

TAIWAN FUND INC  
Form N-Q  
July 30, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM N-Q**

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY  
Investment Company Act file number: 811-04893

THE TAIWAN FUND, INC.

(Exact name of registrant as specified in charter)

c/o STATE STREET BANK AND TRUST COMPANY  
2 AVENUE DE LAFAYETTE, P.O. BOX 5049  
BOSTON, MA 02206-5049

(Address of principal executive offices)(Zip code)

(Name and Address of Agent for  
Service)

The Taiwan Fund, Inc.  
c/o State Street Bank and Trust

Copy to:

Leonard B. Mackey, Jr., Esq.  
Clifford Chance US LLP

Edgar Filing: TAIWAN FUND INC - Form N-Q

Company

31 West 52<sup>nd</sup> Street

Attention: Tracie A. Coop, Secretary

New York, New York 10019

4 Copley Place,

5<sup>th</sup> Floor

Boston, MA 02116

Registrant's telephone number, including area code: (877) 864-5056

Date of fiscal year end: August 31

Date of reporting period: May 31, 2012

**ITEM 1. SCHEDULE OF INVESTMENTS**

## THE TAIWAN FUND, INC.

Schedule of Investments/May 31, 2012 (Showing Percentage of Net Assets) (unaudited)

|  | SHARES     | US \$<br>VALUE<br>(NOTE 2) |
|--|------------|----------------------------|
| <b>COMMON STOCKS 86.1%</b>                               |            |                            |
| <b>CEMENT 1.0%</b>                                       |            |                            |
| <b>Cement Industry 1.0%</b>                              |            |                            |
| Wei Mon Industry Co., Ltd.                               | 6,433,854  | 3,157,865                  |
| <b>TOTAL CEMENT</b>                                      |            | <b>3,157,865</b>           |
| <b>CONSTRUCTION 10.2%</b>                                |            |                            |
| <b>Building Material and Construction Industry 10.2%</b> |            |                            |
| Acter Co., Ltd.  | 941,179    | 3,973,082                  |
| Goldsun Development & Construction Co., Ltd.             | 11,314,980 | 3,904,593                  |
| Hung Poo Real Estate Development Corp.                   | 4,929,873  | 3,980,499                  |
| King s Town Construction Co., Ltd. #                     | 4,261,680  | 3,869,322                  |
| Ruentex Development Co., Ltd.                            | 8,327,082  | 12,205,503                 |
| Taiwan Land Development Corp. #*                         | 8,177,799  | 3,287,778                  |
| <b>TOTAL CONSTRUCTION</b>                                |            | <b>31,220,777</b>          |
| <b>ELECTRIC AND MACHINERY 2.3%</b>                       |            |                            |
| <b>Electric Machinery Industry 2.3%</b>                  |            |                            |
| Good Friend International Holdings, Inc.,<br>TDR #       | 4,145,000  | 1,895,579                  |
| Yungtay Engineering Co., Ltd. #                          | 3,274,000  | 5,243,139                  |
| <b>TOTAL ELECTRIC AND MACHINERY</b>                      |            | <b>7,138,718</b>           |
| <b>ELECTRONICS 36.8%</b>                                 |            |                            |
| <b>Communications and Internet Industry 6.5%</b>         |            |                            |
| Chunghwa Telecom Co., Ltd.                               | 3,154,000  | 9,531,319                  |
| HTC Corp.  | 35,000     | 504,221                    |
| Taiwan Mobile Co., Ltd.                                  | 1,381,000  | 4,372,303                  |
| Wistron NeWeb Corp.                                      | 3,117,000  | 5,628,729                  |
|  |            | 20,036,572                 |
| <b>Computer and Peripheral Equipment Industry 3.9%</b>   |            |                            |
| Advantech Co., Ltd.                                      | 2,294,100  | 7,839,661                  |
| Quanta Computer, Inc.                                    | 1,544,000  | 4,034,843                  |
|  |            | 11,874,504                 |
| <b>Electronic Parts/Components Industry 1.8%</b>         |            |                            |
| Taiflex Scientific Co., Ltd.                             | 3,452,821  | 5,350,207                  |
| <b>Electronic Products Distribution Industry 4.6%</b>    |            |                            |
| WT Microelectronics Co., Ltd.                            | 10,776,556 | 14,080,866                 |
| <b>Optoelectronics Industry 1.2%</b>                     |            |                            |
| GeoVision, Inc.  | 989,000    | 3,595,098                  |
| <b>Other Electronic Industry 6.7%</b>                    |            |                            |
| Aurora Corp. #   | 4,060,000  | 6,733,114                  |

