

THE TAIWAN FUND, INC.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of May down 2.84% in Taiwan dollar terms. The technology sector was down 3.58%, non-technology down 2.53%, the financial sector up 1.01%, and over-the-counter (OTC) stocks down 6.14%. The top three outperforming industries were software-others, freight transportation, and gaming. The bottom three underperforming industries were LCD-thin film transistor (LCD-TFT) panel, LCD-super-twisted nematic (LCD-STN) panel, and digital camera.

Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Although stock selection was negative, sector allocation was positive. On the sector level, the Fund's overweight positions in transportation, health care equipment & service, and consumer durables & apparel industries, as well as underweight positions in the tech hardware and automobile industries, helped performance. The overweight to materials and energy, along with underweight positions in the insurance and bank industries hurt performance. On the stock level, the best active contributors were Evergreen Marine Corp. Ltd., Yang Ming Marine Transportation Corp., and Silergy Corp.; the worst active detractors were Innolux Corp., Sitronix, and U-Ming Marine Transportation.

Key Transactions

This month, we saw cyclical sectors outperform the market just as we expected. Among them, the shipping container industry outperformed the most due to soaring freight rates. We expect rates to continue moving higher into 3Q21.

Turning to the steel industry, the Chinese government has been trying to cool unwanted speculation in ferrous metal futures to avoid short-term inflation pressures. We saw share prices pull back in the steel sector and we took some profits on names such as China Steel and Chung Hung Steel Corporation. Following the pull-back in steel prices, we have seen iron ore prices falling as well; therefore, we trimmed our position in U-Ming Marine Transport Corp., a bulk carrier.

Within the non-tech sectors, we were looking to add more consumer names, which have the potential to benefit from increased spending in the post-COVID period. We like textiles and bicycle manufacturers, and have added Eclat Textile Co., Ltd. and Merida Industry Co., Ltd.

In the tech space, on the other hand, we have seen valuations become more attractive due to falling share prices. We have started to revisit tech names with multi-year stories. For example, we like Ajinomoto Build-up Film (ABF) substrate, the server upgrade cycle, and high performance computing (HPC) themes. We have added NanYa Printed Circuit Board Corp., Alchip Technologies, Advanced Energy Solution Holding Co., Ltd., and Lotes Co.

We will look to maintain the balance in the portfolio between the tech and non-tech positions.

Outlook and Strategy

Taiwan had a rude awakening in May, as COVID-19 finally breached the island's defenses and established a foothold in the north. Taipei and New Taipei City experienced unprecedented levels of local transmission after cargo plane pilots carrying the virus were allowed to mix with the general population. A series of missteps then led to clusters popping up across the region.

Fund Data

Description	Seeks long-term capital appreciation primarily through investments in equity securities listed in Taiwan.
Inception Date	December 31, 1986
Total Fund Assets (millions)	\$281.0
Median Market Cap (in billions)	\$4.1
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC

Fund Manager



Corrina Xiao
Lead Portfolio Manager

Performance

(US\$ Returns as of 5/31/2021)

	Fund	Benchmark ¹
One Month	-1.21%	-1.68%
Three Month	13.69%	8.16%
One Year	80.19%	75.49%
Three Year (Annualized)	28.58%	24.36%

Net Asset Value/Market Price

(as of 5/31/2021)

NAV/Market Price	\$37.62 / \$31.55
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High/Low Ranges (52-Week)

High/Low NAV	\$38.10/\$23.74
High/Low Market Price	\$32.34/\$19.58
Premium/Discount to NAV (as of 5/31/2021)	-16.14%

Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	9,975
Expense Ratio ²	0.99%

¹Taiwan TAIEX Total Return Index.

²Six months ended February 28, 2021.

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Outlook and Strategy (continued)

Perhaps there had been some complacency on the part of authorities, who had only secured a few hundred thousand doses of the Astra-Zeneca vaccine at the time of the outbreak. However, a swift response from government and municipal authorities saw the imposition of a level three COVID-19 alert, on a four-level scale. Although this was short of a full lock down, it was enough to send the market into a tailspin, with a dramatic week of losses in the TAIEX, commencing May 11.

By the end of the month, the government had moved to secure millions of doses of vaccines from overseas and millions more from domestic sources. Nonetheless, the population and the market are still on edge as we wait for signs of improvement in the daily case numbers released by the Central Epidemic Command Center (CECC). As of May 31, the statistics seemed to indicate cause for cautious optimism.

The key concern for Taiwan is whether it will be faced with a full, level-four lock down. This would be triggered automatically under certain conditions, such as increasing case numbers with untraceable sources of transmission. So far, however, the health authorities have managed the outbreak very well and most of the infections have been traced back to their point of origin.

The difficulty the island has suffered in providing reliable public utilities has been another immediate issue. Demands from industry, especially the chip fabrication plants, are increasingly outstripping supply of both electricity and water. This has led to brown-outs and cost increases, as firms have sought alternate water sources. Over the last few days, however, Taiwan has seen heavy rains, which should help alleviate some of these short-term pressures.

