

TAIWAN FUND INC  
Form 8-K  
February 21, 2003

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**January 1, 2003**

Date of Report (Date of Earliest Event Reported)

**The Taiwan Fund, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**811-04893**  
(Commission  
File Number)

**042942862**  
(IRS Employer  
Identification Number)

**225 Franklin Street, Boston, Massachusetts**  
(Address of Principal Executive Offices)

**02110**  
(Zip Code)

**(212) 662-2789**  
(Registrant's Telephone Number, Including Area Code)

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**Item 9. Regulation FD Disclosure.**

Pursuant to Regulation FD Rules 100-103, The Taiwan Fund, Inc. (the Fund ) furnishes the January 2003 Monthly Review on the Fund by the Fund s investment adviser.

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**SIGNATURES**

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

Dated: February 20, 2003

By: /s/ Haichi Vicki Hau

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Name: Haichi Vicki Hau

Title: Secretary

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**January 2003**

HSBC Asset Management (Taiwan) Limited  
24/F No. 99, Tunhwa S. Rd., Sec. 2  
Taipei 106, Taiwan

Tel: (8862) 2325-7888  
Fax: (8862) 2706-5371

**Portfolio Review**

The Fund has undergone a notable transformation in January, as we started the year 2003 by streamlining our portfolio with enhanced investment concentration. By focusing our hedges in selected investment sectors, we believe the Fund should have better performance going forward than it has in the past. In January, the Fund returned 8.65% in U.S. dollar terms, compared to the TAIEX's return of 12.94%. The difference was unsatisfactory compared to the Fund's previous track records, but we are still the best performing fund among our peers for the last three months.

In February, a principal uncertainty in the market is the pending issue of Iraq. Although the market should have factored the potential impact of a war into fundamentals, the overhang of such uncertainties may continue to discourage investors. Weak market sentiments have already led to a large correction in non-technology sectors. While further deterioration in sentiment is likely, we believe the downside risks are quite limited. We are still overweight in non-technology sectors, which should consolidate after recent corrections. On the other hand, we will increase the financial sector weighting to cope with the increasing risk of geopolitical uncertainties. Our longer-term investment view is still positive, as we believe non-technology sectors should continue to benefit from rising demand in China. The technology sector, in addition, should finally find its ground in the second quarter and revive from its multi-year downward trend. As the economy recovers, the financial sector is also likely to witness a stronger performance.

**Core & Active Portfolio Sector Allocation**

<u>As of 01/31/03</u>	<u>% of Core Portfolio</u>	<u>% of Active Portfolio</u>	<u>% of TAIEX</u>
Semiconductor	21.44	11.05	19.26
Banking	19.01	14.00	20.85
PC & Peripherals	12.27	13.20	13.79
Telecommunication	8.92	8.03	8.12
Plastics	7.96	23.93	7.15
Electronics	7.21	0.20	7.82
Textile	3.18	0.21	2.19
Steel	2.90	2.68	3.58
Transportation	2.84	10.00	2.44
Auto	2.00	6.23	1.88
Electricals	1.64	0.00	1.42
Chemical	1.57	0.11	1.57
Wire & Cable	1.38	0.00	1.06
Paper & Pulp	1.11	2.80	0.57
Rubber	0.82	5.29	0.85
Others	5.75	2.27	7.45
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Tech</b>	<b>50.58</b>	<b>34.75</b>	<b>49.52</b>
<b>Non-Tech</b>	<b>30.41</b>	<b>51.25</b>	<b>29.63</b>
<b>Financial</b>	<b>19.01</b>	<b>14.00</b>	<b>20.85</b>

**Total Active Portfolio Net Asset: US\$63.71M**  
**Total Core Portfolio Net Asset: US\$112.86M**  
**Cash: US\$7.15M**

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**Total Fund Asset Allocation**

As of 01/31/03	% of Total Fund	% of TAIEX
Semiconductor	17.00	19.26
Banking	16.53	20.85
Plastics	13.19	7.15
PC & Peripherals	12.11	13.79
Telecommunication	8.27	8.12
Transportation	5.21	2.44
Electronics	4.50	7.82
Auto	3.39	1.88
Steel	2.71	3.58
Rubber	2.34	0.85
Textile	2.02	2.19
Paper & Pulp	1.65	0.57
*C.S. & Software	1.24	0.53
Electricals	1.01	1.42
Chemical	1.00	1.57
Others	3.94	7.98
<b>Total</b>	<b>96.11</b>	<b>100.00</b>
Cash	3.89	
<b>Tech</b>	<b>43.12</b>	<b>49.52</b>
<b>Non-Tech</b>	<b>36.46</b>	<b>29.63</b>
<b>Financial</b>	<b>16.53</b>	<b>20.85</b>

