

# The Taiwan Fund, Inc.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of March 2021 up 3.13% in Taiwan Dollar terms, with the technology sector up 0.98%, non-technology up 6.31%, financial sector up 8.56% and over-the-counter ("OTC") stocks up 5.75%. The top three outperforming sectors were LCD-TFT Panel, Glass & Ceramics, and Golf. The bottom three underperforming sectors were Transformer & Uninterruptible Power Systems, Casing, and Electronics Manufacturing Services.

### Fund Review

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"), as both sector allocation and stock selection were negative. On the sector level, the Fund's overweight positions in Technology Hardware & Equipment, Health Care Equipment & Service, and Consumer Durables & Apparel, as well as underweight positions in Energy and Telecommunication Services helped performance. The overweight position in Semiconductors & Equipment and underweight position in Insurance, Materials, and Banks hurt performance. On the stock level, the best active contributors were Innolux, Taiwan Semiconductor Manufacturing Co., and Pegavision; the worst active detractors were Silergy, United Micro Electronic, and Asmedia Tech.

### Key Transactions

The transactions over the course of the last month reflect a rebalancing of the portfolio back towards non-Tech cyclicals and materials. Despite the various changes made, we remain overweight Technology. The reasoning for this is addressed at length in the Outlook section below.

The approach we have taken to reduce our Technology exposure has been to cut laggards. By this we mean investments where catalysts to release value have a lower degree of clarity or cases where the timetable for key events has slipped. BlueStar Israel Technology ETF, Winsemi, Speedtech, Unimicron and Global Unichip Corp. all fall under this category.

On the other side of the ledger, we have added non-tech cyclicals and materials, such as ChungHung Steel, Evergreen Marine and U-Ming Marine. Additionally, we like PegaVision and Universal Vision Biotechnology, in which we initiated positions with a view to the long-term growth of these currently small cap firms.

### Outlook

Over the last several months we have looked to the Tech space for growth, however we are increasingly seeing a broad-based improvement in demand across a wider range of sectors. Furthermore, we have perhaps been too cautious in our approach, as initially it was unclear whether demand for notebooks, PCs and smartphones would continue to be firm. Now that the adjustment to work-from-home and study-from-home trends has washed through the global supply chain it seems that we are getting a clearer picture of the state of consumption.

Demand has proven to be surprisingly resilient and it seems that prices will now have to rise, and not only for consumer technology products, such as notebooks, but also across everything from apparel to steel. This is not only being driven by robust demand. In a sense this is a perfect storm, with rising raw material prices, ongoing disruptions to global logistics networks, low inventories, a move away from morally suspect suppliers and a change in sentiment among purchasing managers reinforcing each other and the inflationary trend.

In short, there is a test coming for the consumer. Will they continue to spend when these price rises eventually make an impact on their pocketbooks? The stimulus largesse of Western governments has created a wealth effect, as the millennial and Gen-Z generations seem to have invested their recent windfalls, at least partially, in stocks. If they continue to feel wealthy in 2021, then they may be able to tolerate a faster pace of inflation than many expect.

### In Brief

| Fund Data  |   |
|--|---|
| Description  | Seeks long-term capital appreciation primarily through investments in equity securities listed in Taiwan. |
| Inception Date   | December 23, 1986   |
| Total Fund Assets (millions)                                 | \$244.2   |
| Median Market Cap (in billions)                              | \$3.5   |
| Distribution Frequency                                       | Annual  |
| Management Firm  | Allianz Global Investors U.S. LLC   |
| Portfolio Management   | Corrina Xiao<br>Lead Portfolio Manager  |
| Performance (US\$ Returns)<br>(as of 3/31/2021) <sup>1</sup> |   |
|  | Fund Benchmark <sup>2</sup>   |
| One Month  | -1.30% 0.68%  |
| Three Month  | 7.08% 9.98%   |
| One Year   | 86.83% 85.50%   |
| Three Year   | 21.98% 20.21%   |

| Net Asset Value / Market Price            |                   |
|---|-------------------|
| NAV / Market Price (as of 3/31/2021)      | \$32.66 / \$28.25 |
| High / Low Ranges (52-Week)               |                   |
| High / Low NAV                            | \$34.28 / \$19.43 |
| High / Low Market Price                   | \$29.55 / \$16.10 |
| Premium/Discount to NAV (as of 3/31/2021) | -13.50%           |
| Fund Data (Common Shares)                 |                   |
| Shares Outstanding                        | 7,468,866         |
| Average Daily Volume                      | 8,985             |
| Expense Ratio                             | 1.70%             |

