

THE TAIWAN FUND, INC.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of July 2021 down 2.35% in U.S. dollar terms, with the technology sector down 1.42%, non-technology down 8.21%, the financial sector up 0.61% and OTC stocks up 1.16%. The top three outperforming sectors were LED & optical components, software-others and integrated circuit-others. The bottom three underperforming sectors were freight transportation, paper and integrated circuit-DRAM (Dynamic Random Access Memory) manufacturing.

Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Sector allocation was negative, while stock selection was positive. On the sector level, the Fund's overweight positions in semiconductors and semi equipment, as well as underweight positions in capital goods, automobiles & components and materials helped the performance. The overweight position in healthcare equipment & services, along with the underweight positions in transportation, banks and insurance detracted from performance. At the stock level, the best active contributors were Kinsus Interconnect Technology Corp., Nuvoton Technology Corporation and Wan Hai Lines Ltd.; the worst active detractors were Evergreen Marine Corp., Pegavision Corporation and Fulgent Sun International Holding Co. Ltd.

Key Transactions

This month, we continued to adjust our allocations toward technology to capture the growth in this sector, as we exited many cyclical positions, including those in cement, petrochemicals, glass, marine transportation and machinery. The positions we exited included Taiwan Cement, Formosa Petrochemical Corp., Taiwan Glass Group, Evergreen Marine Corp. and AirTAC International Group. In financials, we also took profits in Fubon Financial Holdings.

Further, during its second quarter earnings call, the management of Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) emphasized that demand is intact across the high-performance computing (HPC), 5G SoC (systems-on-chip)/infrastructure, automotive and accelerating IoT (internet-of-things) themes. This lends support to the specification upgrade trend in ABF (Ajinmoto build-up film) substrate and HPC, as well as the electric vehicle supply chain, both of which are themes we have favored for some time. As a result, we added more to our holdings in Kinsus Interconnect Technology Corp. and Alchip Technologies, and initiated new positions in Via Labs and Parade Technologies Ltd., among others.

Finally, this month, Intel unveiled the roadmap for its process and packaging technologies through 2025 and beyond. Intel's product roadmap, including plans to expand in-house chip capacity, looks very aggressive and this could cause sentiment on TSMC to suffer in the second half of 2021. However, we think that this potential weakness may represent a point in time to revisit TSMC.

Outlook and Strategy

As we move forward into the third quarter of 2021, the outlook is shifting to 2022, which now favors a resurgence in the technology space. It might be too early to call the winners, as consumer demand is still subject to great uncertainty. Some tech names have suffered this year due to a combination of the chip shortage, cost hikes in materials, rising shipping costs and foreign exchange losses. This provides food for thought as to whether this is the time for bottom fishing. However, we always aim to invest in stocks that have the potential for multi-year growth. Following TSMC's positive outlook, as discussed above, several sectors may benefit from cyclical upswings.

Another major story this month has been based around speculation on where TSMC will build its new fabrication plants. Its enormous capital expenditure plan is known to total circa US\$100bn, which is expected to be deployed between 2021 and 2023. Of course, most of this investment will be in Taiwan, however options for overseas locations include the United States, China and Japan.

¹Taiwan TAIEX Total Return Index.

²Six months ended February 28, 2021.

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)	\$306.7
Median Market Cap (in billions)	\$1.1
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC

Fund Manager



Corrina Xiao
Lead Portfolio Manager

Performance

(US\$ Returns as of 7/30/2021)

	Fund	Benchmark ¹
One Month	-2.61%	-2.35%
Three Month	7.83%	-0.77%
One Year	55.66%	46.02%
Three Year (Annualized)	33.13%	23.64%

Net Asset Value/Market Price

(as of 7/30/2021)

NAV/Market Price	\$41.06 / \$35.76
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High/Low Ranges (52-Week)

High/Low NAV	\$43.70/\$27.36
High/Low Market Price	\$37.62/\$22.80
Premium/Discount to NAV (as of 7/30/2021)	-12.91%

Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	5,867
Expense Ratio ²	0.99%

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Outlook and Strategy (continued)

There will certainly be at least one new plant in the United States, with around US\$12bn earmarked for U.S. investment. We think there will be a five nanometer node, with U.S.-based design capacity initially totaling around 20,000 wafers per month. Mass production should be on-line by the end of 2023 or early 2024 at the latest.

Considering options for a new fabrication plant in Japan, newspaper reports speculate that TSMC could build a 40 nanometer or 28 nanometer fab there, with design capacity of around 40,000 wafers per month.