Edgar Filing: TAIWAN FUND INC - Form N-Q

|   |            |             |
|---|------------|-------------|
| Hon Hai Precision Industry Co., Ltd.                          | 4,375,000  | 12,825,399  |
| Tatung Co., Ltd. *  | 4,770,897  | 1,046,950   |
|   |            | 20,605,463  |
| <b>Semiconductor Industry 12.1%</b>                           |            |             |
| MediaTek, Inc.  | 462,000    | 4,086,304   |
| MPI Corp.   | 1,448,000  | 2,871,938   |
|   |            | US \$       |
|   |            | VALUE       |
|   | SHARES     | (NOTE 2)    |
| <b>ELECTRONICS (continued)</b>                                |            |             |
| Taiwan Semiconductor Manufacturing Co., Ltd.                  | 10,516,000 | 29,982,297  |
|   |            | 36,940,539  |
| TOTAL ELECTRONICS   |            | 112,483,249 |
| <b>FINANCE 4.7%</b>   |            |             |
| <b>Financial and Insurance Industry 4.7%</b>                  |            |             |
| Chinatrust Financial Holding Co., Ltd.                        | 7,083,000  | 3,951,084   |
| Fubon Financial Holding Co., Ltd.                             | 2,400,000  | 2,384,079   |
| Union Bank of Taiwan #*                                       | 7,507,000  | 2,384,292   |
| Yuanta Financial Holding Co., Ltd. *                          | 12,631,900 | 5,565,180   |
| TOTAL FINANCE   |            | 14,284,635  |
| <b>HEALTHCARE 4.6%</b>  |            |             |
| <b>Healthcare Industry 4.6%</b>                               |            |             |
| Excelsior Medical Co., Ltd.                                   | 259,000    | 508,490     |
| Pacific Hospital Supply Co., Ltd. #                           | 1,223,142  | 3,638,937   |
| YungShin Global Holding Corp. #                               | 7,239,000  | 9,883,049   |
| TOTAL HEALTHCARE  |            | 14,030,476  |
| <b>PLASTICS 7.8%</b>  |            |             |
| <b>Plastic Industry 7.8%</b>                                  |            |             |
| Formosa Chemicals & Fibre Corp.                               | 2,301,000  | 6,090,157   |
| Formosa Plastics Corp.  | 2,462,000  | 6,442,046   |
| Nan Ya Plastics Corp.   | 3,220,000  | 5,652,908   |
| Yem Chio Co., Ltd.  | 5,979,833  | 5,549,497   |
| TOTAL PLASTICS  |            | 23,734,608  |
| <b>TEXTILES 3.1%</b>  |            |             |
| <b>Textile Industry 3.1%</b>                                  |            |             |
| Far Eastern New Century Corp.                                 | 4,216,836  | 4,266,566   |
| Makalot Industrial Co., Ltd.                                  | 1,828,000  | 5,242,455   |
| TOTAL TEXTILES  |            | 9,509,021   |
| <b>TRANSPORTATION 5.3%</b>                                    |            |             |
| <b>Shipping and Transportation Industry 5.3%</b>              |            |             |
| Farglory F T Z Investment Holding Co., Ltd. #*(a)             | 8,771,000  | 4,716,381   |
| First Steamship Co., Ltd.                                     | 6,775,000  | 9,158,780   |
| Taiwan High Speed Rail Corp. #*                               | 12,597,600 | 2,215,807   |
| TOTAL TRANSPORTATION  |            | 16,090,968  |
| <b>WHOLESALE AND RETAIL 10.3%</b>                             |            |             |
| <b>Oil Gas and Electricity Industry General Industry 2.7%</b> |            |             |