All said, the market has been quite resilient, given the negative news flow over the month of May. As it now stands, the TAIEX has bounced back from its lows, when it was down 12% for the month, and is now around 3% lower than it was at the end of April. The outlook seems to be improving across several fronts and we see the market returning to normal in June.

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Average Annual Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	-1.21	13.69	23.34	80.19	28.58	24.89	11.44	10.33
Market Price	-1.71	10.62	23.00	83.85	27.24	24.42	10.53	8.70
Taiwan TAIEX Total Return Index	-1.68	8.16	18.16	75.49	24.36	23.62	11.11	—
MSCI Taiwan Index (net)	-1.20	5.93	18.03	84.84	27.08	24.66	11.56	—
Taiwan TAIEX Price Index	-1.68	7.95	17.92	69.66	19.43	18.76	7.02	—

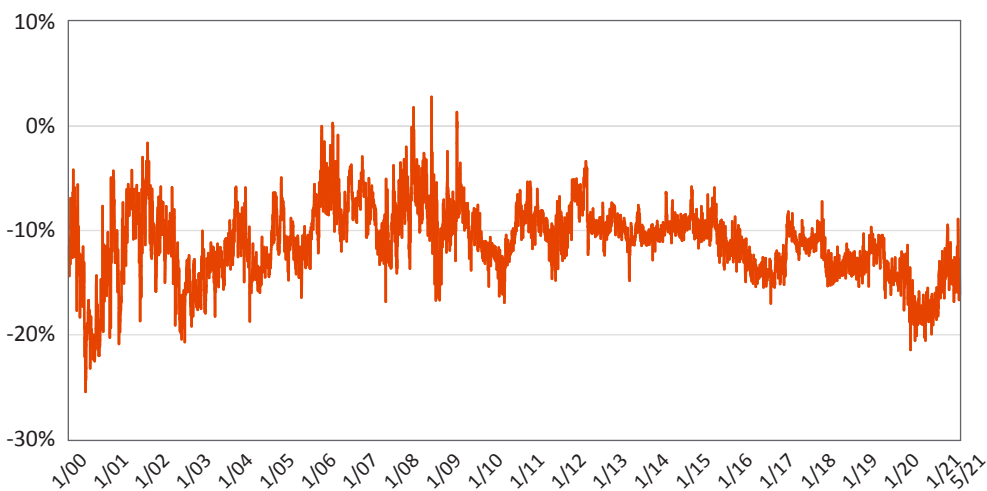
Calendar Year Returns (%)

	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 Index (net)	9.06	9.36	-11.72	18.54	27.53	-8.93	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 indicative of future results.

Returns are expressed in U.S. dollars and are annualized except for periods of less than one year. Source: Virtus, utilizing data from State Street Bank & Trust company. 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. Expense Ratio: 0.99%. Reflects six months ended February 28, 2021.

Premium/Discount (1/3/00 - 5/31/21)



Past performance is not indicative of future results.

Sector Breakdown (%)

	Fund	Benchmark
Information Technology	49.26	58.61
Industrials	20.87	6.96
Materials	9.02	8.71
Consumer Discretionary	5.83	5.77
Health Care	4.66	0.41
Energy	1.99	1.84
Financials	0.89	11.37
Communication Services	0.00	2.92
Consumer Staples	0.00	2.18
Real Estate	0.00	1.12
Utilities	0.00	0.12

Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	17.57
Evergreen Marine Corp. (Taiwan) Ltd.	7.54
Silergy Corp.	3.69
Wisdom Marine Lines Co., Limited.	3.50
Innolux Corp.	3.39
Pegavisision Corp.	3.25
Yang Ming Marine Transport Corp.	3.08
Accton Technology Corp.	2.79
United Microelectronics Corp.	2.75
Nan Ya Printed Circuit Board Corporation	2.73

Holdings and sector weightings are subject to change. As of 5/28/2021.

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Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	13.19	18.27
P/B Ratio	2.97	2.71
Number of Issues	41	926
Foreign Holdings (%)	92.53	100.00
Cash (%)	7.47	0.00
Dividend Yield (%)	1.48	1.77

As of 5/28/2021.

Risk Statistics (3 Year)

Beta	1.14
R ²	0.90
Standard Deviation of NAV	24.21
Standard Deviation of Market Price	23.63

Distribution History (10 Year)

Ex-dividend Date	Record Date	Payable Date	Distribution/Share	Income	Long-term Capital Gain	Short-term Capital Gain
12/28/11	12/30/11	1/9/12	0.560530	0.000000	0.560530	0.000000
12/26/14	12/30/14	1/9/15	2.633200	0.000000	2.633200	0.000000
12/28/17	12/29/17	1/9/18	0.660000	0.660000	0.000000	0.000000
12/20/18	12/21/18	1/4/19	1.707800	0.000000	1.707800	0.000000
12/27/19	12/30/19	1/10/20	1.699100	1.469500	0.164500	0.065100
12/28/20	12/29/20	1/8/21	3.312200	0.375900	0.615600	2.320700

Distribution/Share includes income, long-term capital gains, and short-term capital gains.