Regarding the expansion of Chinese fabrication capacity, the capex plan has put aside around US\$2.8bn, to be spent over 2021 and 2022. Due to the impact of U.S. trade restrictions on high tech equipment and patents, there is a significant degree of uncertainty surrounding any new foreign investment in the Chinese fab space. However, if the expansion takes place, it is likely to include a 28 nanometer facility with capacity of 40,000 wafers per month. A 28 nanometer node would be less controversial, since it is no longer cutting edge technology.

Lastly, this month has seen a series of developments in China that have deeply affected capital markets there and overseas. Markets are re-rating the regulatory risks of doing business in the Mainland as a result. Taiwan is well-positioned as a stable, business-friendly safe-haven during this period. However, there is also the risk that a more systemic domino effect will be triggered by the recent Chinese moves. Despite the uncertainty these policies have caused, it remains clear that China is prioritizing the real economy, and especially the domestic chip sector, for growth.

THE TAIWAN FUND, INC.

Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	-2.61	7.83	34.62	55.66	33.13	24.86	12.10	10.55
Market Price	1.19	11.40	39.42	70.63	33.25	25.08	11.95	9.05
Taiwan TAIEX Total Return Index	-2.35	-0.77	19.25	46.02	23.64	21.38	11.39	—
MSCI Taiwan Index (net)	-2.21	-2.76	16.15	43.36	25.01	21.59	11.82	—
Taiwan TAIEX Price Index	-3.22	-1.93	17.63	42.66	19.52	16.99	7.48	—

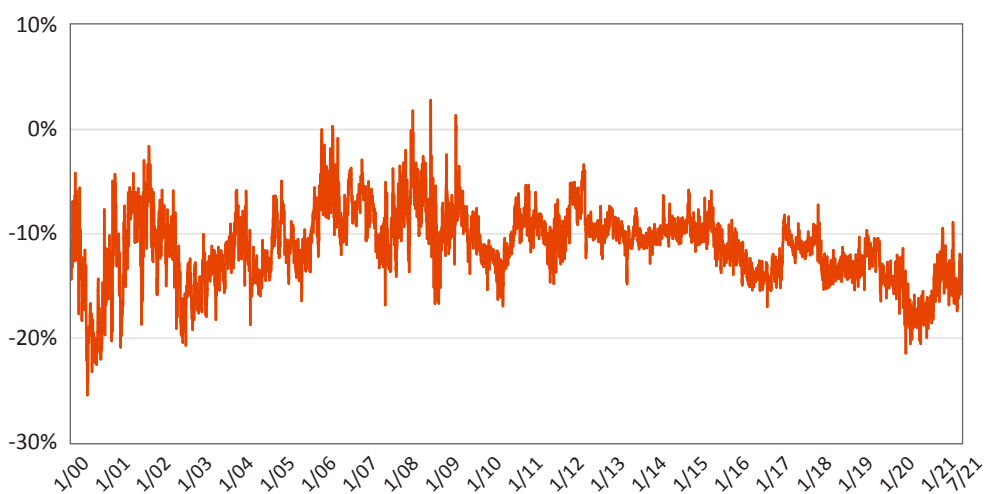
Calendar Year Returns (%)

	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. NAV and market price returns do not reflect broker sales charges or commissions, which would reduce returns. Expense Ratio: 0.99%. For the six months ended February 28, 2021.

Premium/Discount (1/3/00 - 7/30/21)



Past performance is not indicative of future results.

Sector Breakdown (%)

	Fund	Benchmark
Information Technology	79.02	57.62
Health Care	5.99	0.42
Materials	3.47	8.81
Consumer Discretionary	1.94	5.84
Industrials	1.14	7.87
Energy	0.40	1.77
Communication Services	0.00	2.87
Real Estate	0.00	1.14
Utilities	0.00	0.11
Consumer Staples	0.00	2.17
Financials	0.00	11.38

Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	20.45
Alchip Technologies Ltd.	4.54
United Microelectronics Corp.	4.23
Nan Ya Printed Circuit Board Corporation	3.99
Silergy Corp.	3.56
Kinsus Interconnect Technology Corp.	3.26
Accton Technology Corp.	3.08
Gold Circuit Electronics Ltd.	2.88
Pegavisision Corp.	2.80
Unimicron Technology Corp.	2.79

Holdings and sector weightings are subject to change. As of 7/30/2021.

THE TAIWAN FUND, INC.

Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	23.70	14.32
P/B Ratio	3.79	2.33
Number of Issues	44	930
Foreign Holdings (%)	91.96	100.00
Cash (%)	8.04	0.00
Dividend Yield (%)	1.48	2.64

As of 7/30/2021.