Edgar Filing: TAIWAN FUND INC - Form N-Q

|  |            |            |
|--|------------|------------|
| Formosa Petrochemical Corp.                      | 3,035,000  | 8,287,071  |
| <b>Trading and Consumers Goods Industry 7.6%</b> |            |            |
| Mercuries & Associates, Ltd. #                   | 10,228,169 | 7,607,389  |
| PC Home Online                                   | 1,071,588  | 5,816,043  |
| Taiwan Tea Corp.                                 | 8,231,000  | 4,081,305  |
| Test-Rite International Co., Ltd. #              | 8,300,000  | 5,519,801  |
|  |            | 23,024,538 |

**SCHEDULE OF INVESTMENTS/ May 31, 2012** *(unaudited) (continued)*

|  | <i>SHARES</i> | <i>US \$<br/>VALUE<br/>(NOTE 2)</i> |
|--|---------------|-------------------------------------|
| <b>WHOLESALE AND RETAIL</b> <i>(continued)</i>     |               |                                     |
| TOTAL WHOLESALE AND RETAIL                         |               | 31,311,609                          |
| TOTAL COMMON STOCKS<br>(Cost \$262,626,839)        |               | 262,961,926                         |
| <b>EXCHANGE TRADED FUNDS</b> 8.9%                  |               |                                     |
| iShares MSCI Taiwan Index Fund                     | 1,118,524     | 13,500,585                          |
| Polaris Taiwan Top 50 Tracker Fund                 | 8,111,000     | 13,627,936                          |
| TOTAL EXCHANGE TRADED FUNDS<br>(Cost \$29,253,048) |               | 27,128,521                          |
| TOTAL INVESTMENTS 95.0%<br>(Cost \$291,879,887)    |               | 290,090,447                         |
| OTHER ASSETS AND LIABILITIES, NET 5.0%             |               | 15,168,660                          |
| NET ASSETS 100.0%                                  |               | 305,259,107                         |

**Legend:**

TDR Taiwan Depositary Receipt

US \$ United States Dollar

# Illiquid security. At May 31, 2012, the value of these securities amounted to \$56,994,588 which represented 18.7% of net assets.

\* Non-income producing

(a) Affiliated Issuer. See Note 3.

## NOTES TO SCHEDULE OF INVESTMENTS (*unaudited*)

**1. Organization.** The Taiwan Fund, Inc. (the Fund), a Delaware corporation, is registered under the Investment Company Act of 1940, as amended (the Act), as a diversified closed-end management investment fund.

The Fund concentrates its investments in the securities listed on the Taiwan Stock Exchange. Because of this concentration, the Fund may be subject to additional risks resulting from future political or economic conditions in Taiwan and the possible imposition of adverse governmental laws of currency exchange restrictions affecting Taiwan.

**2. Summary of Significant Accounting Policies.** This schedule of investments is prepared in accordance with U.S. generally accepted accounting principles (GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. Management has evaluated the impact of all events or transactions occurring after period end through the date this schedule of investments was issued, and has determined that there were no subsequent events requiring recognition or disclosure. The following summarizes the significant accounting policies of the Fund:

**Security Valuation.** All securities, including those traded over-the-counter, for which market quotations are readily available are valued at the last sales price prior to the time of determination of the Fund's net asset value per share or, if there were no sales on such date, at the closing price quoted for such securities (but if bid and asked quotations are available, at the mean between the last current bid and asked prices, rather than such quoted closing price). Redeemable securities issued by open-end investment companies are valued at the investment company's applicable net asset value (NAV), with the exception of exchange-traded open-end investment companies which are priced as equity securities as described above. These securities are generally categorized as Level 1 securities in the fair value hierarchy. In certain instances where the price determined above may not represent fair market value, the value is determined in such manner as the Board of Directors (the Board) may prescribe. Foreign securities may be valued at fair value according to procedures approved by the Board if the closing price is not reflective of current market values due to trading or events occurring in the valuation time of the Fund. In addition, substantial changes in values in the U.S. markets subsequent to the close of a foreign market may also affect the values of securities traded in the foreign market. These securities may be categorized as Level 2 or Level 3 securities in the fair value hierarchy, depending on the valuation inputs. Short-term investments, having a maturity of 60 days or less are valued at amortized cost, which approximates market value, with accrued interest or discount earned included in interest receivable.

