

THE TAIWAN FUND, INC. REVIEW

March 2010

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Portfolio Review

Market Review:

In March, the Taiwan Stock Exchange Index ("TAIEX") increased by 7.56% in U.S. Dollar terms. Local institutions, foreign investors and proprietary traders bought a net of NT\$ 1.77 billion, NT\$ 113.11 billion and NT\$ 16.33 billion, respectively. The appliance and glass sectors outperformed the TAIEX with respective gains of 18.26% and 17.94% month-over-month ("MoM") in NT dollar terms. On the other hand, the plastic and tourism sectors underperformed the TAIEX this month with increases of 2.61% and 3.04%, respectively, MoM in NT dollar terms. On the economic front, Taiwan's Consumer Price Index ("CPI") increased 2.35% year-over-year ("YoY") in February. The seasonally adjusted unemployment rate was 5.65% in February, 0.08% lower than the previous month. According to Customs' records, Taiwan's exports increased by 52.2% YoY or 3.8% MoM in February, the fourth consecutive month of increases. Seasonally adjusted export orders increased by 52.21% YoY in February, and orders amounted to US\$27.41 billion.

Fund Performance Review:

The Taiwan Fund, Inc. (the "Fund") underperformed its benchmark by 1.44% in March. Overweight positions in the IC design sector and an underweight position in the petrochemical sector contributed positively to the Fund's performance. However, an overweight position in the operator sector and underweight position in the handset sector had a negative impact on the Fund's performance.

Investment Strategy:

The TAIEX appreciated by 6.5% in March. TWD appreciation helped attract capital inflows along with Taiwan and China's completion of the second round of negotiations on ECFA (Economic Cooperation Framework Agreement), which is scheduled to be signed later this year, and offers Taiwan preferential treatment in order to compete on the mainland. Going forward, 1Q earning results will be crucial and the market will soon shift its focus from macro factors to company-specific news. The upcoming results season will provide investors an opportunity to re-examine whether the reality of cost-push inflation could contribute to lower profit margins thus failing to meet market expectations. In terms of sector allocation, we remain focused on China-concept names with high RMB exposure. The Fund holds a slightly overweight position in defensive technology, while it is underweight in the financial and petrochemical sectors.

Total Portfolio Sector Allocation

Top 10 Holdings of Total Fund Portfolio

<u>As of 3/31/10</u>	% of MV + Cash	% of TAIEX
Computer Service and Software	0.5	0.2
Electronic Components	0.0	4.8
Electronics Distribution	5.3	1.2
IC Design	10.7	4.9
PC & Peripherals	5.9	8.1
Optoelectronics	7.5	7.3
Other Electronics	5.8	7.7
Semiconductor Manufacturing	9.6	13.9
Telecommunications	8.9	7.4
Construction/Cement/Glass	1.8	3.3
Food	4.2	1.3
Chemicals/Biotech	1.5	1.9
Textiles/Paper	1.1	2.1
Electric Machinery/Appliances	0.7	1.4
Iron & Steel	3.1	3.2
Automobiles/Rubber	2.9	2.0
Transportation/Tourism	1.1	2.5
Wholesale & Retail	2.4	1.0
Miscellaneous (Footwear/Others)	1.2	1.6
Plastics/Petroleum Services	11.1	11.6
Financial Services	9.3	12.6
Total	94.6	100.0
Cash (% in liquid investments)	-	-
Cash (% in bank)	5.4	-
Technology	54.2	55.5
Non-Technology	31.1	31.9
Financial	9.3	12.6

<u>As of 3/31/10</u>	% of Total Portfolio
Taiwan Semiconductor Manufacturing Co., Ltd.	7.31
Hon Hai Precision Industry Co., Ltd.	5.84
MediaTek, Inc.	4.10
Chunghwa Telecom Co., Ltd.	3.59
Nan Ya Plastics Corp.	3.44
Synnex Technology International Corp.	3.34
China Steel Corp.	3.14
Cathay Financial Holding Co., Ltd.	3.09
Fubon Financial holding Co., Ltd.	2.87
Taiwan Mobile Co., Ltd.	2.86
Total	39.58