Risk Statistics (3 Year)

Beta	1.15
R ²	0.87
Standard Deviation of NAV	24.82
Standard Deviation of Market Price	24.09

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 July 30, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
Information Technology					79.02	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	580.00	3,024,000	62,718,395	20.45
	Alchip Technologies Ltd.	3661-TW	633.00	615,000	13,920,794	4.54
	United Microelectronics Corp.	2303-TW	57.80	6,275,000	12,969,605	4.23
	Nan Ya Printed Circuit Board Corporation	8046-TW	397.00	862,000	12,237,225	3.99
	Silergy Corp.	6415-TW	3765.00	81,000	10,905,238	3.56
	Kinsus Interconnect Technology Corp.	3189-TW	184.00	1,520,000	10,001,073	3.26
	Accton Technology Corp.	2345-TW	326.00	811,000	9,454,175	3.08
	Gold Circuit Electronics Ltd	2368-TW	71.50	3,448,000	8,815,733	2.88
	Unimicron Technology Corp.	3037-TW	146.00	1,641,000	8,567,352	2.79
	GlobalWafers Co., Ltd.	6488-TW	847.00	249,000	7,541,677	2.46
	Pan Jit International Inc.	2481-TW	102.50	1,935,000	7,092,347	2.31
	Nuvoton Technology Corporation	4919-TW	135.00	1,353,000	6,531,557	2.13
	Novatek Microelectronics Corp.	3034-TW	511.00	335,000	6,121,401	2.00
	Taiwan Semiconductor Co., Ltd.	5425-TW	80.30	2,116,000	6,075,981	1.98
	eMemory Technology, Inc.	3529-TW	1310.00	125,000	5,855,534	1.91
	SDI Corporation	2351-TW	143.50	1,094,000	5,613,767	1.83
	Wafer Works Corp.	6182-TW	69.80	1,977,000	4,934,547	1.61
	VIA Labs. Inc.	6756-TW	475.00	253,000	4,297,336	1.40
	Visual Photonics Epitaxy Co., Ltd.	2455-TW	136.50	867,000	4,231,915	1.38
	Advanced Wireless Semiconductor Co.	8086-TW	164.00	629,000	3,688,754	1.20
	Formosa Sumco Technology Corporation	3532-TW	188.00	538,000	3,616,807	1.18
	Asmedia Technology Inc.	5269-TW	1955.00	49,000	3,425,532	1.12
	Episil Holdings Inc.	3707-TW	102.50	868,000	3,181,477	1.04
	Parade Technologies, Ltd.	4966-TW	1710.00	52,000	3,179,689	1.04
	Jih Lin Technology Co., Ltd.	5285-TW	112.50	710,000	2,856,249	0.93
	Anpec Electronics Corporation	6138-TW	179.00	444,000	2,841,981	0.93
	CO-TECH DEVELOPMENT CORP.	8358-TW	79.10	845,000	2,390,113	0.78
	Win Semiconductors Corp.	3105-TW	346.00	191,000	2,363,168	0.77
	Xintec Inc.	3374-TW	168.00	350,000	2,102,628	0.69
	Lotes Co., Ltd	3533-TW	571.00	100,000	2,041,838	0.67
	Sensortek Technology Corp.	6732-TW	830.00	50,000	1,483,998	0.48
	MPI Corp.	6223-TW	155.50	167,000	928,607	0.30
	Tong Hsing Electronic Industries, Ltd.	6271-TW	244.00	34,000	296,657	0.10
Health Care					5.99	
	Pegavision Corp.	6491-TW	448.00	535,000	8,570,713	2.80
	Universal Vision Biotechnology Co., Ltd.	3218-TW	357.50	468,000	5,982,835	1.95
	St. Shine Optical Co., Ltd.	1565-TW	384.00	277,000	3,803,611	1.24
Materials					3.47	
	China Steel Corporation	2002-TW	36.35	3,511,000	4,563,735	1.49
	Century Iron & Steel Industrial Co., Ltd.	9958-TW	121.50	735,000	3,193,367	1.04
	TA Chen Stainless Pipe Co., Ltd.	2027-TW	52.00	1,548,000	2,878,455	0.94
Consumer Discretionary					1.94	
	Nien Made Enterprise Co., Ltd.	8464-TW	469.00	133,000	2,230,538	0.73
	Fulgent Sun International (Holding) Co., Ltd.	9802-TW	92.70	586,877	1,945,414	0.63
	Actron Technology Corporation	8255-TW	209.50	238,000	1,782,979	0.58
Industrials					1.14	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	837.00	117,000	3,501,842	1.14
Energy					0.40	
	Formosa Petrochemical Corp.	6505-TW	97.30	356,000	1,238,648	0.40

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