**Total Net Asset: US\$183.72M**

(\*)=Computer Service & Software

**Top 10 Holdings of Active Portfolio**

As of 01/31/03	% of Active Portfolio
Formosa Chemicals	13.94
Taiwan Semiconductor	7.65
Yangming Marine Transport	7.61
Cathay Financial Holdings	6.40
Taiwan Polypropylene	5.00
Cheng Shin Rubber Ind.	4.76
Hua Nan Financial Holdings	3.78
Hon Hai Precision Industry	3.49
Compal Electronic	3.49
China Motor	3.16
<b>Total</b>	<b>59.28</b>

**Top 10 Holdings of Total Fund Portfolio**

As of 01/31/03	% of Total Portfolio
Taiwan Semiconductor	8.62
Formosa Chemicals	6.49
Cathay Financial Holdings	4.89

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Chunghwa Telecom	3.32
Yangming Marine Transport	3.13
United Micro Electronics	2.96
Hon Hai Precision Industry	2.88
Formosa Plastics	2.32
China Steel Common	2.30
Hua Nan Financial Holdings	2.29
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<b>Total</b>	<b>39.20</b>

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**NAV: US\$11.23**  
**No. of Shares: 16.4M**

**Price: US\$9.31**

**Prem.: -17.10%**

**Performance Comparison**

(Return in US\$)	<b>Total Returns</b>							Unit: %
	As of 01/31/03							
	<b>Last</b>	<b>Last</b>	<b>Last</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
	<b>1 Mth</b>	<b>3 Mth</b>	<b>6 Mth</b>					
<b>TWN</b>	<b>8.65</b>	<b>4.27</b>	<b>-4.46</b>	<b>-23.23</b>	<b>6.58</b>	<b>-45.23</b>	<b>47.25</b>	
ROC	7.55	1.95	-2.29	-19.07	-6.57	-39.94	35.86	
Taipei	9.43	1.70	-9.73	-34.33	-15.69	-50.94	13.87	
Formosa	7.72	0.70	-9.91	-27.73	9.35	-51.04	19.57	
Formosa Growth	3.36	-1.74	-8.72	-25.13	4.46	-51.94	38.49	
New Taipei	9.44	-1.08	-11.49	-32.84	2.33	-45.59	33.91	
<b>Index</b>	<b>12.94</b>	<b>9.84</b>	<b>-1.13</b>	<b>-19.23</b>	<b>10.42</b>	<b>-46.53</b>	<b>34.16</b>	

Taiwan Fund (Since Launch 1986/12/23): 169.96%

**Performance Chart**

\* By regarding the active portion as an enhancer to the Fund's performance, we found that it might be misleading to directly compare the active portion of the Fund to the benchmark of the Fund. Moreover, our concentration strategy effectively increases the volatility of the action portion of the Fund. Thus, we believe it should be more appropriate to examine the Fund's performance by looking at the Fund as a whole. Starting from January, we will provide only one performance comparison in our review report to avoid any confusion that might arise.

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**Taiwan's Macro Economics Review**

Source: DATASTREAM

Taiwan's exports growth should pick up in January, as U.S. inventory trends have remained positive for Taiwan's exports. However, as we pointed out last month, the sustainability of a recovery is still in doubt, especially when a war is on the horizon. Conservatism on the part of consumers as well as businesses could continue to dampen demand growth, prolonging the recovery process until confidence returns.

*\*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 mentioned above are unaudited. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell the securities mentioned*

*\*Effective from 1st November 1999, the daily NAV of the Fund is available at Lipper and CDA Weisenberger, or you may call toll free (800)636-9242.*

*\*Please notify us immediately if you are having problems receiving this telecopy.*

*<sup>1</sup>The % of Active portfolio is classified into 100% for easier comparison with core portfolio and Index.*

***Fund Manager: Vincent Lai  
Deputy Fund Manager: Jovi Chen***