Total Net Assets: US\$296.32 Million

NAV: US\$15.95 Price: US\$13.98 Discount: 12.35%
No. of Shares: 18.58 Million

Returns in US\$ (%) (a)

	The Taiwan Fund, Inc.	TSE Index(b)	TAIEX Total Return Index(d)	MSCI Taiwan Index
One Month	6.12%	7.56%	7.56%	6.75%
Fiscal Year to Date (c)	15.80%	20.26%	20.34%	17.13%
One Year	52.93%	62.30%	66.85%	55.52%
Three Years	-0.51%	1.53%	5.50%	-2.00%
Five years	6.18%	5.52%	9.72%	2.52%
Ten Years	-3.28%	-2.56%	-0.10%	-4.58%
Since Inception	9.01%	9.65%	N/A	N/A

(a) Returns for the Fund are historical total returns that reflect changes in net asset value per share during each period and assume that dividends and capital gains, if any, were reinvested. Past performance is not indicative of future results of the Fund. Returns are annualized, except for periods of less than one year, which are not annualized.

(b) Returns for the TSE Index are not total returns and reflect only changes in share price but do not assume that cash dividends, if any, were reinvested, and thus are not strictly comparable to the Fund returns.

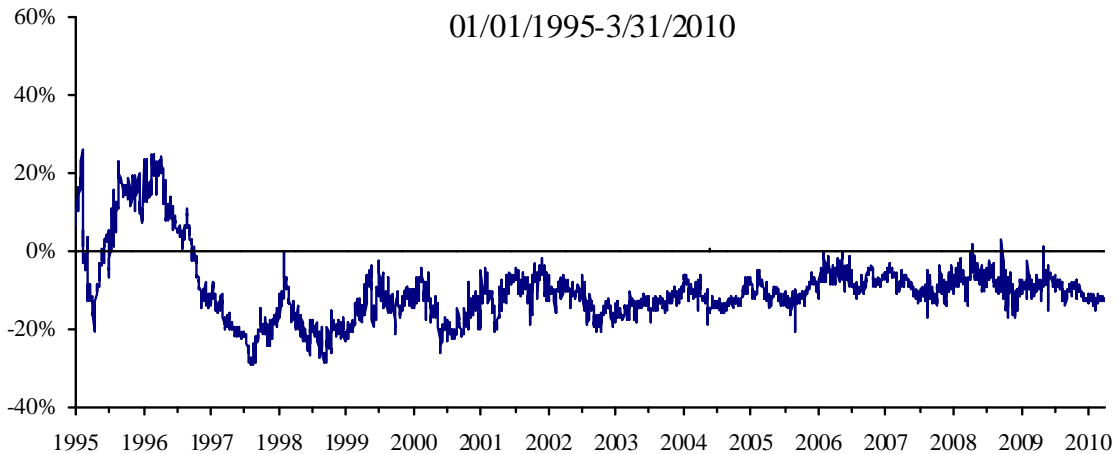
(c) The Fund's fiscal year commences on September 1.

(d) The TAIEX Total Return Index commenced 1/1/2003.

Premium/Discount of TWN

Taiwan Fund Premium/Discount

01/01/1995-3/31/2010



Market Data

	As of 2/28/10	As of 3/31/10
TAIEX	7436.10	7920.06
% change in NTD terms	-2.67	6.51
% change in USD terms	-3.06	7.56
NTD Daily avg. trading volume (In Billions)	81.87	114.86
USD Daily avg. trading volume (In Billions)	2.55	3.62
NTD Market Capitalization (In Billions)	19304.70	20537.60
USD Market Capitalization (In Billions)	601.91	646.69
FX Rate: (NT\$/US\$)	32.0725	31.7580

Disclaimer: This report is based on information believed by us to be reliable. No representation is made that it is accurate or complete. The figures in the report are unaudited. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities mentioned.

The daily NAV of the Fund is available from Lipper and CDA Wiesenberger, or you may obtain it by calling toll free (800) 636-9242.

Fund Manager: Shirley Yang