### Fund Manager



Corrina Xiao  
Lead Portfolio Manager

1. Allianz Global Investors U.S. LLC became the Investment Manager of the Fund on June 1, 2019

2. Taiwan TAIEX Total Return Index.

### Average Annual Returns<sup>1</sup>

|                                 | 1 Month | 3 Month | YTD    | 1 Year | 3 Year | 5 Year | 10 Year | Inception |
|---------------------------------|---------|---------|--------|--------|--------|--------|---------|-----------|
| NAV                             | -1.30%  | 7.08%   | 7.08%  | 86.83% | 21.98% | 20.54% | 10.48%  | 9.93%     |
| Market Price                    | -0.95%  | 10.14%  | 10.14% | 92.64% | 21.73% | 20.40% | 9.82%   | 8.40%     |
| Taiwan TAIEX Total Return Index | 0.68%   | 9.98%   | 9.98%  | 85.50% | 20.21% | 20.95% | 10.99%  | —         |
| MSCI Taiwan Total Return Index  | -0.46%  | 10.91%  | 10.91% | 93.21% | 22.48% | 22.20% | 11.54%  | —         |
| Taiwan TAIEX Price Index        | 0.54%   | 9.83%   | 9.83%  | 79.39% | 15.47% | 16.21% | 6.91%   | —         |

### Calendar Year Returns<sup>1</sup>

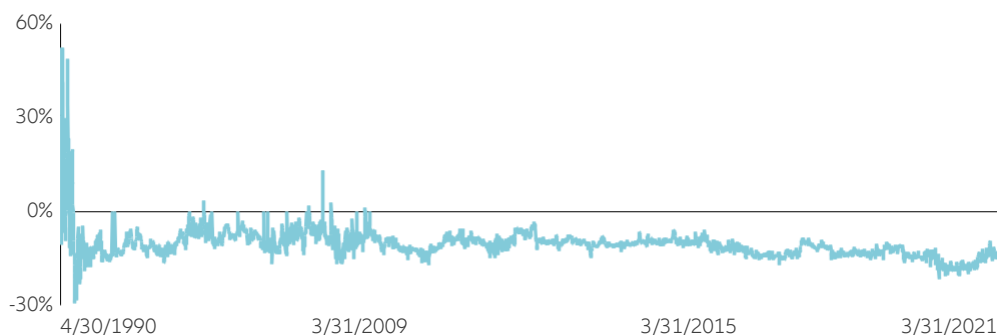
|                                 | 2013   | 2014   | 2015    | 2016   | 2017   | 2018    | 2019   | 2020   |
|---------------------------------|--------|--------|---------|--------|--------|---------|--------|--------|
| NAV                             | 19.34% | -2.25% | -6.43%  | 11.17% | 28.44% | -14.96% | 47.11% | 41.97% |
| Market Price                    | 18.24% | -1.28% | -10.52% | 10.05% | 33.61% | -19.11% | 46.75% | 39.81% |
| Taiwan TAIEX Total Return Index | 12.19% | 5.05%  | -10.40% | 17.81% | 29.45% | -7.86%  | 32.19% | 35.62% |
| MSCI Taiwan Total Return Index  | 9.06%  | 9.36%  | -11.72% | 18.54% | 27.53% | -8.94%  | 36.37% | 40.99% |
| Taiwan TAIEX Price Index        | 8.98%  | 1.93%  | -13.81% | 13.11% | 24.56% | -11.51% | 26.46% | 31.01% |

Past performance is not a guide to future returns.

Returns are expressed in US dollars and are annualized, except for periods of less than one year.

Source: IDS GmbH-Analysis and Reporting Services, a subsidiary of Allianz SE. Inception date is August 29, 1984. Returns for the fund are historical returns that reflect changes in net asset value and market price per share during each period and assume that dividends and capital gains, if any, were reinvested. Net asset value is total assets less total liabilities divided by the number of shares outstanding. NAV performance includes the deduction of management fees and other expenses. Market price performance does not include the deduction of expenses and would be lower had expenses been deducted. NAV and market price returns do not reflect broker sales charges or commissions, which would reduce returns. It is not possible to invest directly in an index.