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All Portfolio Holdings

As of May 28, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
Information Technology					49.26	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	590.00	2,283,000	48,556,079	17.57
	Silergy Corp.	6415-TW	3495.00	81,000	10,205,115	3.69
	Innolux Corp.	3481-TW	22.00	11,666,000	9,378,049	3.39
	Accton Technology Corp.	2345-TW	293.00	729,000	7,699,825	2.79
	United Microelectronics Corp.	2303-TW	52.00	4,025,000	7,602,963	2.75
	Nan Ya Printed Circuit Board Corporation	8046-TW	313.00	668,000	7,537,138	2.73
	GlobalWafers Co., Ltd.	6488-TW	799.00	222,000	6,394,189	2.31
	Sensortek Technology Corp.	6732-TW	627.00	213,000	4,814,297	1.74
	Kinsus Interconnect Technology Corp.	3189-TW	104.00	1,198,000	4,512,932	1.63
	CO-TECH DEVELOPMENT CORP.	8358-TW	81.00	1,544,000	4,502,788	1.63
	Novatek Microelectronics Corp.	3034-TW	505.00	215,000	3,913,952	1.42
	MediaTek Inc	2454-TW	961.00	107,000	3,706,746	1.34
	eMemory Technology, Inc.	3529-TW	938.00	107,000	3,618,031	1.31
	Gold Circuit Electronics Ltd	2368-TW	53.00	1,613,000	3,087,554	1.12
	Winbond Electronics Corp.	2344-TW	34.00	2,134,000	2,603,987	0.94
	Asmedia Technology Inc.	5269-TW	1440.00	49,000	2,543,573	0.92
	Macronix International Co., Ltd.	2337-TW	42.00	1,571,000	2,406,860	0.87
	Parade Technologies, Ltd.	4966-TW	1500.00	34,000	1,838,467	0.67
	Unimicron Technology Corp.	3037-TW	104.00	321,000	1,209,225	0.44
Industrials					20.87	
	Evergreen Marine Corp. (Taiwan) Ltd.	2603-TW	96.00	5,993,000	20,826,054	7.54
	Wisdom Marine Lines Co., Limited.	2637-TW	69.00	3,916,000	9,683,949	3.50
	Yang Ming Marine Transport Corp.	2609-TW	108.00	2,184,000	8,502,802	3.08
	U-Ming Marine Transport Corp.	2606-TW	60.00	2,953,000	6,429,632	2.33
	Airtac International Group	1590-TW	1005.00	166,000	6,013,951	2.18
	Taiwan Glass Industry Corp.	1802-TW	32.00	3,746,000	4,381,958	1.59
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	818.00	62,000	1,828,229	0.66
Materials					9.02	
	Formosa Plastics Corporation	1301-TW	102.00	1,661,000	6,077,450	2.20
	China Steel Corporation	2002-TW	37.00	4,310,000	5,678,719	2.06
	Nan Ya Plastics Corporation	1303-TW	84.00	1,590,000	4,785,962	1.73
	Chung Hung Steel Corporation	2014-TW	49.00	2,070,000	3,634,001	1.32
	Taiwan Cement Corp.	1101-TW	51.00	1,391,000	2,537,250	0.92
	Formosa Chemicals & Fibre Corporation	1326-TW	85.00	719,000	2,213,464	0.80
Consumer Discretionary					5.83	
	Eclat Textile Co., Ltd.	1476-TW	649.00	282,000	6,597,501	2.39
	Fulgent Sun International (Holding) Co., Ltd.	9802-TW	124.00	853,877	3,801,439	1.38
	Giant Manufacturing Co., Ltd.	9921-TW	333.00	230,000	2,760,945	1.00
	Nien Made Enterprise Co., Ltd.	8464-TW	408.00	133,000	1,956,129	0.71
	Merida Industry Co., Ltd.	9914-TW	321.00	87,000	1,006,723	0.36
Health Care					4.66	
	Pegavision Corp.	6491-TW	506.00	492,000	8,974,316	3.25
	Universal Vision Biotechnology Co., Ltd.	3218-TW	306.00	354,000	3,898,523	1.41
Energy					1.99	
	Formosa Petrochemical Corp	6505-TW	99.00	1,546,000	5,506,202	1.99
Financials					0.89	
	Fubon Financial Holding Co., Ltd.	2881-TW	72.00	952,000	2,470,900	0.89

Source: State Street Bank and Trust Company, Virtus.

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

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Index Descriptions

The **Taiwan TAIEX Total Return Index** is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The index is calculated on a total return basis with net dividends reinvested. The **MSCI Taiwan Index (net)** is a free float-adjusted market capitalization-weighted index that measures the performance of the large and mid-cap segments of the Taiwan market. The index is calculated on a total return basis with net dividends reinvested. The **Taiwan TAIEX Price Index** is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The index is calculated on a price return basis. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Important Information:

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

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 AllianzGI makes 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, AllianzGI will not be responsible for the profit or loss of the 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 that 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.

Forward P/E Ratio Per share stock price divided by projected future 12-months earnings per share. **P/B Ratio:** A ratio used to compare a stock's market value to its book value. **Dividend Yield:** Market cap weighted indicated annual yield on portfolio holdings based on the most recent announced distribution or dividend. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **R-Squared:** A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED