

TAIWAN FUND INC
Form 8-K
February 19, 2004

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**UNITED STATES
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**

December 1, 2003

Date of report (Date of earliest event reported)

The Taiwan Fund, Inc.

(Exact Name of Registrant as Specified in 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)

(800) 426-5523
(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 December 2003 Monthly Review of the Fund s performance 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 19, 2004

By: /s/ Carol Wang

Name: Carol Wang
Title: Secretary and Treasurer

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December 2003

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

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Portfolio Review

The TAIEX gained 2.66% in US dollar terms during December with lower turnover as investors stayed on the sidelines before the end of the year. The renewed fear of SARS during the month did not have a negative impact on the market, as the new SARS case was found to be an isolated incident. In terms of sector performance, the technology sector continued to underperform the TAIEX, while certain non-technology sectors outperformed it significantly. The banking sector was up 3.20% in NT dollar terms, spurred by positive sentiment generated from the government's decision to allow hostile takeovers within the banking sector. Interest also focused on the plastics, steel, and cement sectors, which were up 9.16%, 6.47%, and 8.87% respectively in NT dollar terms. The Fund outperformed its benchmark with a return of 2.72% in US dollar terms in December.

The Fund was able to outperform the benchmark primarily due to better stock selection in the technology and shipping sectors. Our sector balanced strategy also worked well, as we were able to participate in the rallies in non-technology sectors. Looking ahead, we expect that we will be gradually shifting our investments into more cyclical areas such as technology and industrial materials in light of the continued global economic recovery in 2004.

Total Fund Sector Allocation

| As of 12/31/03 | % of Total Fund | % of TAIEX |
|-------------------|--------------------|---------------|
| Semiconductor | 23.70 | 22.36 |
| Banking | 16.40 | 18.53 |
| PC & Peripherals | 13.80 | 14.61 |
| Electronics | 10.30 | 10.20 |
| Plastics | 8.80 | 7.78 |
| Telecommunication | 5.90 | 6.48 |
| Steel | 3.80 | 3.19 |
| Transportation | 3.20 | 2.65 |
| Auto | 2.30 | 1.30 |
| Textile | 1.60 | 1.76 |
| Electricals | 1.60 | 1.30 |
| Chemical | 1.00 | 1.36 |
| Cement | 0.70 | 0.92 |
| Wire & Cable | 0.60 | 0.74 |
| Retail | 0.50 | 0.80 |
| Others | 3.90 | 6.02 |
| Total | 98.10 | 100.00 |
| Cash | 1.90 | |
| Tech | 53.70 | 54.18 |
| Non-Tech | 28.00 | 27.29 |
| Financial | 16.40 | 18.53 |

Total Net Assets: US\$216.50 Million

Top 10 Holdings of Total Fund Portfolio

| As of 12/31/03 | % of Total Portfolio |
|----------------|-------------------------|
|----------------|-------------------------|

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| | |
|--|--------------|
| Taiwan Semiconductor Manufacturing Co. | 8.46 |
| Cathay Financial Holding Co. Ltd. | 4.25 |
| Chunghwa Telecom Co. Ltd. | 3.65 |
| United Microelectronics Corp. Ltd. | 3.60 |
| Hon Hai Precision Industry Co. Ltd. | 3.33 |
| Au Optronics Corp. | 3.20 |
| MediaTek, Inc. | 3.16 |
| Chinatrust Financial Holding Co. Ltd. | 3.03 |
| Advanced Semiconductor Engineering, Inc. | 2.97 |
| Formosa Chemical & Fibre Corp. | 2.93 |
| Total | 38.58 |

NAV: US\$13.23

Price: US\$11.90

Discount: -10.05%

No. of Shares:

16.4Million

Returns in US\$ (%)*

| | The Taiwan Fund, Inc. | Taiwan Stock Exchange Index |
|------------------------------|--------------------------|--------------------------------|
| One Month | 2.72 | 2.66 |
| Fiscal Year to Date** | 3.19 | 4.92 |
| One Year | 28.05 | 35.43 |
| Three Years | 1.57 | 6.50 |
| Five years | -3.30 | -2.79 |
| Ten Years | -1.02 | -2.69 |
| Since Inception | 9.92 | 11.04 |

* 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. Returns for the Taiwan Stock Exchange Index are not total returns and reflect only changes in share prices but do not assume that cash dividends, if any, were reinvested, and thus are not strictly comparable to the Fund returns. 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.

** The Fund's fiscal year commences on September 1.

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| | As of 11/28/03 | As of 12/31/03 |
|---|----------------|----------------|
| TAIEX | 5771.77 | 5890.69 |
| % change in NTD terms | -4.52 | 2.06 |
| % change in USD terms | -5.00 | 2.66 |
| NTD Daily avg. trading volume (In Billions) | 84.86 | 62.84 |
| USD Daily avg. trading volume (In Billions) | 2.48 | 1.85 |
| NTD Market Capitalization (In Billions) | 12115.53 | 12376.84 |
| USD Market Capitalization (In Billions) | 354.77 | 364.56 |
| FX Rate: (US\$/NT\$) | 34.15 | 33.95 |

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 at Lipper and CDA Weisenberger, or you may obtain it by calling toll free (800) 636-9242.

Lead Fund Manager: Alan Huang*
Deputy Fund Manager: Jovi Chen

**Victor Shih became the Lead Fund Manager effective January 12, 2004.*