### Premium/Discount



### Sector Breakdown

|                        | Fund   | Benchmark <sup>2</sup> |
|------------------------|--------|------------------------|
| Information Technology | 72.46% | 61.00%                 |
| Industrials            | 8.77%  | 5.29%                  |
| Consumer Discretionary | 7.25%  | 5.87%                  |
| Health Care            | 4.31%  | 0.42%                  |
| Materials              | 0.92%  | 8.09%                  |
| Communication Services | 0.61%  | 2.98%                  |
| Financials             | 0.00%  | 10.95%                 |
| Consumer Staples       | 0.00%  | 2.26%                  |
| Energy                 | 0.00%  | 1.86%                  |
| Real Estate            | 0.00%  | 1.16%                  |
| Utilities              | 0.00%  | 0.12%                  |

Source: IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

### Top 10 Holdings

|   |        |
|---|--------|
| TAIWAN SEMIC CO LTD (Taiwan)              | 21.12% |
| INNOLUX CORP (Taiwan)                     | 4.91%  |
| HON HAI PRECISION INDU (Taiwan)           | 4.06%  |
| SILERGY CORP (Taiwan)                     | 3.06%  |
| HIWIN TECHNOLOGIES CORP (Taiwan)          | 2.97%  |
| PEGAVISION CORP (Taiwan)                  | 2.68%  |
| EVERGREEN MARINE CORP TAIWAN LTD (Taiwan) | 2.55%  |
| YAGEO CORP (Taiwan)                       | 2.39%  |
| GLOBALWAFERS CO LTD (Taiwan)              | 2.37%  |
| ACCTON TECHNOLOGY CORP (Taiwan)           | 2.36%  |

### Portfolio Characteristics

|                      | Fund  | Benchmark <sup>2</sup> |
|----------------------|-------|------------------------|
| P/E Ratio            | 16.59 | 17.42                  |
| P/B Ratio            | 3.43  | 2.41                   |
| Issues in Portfolio  | 48    | 910                    |
| Foreign Holdings (%) | 94.32 | 100.00                 |
| Cash (%)             | 5.68  | 0.00                   |
| Yield (%)            | 1.94  | 2.70                   |

### Risk Statistics (3 Year)

|                                    |       |
|------------------------------------|-------|
| Beta                               | 1.09  |
| R <sup>2</sup>                     | 0.90  |
| Standard Deviation of NAV          | 22.98 |
| Standard Deviation of Market Price | 23.02 |

1. Allianz Global Investors U.S. LLC became the Investment Manager of the Fund on June 1, 2019

2. Taiwan TAIEX Total Return Index.

### Distribution History (10 Year)

| Declaration Date | Ex-dividend Date | Record Date | Payable Date | Distribution/<br>Share | Income    | Long-term<br>Capital Gain | Short-term<br>Capital Gain |
|------------------|------------------|-------------|--------------|------------------------|-----------|---------------------------|----------------------------|
| 12/16/2011       | 12/28/2011       | 12/30/2011  | 1/9/2012     | \$0.56052              | —         | \$0.56052                 | —                          |
| 12/16/2014       | 12/26/2014       | 12/30/2014  | 1/9/2015     | \$2.63320              | —         | \$2.63320                 | —                          |
| 12/19/2017       | 12/28/2017       | 12/29/2017  | 1/9/2018     | \$0.66000              | \$0.66000 | —                         | —                          |
| 12/10/2018       | 12/20/2018       | 12/21/2018  | 1/4/2019     | \$1.70780              | —         | \$1.70780                 | —                          |
| 12/17/2019       | 12/27/2019       | 12/30/2019  | 1/10/2020    | \$1.69910              | \$1.46950 | \$0.16450                 | \$0.06510                  |
| 12/17/2020       | 12/28/2020       | 12/29/2020  | 1/8/2021     | \$3.31220              | \$0.37590 | \$0.61560                 | \$2.32070                  |

Distribution/Share includes Income, Long-term Capital gains and Short-term Capital gains.

### Index Description

#### Taiwan TAIEX Total Return Index

The **TAIEX (Taiwan Capitalization Weighted Stock Index) Total Return Index** is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The returns assume reinvestment of dividends (net of foreign withholding taxes).

#### MSCI Taiwan Total Return Index

The **MSCI Taiwan Total Return Index** is designed to measure the performance of the large and mid cap segments of the Taiwan market. The index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

#### Taiwan TAIEX Price Index

The **TAIEX (Taiwan Capitalization Weighted Stock Index) Price Index** is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The returns, unlike Fund returns, do not reflect any fees or expenses.

It is not possible to invest directly in an index.

