

# The Taiwan Fund, Inc.

## Monthly Insight

February 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 02/28/17)

Net asset value per share	\$20.24
Market price	\$17.38
Premium/discount	-14.13%
Total net assets	\$166.49 m
Market cap	\$142.94 m

### Fund statistics

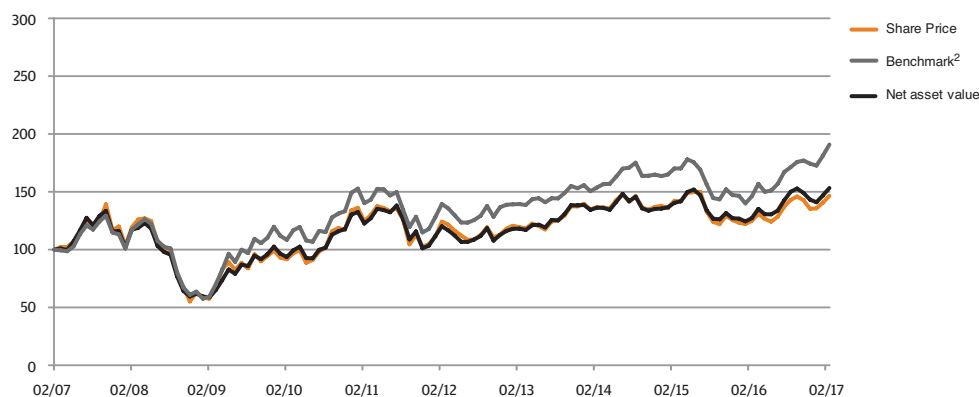
Investment adviser (date of appointment)	JF International Management, Inc. (07/22/14)
Fund manager	Shumin Huang
Listed	NYSE
Launch date	12/23/86
Shares outstanding	8,224,330
Last dividend (Ex-dividend date)	\$2.6332 (December 26, 2014)
Benchmark	TAIEX Total Return Index

### Fund codes

Bloomberg	TWN
Sedol	286987895
CUSIP	874036106
ISIN	US8740361063

### 10 year performance data

(as at 02/28/17)



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

(as at 02/28/17)

%	1m	3m	YTD	1Y	3Y	5Y	10Y
<b>The Taiwan Fund, Inc.</b>	4.3	7.0	8.8	20.5	12.5	27.6	53.4
<b>Market Price</b>	4.1	8.4	8.0	17.3	7.2	18.0	46.6
TSE Index	5.3	9.5	10.5	25.4	11.3	14.9	32.3
TAIEX Total Return Index <sup>2</sup>	5.3	9.5	10.5	30.6	24.2	36.9	90.8
MSCI Taiwan Index	4.7	8.5	9.9	31.1	27.8	36.6	62.0

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

(as at 02/28/17)

%	2017/2016	2016/2015	2015/2014	2014/2013	2013/2012
<b>The Taiwan Fund, Inc.</b>	20.5	-9.4	3.1	15.3	-1.7
<b>Market Price</b>	17.3	-12.2	4.1	14.5	-3.9
TSE Index	25.4	-17.4	7.4	7.1	-3.6
TAIEX Total Return Index <sup>2</sup>	30.6	-14.1	10.7	10.3	0.0
MSCI Taiwan Index	31.1	-16.3	16.5	6.6	0.3

### Top 10 holdings

(as at 02/28/17)

Holding	Fund %
Taiwan Semiconductor Manufacturing Co., Ltd.	9.7%
Hon Hai Precision Industry Co., Ltd.	7.2%
Largan Precision Co., Ltd.	6.5%
Cathay Financial Holding Co., Ltd.	4.2%
Fubon Financial Holding Co., Ltd.	3.8%
Nan Ya Plastics Corp.	3.8%
Ennoconn Corp.	2.9%
Silergy Corp.	2.6%
Delta Electronics, Inc.	2.5%
Wistron NeWeb Corp.	2.2%

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

<sup>2</sup>TAIEX Total Return Index (prior to January 1, 2003, TAIEX Index)

## Sector breakdown

(as at 02/28/17)