The Fund has adopted fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 quoted unadjusted prices for identical instruments in active markets to which the Fund has access at the date of measurement.

Level 2 quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price the asset or liability based on the best available information.



## NOTES TO SCHEDULE OF INVESTMENTS *(unaudited)(continued)*

The following is a summary of the inputs used to value the Fund's investments in securities as of May 31, 2012:

| Investments in Securities  | Level 1       | Level 2 | Level 3 | Total         |
|----------------------------|---------------|---------|---------|---------------|
| Common Stocks <sup>^</sup> | \$262,961,926 | \$      | \$      | \$262,961,926 |
| Exchange Traded Funds      | 27,128,521    |         |         | 27,128,521    |
| <b>TOTAL</b>               | \$290,090,447 | \$      | \$      | \$290,090,447 |

<sup>^</sup> See schedule of investments for industry breakout.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund's policy is to disclose transfers between Levels based on valuations at the end of the reporting period. As of May 31, 2012, there were no transfers between Levels 1, 2, or 3 based on the valuation input levels on August 31, 2011.

*Foreign Currency Translation.* The financial accounting records of the Fund are maintained in U.S. dollars. Investment securities, other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current exchange rate. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions.

*Security Transactions.* Security transactions are accounted as of the trade date.

**3. Affiliated Issuers.** An affiliate is a company in which the Fund holds 5% or more of a company's outstanding voting securities. Transactions with such companies during the period ended May 31, 2012 were as follows:

| Issuer            | Value on<br>August 31,<br>2011 | Balance<br>of Shares<br>Held on<br>August<br>31, 2011 | Purchases    |           | Sold       |         | Balance                    |              | Value on<br>May 31,<br>2012 | Investment<br>Income | Net<br>Realized<br>Loss |
|-------------------|--------------------------------|---|--------------|-----------|------------|---------|----------------------------|--------------|-----------------------------|----------------------|-------------------------|
|                   |                                |   | Cost         | Shares    | Proceeds   | Shares  | Held on<br>May<br>31, 2012 | of Shares    |                             |                      |                         |
| Farglory          |                                |   |              |           |            |         |                            |              |                             |                      |                         |
| FTZ               |                                |   |              |           |            |         |                            |              |                             |                      |                         |
| Investment        |                                |   |              |           |            |         |                            |              |                             |                      |                         |
| Holding Co., Ltd. | \$ 5,315,190                   | 7,485,000   | \$ 1,282,854 | 2,139,000 | \$ 466,131 | 853,000 | 8,771,000                  | \$ 4,716,381 | \$                          | (\$ 494,092)         |                         |

## Edgar Filing: TAIWAN FUND INC - Form N-Q

**4. Tax Basis of Investments.** Cost of investments for federal income tax purposes is substantially the same as for financial statement purposes. At May 31, 2012, the aggregate cost basis of the Fund's investment securities for financial reporting purposes was \$291,879,887. Net unrealized depreciation of the Fund's investment securities was \$1,789,440 of which \$21,245,373 related to appreciated investment securities and \$23,034,813 related to depreciated investment securities.

**ITEM 2. CONTROLS AND PROCEDURES**

- (a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this Form N-Q that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**ITEM 3. EXHIBITS**

The certifications required by Rule 30a-2(a) of the 1940 Act (17 CFR 270.30a-2(a)), are attached as exhibits to this filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE TAIWAN FUND, INC.

By: /s/ Jamie Skinner  
Jamie Skinner  
President of The Taiwan Fund, Inc.

Date: July 24, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Jamie Skinner  
Jamie Skinner  
President of The Taiwan Fund, Inc.

Date: July 24, 2012

By: /s/ Cynthia Morse-Griffin  
Cynthia Morse-Griffin  
Treasurer of The Taiwan Fund, Inc.

Date: July 24, 2012