**Portfolio in Full**

| Sector                        | Company<br>(exchange ticker)              | Price TWD | Holding  | Value US\$ | % of<br>Market Value |       |
|-------------------------------|---|-----------|----------|------------|----------------------|-------|
| <b>Information Technology</b> |   |           |          |            | <b>72.41</b>         |       |
|                               | TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | 2330      | 587.00   | 2,522,000  | 51,884,274           | 21.12 |
|                               | INNOLUX CORP                              | 3481      | 21.10    | 16,301,000 | 12,054,502           | 4.91  |
|                               | HON HAI PRECISION INDUSTRY CO LTD         | 2317      | 124.00   | 2,296,000  | 9,978,060            | 4.06  |
|                               | SILERGY CORP                              | 6415      | 2,305.00 | 93,000     | 7,512,880            | 3.06  |
|                               | YAGEO CORP                                | 2327      | 553.00   | 303,000    | 5,872,463            | 2.39  |
|                               | GLOBALWAFERS CO LTD                       | 6488      | 750.00   | 222,000    | 5,835,349            | 2.37  |
|                               | ACCTON TECHNOLOGY CORP                    | 2345      | 276.00   | 600,000    | 5,803,806            | 2.36  |
|                               | SITRONIX TECHNOLOGY CORP                  | 8016      | 239.00   | 667,000    | 5,586,969            | 2.27  |
|                               | SENORTEK TECHNOLOGY CORP                  | 6732      | 748.00   | 213,000    | 5,583,850            | 2.27  |
|                               | NANYA TECHNOLOGY CORP                     | 2408      | 91.90    | 1,671,000  | 5,382,010            | 2.19  |
|                               | CHUNGHWA PRECISION TEST TECH CO LTD       | 6510      | 909.00   | 149,000    | 4,746,819            | 1.93  |
|                               | LARGAN PRECISION CO LTD                   | 3008      | 3,210.00 | 40,000     | 4,500,053            | 1.83  |
|                               | UNITED MICROELECTRONICS CORP              | 2303      | 50.20    | 2,547,000  | 4,481,106            | 1.82  |
|                               | MACRONIX INTERNATIONAL CO LTD             | 2337      | 44.35    | 2,571,000  | 3,996,210            | 1.63  |
|                               | NOVATEK MICROELECTRONICS CORP             | 3034      | 575.00   | 195,000    | 3,929,660            | 1.60  |
|                               | SINO-AMERICAN SILICON PRODUCTS            | 5483      | 169.00   | 590,000    | 3,494,550            | 1.42  |
|                               | NAN YA PRINTED CIRCUIT BOARD CORP         | 8046      | 354.00   | 277,000    | 3,436,652            | 1.40  |
|                               | KINSUS INTERCONNECT TECHNOLOGY CORP       | 3189      | 112.00   | 852,000    | 3,344,338            | 1.36  |
|                               | EMEMORY TECHNOLOGY INC                    | 3529      | 883.00   | 107,000    | 3,311,289            | 1.35  |
|                               | PARADE TECHNOLOGIES LTD                   | 4966      | 1,225.00 | 73,000     | 3,134,090            | 1.28  |
|                               | AU OPTRONICS CORP                         | 2409      | 21.05    | 3,878,000  | 2,860,965            | 1.16  |
|                               | FITIPOWER INTEGRATED TECHNOLOGY           | 4961      | 287.00   | 267,000    | 2,685,627            | 1.09  |
|                               | ITEQ CORP                                 | 6213      | 136.50   | 549,000    | 2,626,380            | 1.07  |
|                               | GOLD CIRCUIT ELECTRONICS LTD              | 2368      | 56.20    | 1,275,000  | 2,511,303            | 1.02  |
|                               | SPEED TECH CORP                           | 5457      | 90.00    | 755,000    | 2,381,453            | 0.97  |
|                               | ASMEDIA TECHNOLOGY INC                    | 5269      | 1,490.00 | 44,000     | 2,297,690            | 0.94  |
|                               | FLEXIUM INTERCONNECT INC                  | 6269      | 125.50   | 472,000    | 2,076,052            | 0.84  |
|                               | MEDIATEK INC                              | 2454      | 969.00   | 45,000     | 1,528,230            | 0.62  |
|                               | PEGATRON CORP                             | 4938      | 74.10    | 583,000    | 1,514,047            | 0.62  |
|                               | WIN SEMICONDUCTORS CORP                   | 3105      | 391.00   | 80,000     | 1,096,274            | 0.45  |
|                               | UNIMICRON TECHNOLOGY CORP                 | 3037      | 91.50    | 321,000    | 1,029,387            | 0.42  |
|                               | CO-TECH DEVELOPMENT CORP                  | 8358      | 75.80    | 381,000    | 1,012,154            | 0.41  |
|                               | GRAND PLASTIC TECHNOLOGY CORP             | 3131      | 348.00   | 36,000     | 439,071              | 0.18  |
| <b>Industrials</b>            |   |           |          |            | <b>8.76</b>          |       |
|                               | HIWIN TECHNOLOGIES CORP                   | 2049      | 402.50   | 517,000    | 7,293,047            | 2.97  |
|                               | EVERGREEN MARINE CORP TAIWAN LTD          | 2603      | 45.50    | 3,931,000  | 6,268,549            | 2.55  |
|                               | U-MING MARINE TRANSPORT CORP              | 2606      | 41.30    | 2,975,000  | 4,306,154            | 1.75  |
|                               | CHINA AIRLINES LTD                        | 2610      | 15.25    | 4,567,000  | 2,440,919            | 0.99  |
|                               | AIRTAC INTERNATIONAL GROUP                | 1590      | 1,005.00 | 35,000     | 1,232,783            | 0.50  |
| <b>Consumer Discretionary</b> |   |           |          |            | <b>7.26</b>          |       |
|                               | TUNG THIH ELECTRONIC CO LTD               | 3552      | 302.00   | 473,000    | 5,006,344            | 2.04  |
|                               | GIANT MANUFACTURING CO LTD                | 9921      | 344.00   | 344,000    | 4,147,338            | 1.69  |
|                               | FULGENT SUN INTERNATIONAL HOLDING CO LTD  | 9802      | 114.50   | 929,877    | 3,731,501            | 1.52  |
|                               | NIEN MADE ENTERPRISE CO LTD               | 8464      | 398.00   | 133,000    | 1,855,185            | 0.76  |
|                               | ECLAT TEXTILE CO LTD                      | 1476      | 480.00   | 103,000    | 1,732,731            | 0.71  |
|                               | POYA INTERNATIONAL CO LTD                 | 5904      | 596.00   | 64,000     | 1,336,838            | 0.54  |
| <b>Health Care</b>            |   |           |          |            | <b>4.31</b>          |       |
|                               | PEGAVISION CORP                           | 6491      | 382.00   | 492,000    | 6,586,899            | 2.68  |
|                               | UNIVERSAL VISION BIOTECHNOLOGY CO LTD     | 3218      | 323.00   | 354,000    | 4,007,360            | 1.63  |
| <b>Materials</b>              |   |           |          |            | <b>0.98</b>          |       |
|                               | CHUNG HUNG STEEL CORP                     | 2014      | 20.75    | 3,301,000  | 2,400,580            | 0.98  |
| <b>Communication Services</b> |   |           |          |            | <b>0.61</b>          |       |
|                               | CHIEF TELECOM INC                         | 6561      | 316.50   | 135,000    | 1,497,477            | 0.61  |