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%	1.0%	0.2%
Chemical	0.0%	1.0%	-1.0%
Communications & Internet	2.6%	6.1%	-3.5%
Computer & Peripheral Equipment	8.3%	5.9%	2.4%
Electric & Machinery	6.1%	2.0%	4.1%
Electrical & Cable	0.0%	0.3%	-0.3%
Electronic Parts & Components	5.3%	4.5%	0.8%
Electronic Products Distribution	0.0%	0.8%	-0.8%
Financial & Insurance	12.3%	13.0%	-0.7%
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%	3.8%	-1.7%
Optoelectronic	11.3%	4.7%	6.6%
Other	5.7%	3.5%	2.2%
Other Electronic	11.3%	7.5%	3.8%
Paper & Pulp	0.0%	0.3%	-0.3%
Plastics	5.6%	6.9%	-1.3%
Rubber	0.0%	1.3%	-1.3%
Semiconductor	20.8%	23.9%	-3.1%
Shipping & Transportation	0.9%	1.6%	-0.7%
Textiles	2.3%	1.7%	0.6%
Tourism	0.0%	0.5%	-0.5%
Trading & Consumers' Goods	1.5%	1.5%	0.0%
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) staged a Chinese New Year rally, rising 5.3% in February. During the month, the TAIEX reached its highest level since May 2015. Taiwan's GDP increased 2.9% year on year in the fourth quarter of 2016, led by exports and capital expenditures. Strong foreign inflows drove up equities and the Taiwan currency. Interest was focused on companies with low price-to-earnings ratios rather than bellwether names. This led to strong performance in certain sectors including ceramics, wire and cable, pulp and paper, cement, and transportation. The performance of technology stocks was in line with the market, whereas the financial and consumer sectors underperformed.

## Fund update

The Fund underperformed the TAIEX Index by 1% in February. In the textile sector, Eclat Textile Co., Ltd underperformed due to weak guidance from Under Armour, Inc., but sales recovery is expected to remain on track. Taiwan Paiho Ltd. also consolidated due to sector rotation, while seasonality is expected to remain a tailwind and its new product launch continued to be supportive. Poya International Co., Ltd., a retail store operator, came under pressure due to concerns over slowing same store sales growth in the short-term hindered by weather, although long-term growth remained solid. Meanwhile, the Fund's overweight holding in ASPEED Technology, Inc., a semiconductor chip maker, outperformed due to strong sales to data centers. The Fund also had overweight positions in Silergy Corp., a manufacturer of power integrated circuits, and Ennoconn Corp., a manufacturer of systems and boards. Both companies experienced improved performances. Tung Thih Electronic Co., Ltd., a supplier of auto electronic components, outperformed on expectations of wider adaption of Around View Monitor (AVM) technology in China.

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

## Outlook

The market could potentially consolidate its recent strong gains in the near term, although it seems likely that negative factors may also influence the market. A better GDP and corporate earnings growth outlook in 2017 remains a possibility, primarily driven by the new Apple, Inc. iPhone, expected to be released in the second half of 2017.

### Full portfolio holdings

(as at 02/28/17)

