-0.9
Communications & Internet	5.3	6.0	-0.7
Computer & Peripheral Equipment	1.3	5.1	-3.8
Electric & Machinery	6.2	1.9	4.3
Electrical & Cable	0.0	0.3	-0.3
Electronic Parts & Components	3.4	4.6	-1.2
Electronic Products Distribution	0.0	0.8	-0.8
Financial & Insurance	10.8	14.6	-3.8
Foods	1.9	2.3	-0.4
Glass & Ceramic	0.0	0.2	-0.2
Information Service	0.0	0.2	-0.2
Iron & Steel	0.0	2.1	-2.1
Oil, Gas & Electricity	2.1	3.7	-1.6
Optoelectronic	3.9	3.7	0.2
Other	5.0	3.8	1.2
Other Electronic	5.6	5.0	0.6
Paper & Pulp	0.0	0.3	-0.3
Plastics	7.7	6.8	0.9
Rubber	0.0	0.9	-0.9
Semiconductor	38.9	26.1	12.8
Shipping & Transportation	0.0	1.6	-1.6
Textiles	0.6	1.9	-1.3
Tourism	0.6	0.4	0.2
Trading & Consumers' Goods	2.2	1.6	0.6
Cash	1.5	0.0	1.5
<b>OVERALL TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0</b>

### Market review

The TAIEX Total Return Index (TAIEX) fell 6.4% in May. The decline was mainly due to the rapid deterioration in the United States and China trade negotiations, with the introduction of increased tariffs on Chinese goods and a ban on the supplies of United States technology to the Chinese company Huawei. These developments have a particularly negative impact on Taiwan as its technology industries supply both Apple and Huawei. In contrast, outperforming sectors included Foods, Cement and Biotechnology.

### Fund update

The Fund underperformed the TAIEX by 3.5% in May. The main underperforming stocks included Yeong Guan Energy Technology Group Co., Ltd., Largan Precision Co., Ltd and a number of semiconductor manufacturers, due to poor financial results and the negative impact of China and United States trade tensions. Conversely, key contributors to performance included the Fund's underweight position in a some technology stocks and financial sector stocks, such as E-Sun Financial Holding Co., Ltd, and food sector stock, Uni-President Enterprises Corp.

There is no change to the Fund's core investment approach and the portfolio is concentrated in high conviction quality companies with strong growth profiles. The Fund's portfolio reflects its confidence in the long term growth potential of artificial intelligence, 3D sensing, industrial internet-of-things and high performance computing.

### Outlook

If the China and United States trade tensions continue to escalate, growth recovery into the second half of 2019 will be threatened. However, if trade tensions ease, the current accommodative monetary policy and positive long term view for structural trends may combine again to see a return of market optimism.

### Full portfolio holdings

(as at 05/31/19)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>55,253,522</b>	<b>38.9</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	32,539,787	22.9
MediaTek, Inc.	6,788,138	4.8
ASE Technology Holding Co Ltd	4,681,851	3.3
Globalwafers Co., Ltd.	4,110,083	2.9
Novatek Microelectronics Corp.	2,654,567	1.9
Chipbond Technology Corp.	1,908,754	1.3
Parade Technologies Ltd.	1,048,636	0.7
ASPEED Technology, Inc.	813,126	0.6
Silergy Corp.	708,580	0.5
<b>Financial &amp; Insurance</b>	<b>15,371,314</b>	<b>10.8</b>
CTBC Financial Holding Co., Ltd.	5,271,215	3.7
Fubon Financial Holding Co., Ltd.	4,685,844	3.3
E.Sun Financial Holding Co., Ltd.	3,711,890	2.6
Mega Financial Holding Co., Ltd.	1,702,365	1.2
<b>Plastics</b>	<b>10,895,738</b>	<b>7.7</b>
Formosa Plastics Corp.	6,651,847	4.7
Formosa Chemicals & Fibre Corp.	4,243,891	3.0
<b>Electric &amp; Machinery</b>	<b>8,801,956</b>	<b>6.2</b>
Hiwin Technologies Corp.	3,021,385	2.1
Airtac International Group	2,578,094	1.8
Yeong Guan Energy Technology Group Co., Ltd.	2,015,684	1.4
Global PMX Co., Ltd.	1,186,793	0.9
<b>Other Electronic</b>	<b>8,016,227</b>	<b>5.6</b>
Chroma ATE, Inc.	4,453,618	3.1
Bizlink Holding, Inc.	2,343,835	1.6
Kingpak Technology, Inc.	1,218,774	0.9
<b>Communications &amp; Internet</b>	<b>7,489,856</b>	<b>5.3</b>
Merry Electronics Co., Ltd.	2,864,251	2.0
Wistron NeWeb Corp.	2,354,826	1.7
Accton Technology Corp.	2,270,779	1.6
<b>Other</b>	<b>7,061,158</b>	<b>5.0</b>
Chailease Holding Co., Ltd.	3,408,489	2.4
Nien Made Enterprise Co., Ltd.	2,821,779	2.0
Giant Manufacturing Co., Ltd.	830,890	0.6
<b>Optoelectronic</b>	<b>5,605,061</b>	<b>3.9</b>
Largan Precision Co., Ltd.	5,605,061	3.9
<b>Electronic Parts &amp; Components</b>	<b>4,832,266</b>	<b>3.4</b>
Delta Electronics, Inc.	4,832,266	3.4
<b>Trading &amp; Consumers' Goods</b>	<b>3,156,947</b>	<b>2.2</b>
President Chain Store Corp.	1,666,271	1.2
Poya International Co., Ltd.	1,490,676	1.0

### Full portfolio holdings (cont'd)

(as at 05/31/19)

Holding	Market Value USD	Fund %
<b>Oil, Gas &amp; Electricity</b>	<b>2,950,225</b>	<b>2.1</b>
Formosa Petrochemical Corp.	2,950,225	2.1
<b>Foods</b>	<b>2,669,482</b>	<b>1.9</b>
Uni-President Enterprises Corp.	2,669,482	1.9
<b>Biotechnology &amp; Medical Care</b>	<b>2,541,732</b>	<b>1.8</b>
Ginko International Co., Ltd.	2,541,732	1.8
<b>Computer &amp; Peripheral Equipment</b>	<b>1,912,282</b>	<b>1.5</b>
Inventec Corp.	1,912,282	1.5
<b>Cement</b>	<b>1,765,668</b>	<b>1.3</b>
Taiwan Cement Corp.	1,765,668	1.3
<b>Tourism</b>	<b>831,823</b>	<b>1.2</b>
Gourmet Master Co., Ltd.	831,823	1.2
<b>Textiles</b>	<b>794,227</b>	<b>0.6</b>
Makalot Industrial Co., Ltd.	794,227	0.6
<b>Cash</b>	<b>2,163,047</b>	<b>1.5</b>
Cash	2,163,047	1.5
<b>Grand Total</b>	<b>142,112,531</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.

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)

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