| Sector | Company<br>(exchange ticker) | Price TWD | Holding | Value US\$ | % of<br>Market Value |
|--------|------------------------------|-----------|---------|------------|----------------------|
|--------|------------------------------|-----------|---------|------------|----------------------|

Source: State Street Bank and Trust Company, IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

Note: Cash (including for these purposes cash equivalents) is not included.

Holdings in the Monthly Insights are based on the adviser's trading system, while holdings published on the website are based on the custodian's accounting system. There will be differences between the Insights and the website in holdings for which trades were placed on the last day of the measurement period.

**Important Information:**

The Fund Seeks long-term capital appreciation primarily through investments in equity securities listed in Taiwan. An investment in the Fund involves risk, including loss of principal. Investing in non-U.S. securities entails additional risks, including political and economic risk and the risk of currency fluctuations, as well as lower liquidity. These risks, which can result in greater price volatility, will generally be enhanced in less diversified funds that concentrate investments in a particular geographic region or sector.

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P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. P/B is a ratio of the current stock price to the book value. This is used to identify undervalued stocks. Yield% displayed is the "indicative dividend yield". This is calculated by taking the last paid dividend and multiplying it by the dividend frequency divided by the current price as of the date shown. Beta measures the market related volatility of a portfolio, where the overall market is represented by the Taiwan TAIEX Total Return Index. The beta of the market is 1 by definition. A beta greater than 1 indicates that a portfolio's market risk is greater than the overall market's, while a beta less than 1 indicates a lower market risk. It is important to note that having a low market risk does not necessarily imply low volatility. A portfolio may have a low beta while experiencing volatility due to factors independent of the market. R-Squared measures the percentage of a portfolio's movements that are explained by movements in the overall market, represented by the Taiwan TAIEX Total Return Index. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

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