Holding	Market Value USD	Fund %
<b>Semiconductor</b>	<b>34,571,932</b>	<b>20.8</b>
Taiwan Semiconductor Manufacturing Co., Ltd.	16,086,546	9.7
Silergy Corp.	4,291,015	2.6
ASPEED Technology, Inc.	3,639,951	2.2
Powertech Technology, Inc.	2,903,315	1.7
Advanced Semiconductor Engineering, Inc.	2,523,176	1.5
Realtek Semiconductor Corp.	2,250,981	1.4
Parade Technologies Ltd.	1,205,917	0.7
Chunghwa Precision Test Tech Co., Ltd.	908,100	0.5
Vanguard International Semiconductor Corp	507,752	0.3
MediaTek, Inc.	255,179	0.2
<b>Financial &amp; Insurance</b>	<b>20,421,990</b>	<b>12.3</b>
Cathay Financial Holding Co., Ltd.	6,945,512	4.2
Fubon Financial Holding Co., Ltd.	6,305,483	3.8
China Life Insurance Co., Ltd.	3,398,358	2.0
Yuanta Financial Holding Co., Ltd.	3,273,325	2.0
CTBC Financial Holding Co., Ltd.	499,312	0.3
<b>Optoelectronic</b>	<b>18,885,081</b>	<b>11.3</b>
Largan Precision Co., Ltd.	10,834,703	6.5
Innolux Corp.	2,231,191	1.3
Au Optronics Corp.	2,135,154	1.3
Epistar Corp.	1,731,733	1.0
Glory Science Co., Ltd.	1,050,059	0.6
General Interface Solution Holding Ltd.	902,241	0.6
<b>Other Electronic</b>	<b>18,877,811</b>	<b>11.3</b>
Hon Hai Precision Industry Co., Ltd.	12,060,904	7.2
Catcher Technology Co., Ltd.	2,099,598	1.2
Voltronic Power Technology Corp.	1,615,628	1.0
Tung Thih Electronic Co., Ltd.	1,606,832	1.0
Bizlink Holding, Inc.	1,494,849	0.9
<b>Computer &amp; Peripheral Equipment</b>	<b>13,792,701</b>	<b>8.3</b>
Ennoconn Corp.	4,869,811	2.9
Micro-Star International Co., Ltd.	2,485,440	1.5
Primax Electronics Ltd.	2,294,660	1.4
Mitac Holdings Corp.	2,159,634	1.3
Advantech Co., Ltd.	1,983,156	1.2
<b>Electric &amp; Machinery</b>	<b>10,086,601</b>	<b>6.1</b>
Airtac International Group	3,429,427	2.1
Hiwin Technologies Corp.	1,639,527	1.0
Hota Industrial Manufacturing Co., Ltd.	1,527,170	0.9
Global PMX Co., Ltd.	1,291,845	0.8
Macauto Industrial Co., Ltd.	1,194,525	0.7
Iron Force Industrial Co., Ltd.	958,019	0.6
Basso Industry Corp.	46,088	0.0
<b>Other</b>	<b>9,476,700</b>	<b>5.7</b>
Taiwan Paiho Ltd.	2,607,288	1.6
Nien Made Enterprise Co., Ltd.	2,151,773	1.3
Giant Manufacturing Co., Ltd.	1,904,731	1.1
Merida Industry Co., Ltd.	1,476,817	0.9
KMC Kuei Meng International, Inc.	848,093	0.5
Nan Liu Enterprise Co., Ltd.	487,998	0.3

### Full portfolio holdings (cont'd)

Holding	Market Value USD	Fund %
<b>Plastics</b>	<b>9,288,760</b>	<b>5.6</b>
Nan Ya Plastics Corp.	6,257,237	3.8
Formosa Chemicals & Fibre Corp.	2,727,111	1.6
Formosa Plastics Corp.	304,412	0.2
<b>Electronic Parts &amp; Components</b>	<b>8,818,863</b>	<b>5.3</b>
Delta Electronics, Inc.	4,203,020	2.5
King Slide Works Co., Ltd.	2,070,077	1.3
Sinbon Electronics Co., Ltd.	1,676,773	1.0
Zhen Ding Technology Holding Ltd.	868,993	0.5
<b>Communications &amp; Internet</b>	<b>4,242,643</b>	<b>2.6</b>
Wistron NeWeb Corp.	3,690,623	2.2
Advanced Ceramic X Corp.	552,020	0.4
<b>Textiles</b>	<b>3,826,191</b>	<b>2.3</b>
Eclat Textile Co., Ltd.	2,648,689	1.6
Toung Loong Textile Manufacturing Co., Ltd.	1,177,502	0.7
<b>Oil, Gas &amp; Electricity</b>	<b>3,465,263</b>	<b>2.1</b>
Formosa Petrochemical Corp.	3,465,263	2.1
<b>Trading &amp; Consumers' Goods</b>	<b>2,576,366</b>	<b>1.5</b>
Poya International Co., Ltd.	1,791,023	1.1
President Chain Store Corp.	785,343	0.4
<b>Cement</b>	<b>2,046,495</b>	<b>1.2</b>
Taiwan Cement Corp.	2,046,495	1.2
<b>Foods</b>	<b>2,018,824</b>	<b>1.2</b>
Uni-President Enterprises Corp.	2,018,824	1.2
<b>Shipping &amp; Transportation</b>	<b>1,554,211</b>	<b>0.9</b>
Evergreen Marine Corp Taiwan Ltd.	1,006,829	0.6
Aerospace Industrial Development Corp.	547,382	0.3
<b>Cash</b>	<b>2,542,065</b>	<b>1.5</b>
Aerospace Industrial Development Corp.	2,542,065	1.5
<b>Grand Total</b>	<b>166,492,497</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.

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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.