

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of December 2021 up 5.20% in US dollar terms, with the technology sector up 5.16%, non-technology up 5.13%, the financial sector up 4.91% and over-the-counter ("OTC") stocks up 5.49%. The top three outperforming sectors were digital camera, scanners, and LCD-TFT panel. The bottom three underperforming sectors were department stores, golf and software - other.

### Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Both sector allocation and stock selection were negative. On the sector level, there were no overweight positions to help performance, but underweight positions in retailing, energy and real estate helped performance. In contrast, the Fund's overweight positions in health care equipment & services and semiconductors & semi equipment hurt performance. Underweight positions in transportation, capital goods and consumer durables & apparel also hurt performance. On the stock level, the best active contributors were Formosa Sumco Technology Corporation, Novatek Microelectronics Corp. and GlobalWafers Co., Ltd.; the worst active detractors were Mediatek Inc., Tatung Co. and Asmedia Technology Inc.

### Key Transactions

We took some profits this month on one of our more successful stock picks of the year. ebike and server battery manufacturer Advanced Energy Solution Holding Co., Ltd. is experiencing what we view as a frothy valuation at the moment, trading at around 40 times FY 2022 earnings. We deemed it prudent to reduce our exposure somewhat, although we do still like the company.

Also in December, we exited United Microelectronics Corp., which continues to be out of favor with analysts as it expects the semiconductor cycle to peak by mid-2022. We believe we can find more efficient uses for funds in the interim. We sold out of panel-maker Innolux Corp. too, as news out of China suggests that new panel capacity coming online in the second half of 2022 may now target the information technology sector. This will hurt the company, which focuses on the notebook segment.

Lastly, we exited Tatung Co., as surprise resignations by both the new Chairman and the new CEO negated the investment thesis that drove our investment in the firm.

On the plus side of the ledger, we increased positions in the memory sector (Nanya Technology Corporation and Winbond Electronics Corp.) and added to marine shipping (Evergreen Marine Corp. (Taiwan) Ltd. and Wan Hai Lines Ltd.). We will comment extensively on the reasoning for these allocations in the Outlook and Strategy section.

Other purchases in December were opportunistic, based on inexpensive share prices. We see opportunity in LARGAN Precision Co., Ltd., Yageo Corporation and Win Semiconductors Corp., as their stocks have not reflected the value in their businesses adequately over 2021. These companies all represent good upside potential with limited downside risk, in our view.

### Outlook and Strategy

2022 could be a year of significant change for the markets. Inflation has turned out to be less transitory and more persistent than initially imagined and the United States, in particular, is experiencing ongoing consumer price index prints that are among the highest in the world. A more inflationary environment will tend to benefit cyclical stocks and companies with good earnings growth, rather than the more speculative growth stocks which have dominated for so much of the last decade.

### 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)	\$327.0
Median Market Cap (in billions)	\$3.7
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

### Fund Manager



Corrina Xiao  
Lead Portfolio Manager

### Performance

(US\$ Returns as of 12/31/2021)

	Fund	Benchmark <sup>1</sup>
One Month	3.60%	5.20%
Three Month	14.98%	8.50%
One Year	55.09%	29.04%
Three Year (Annualized)	47.96%	32.26%

### Net Asset Value/Market Price

(as of 12/31/2021)

NAV/Market Price	\$43.78 / \$37.57
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### High/Low Ranges (52-Week)

High/Low NAV	\$46.45 / \$30.81
High/Low Market Price	\$39.60 / \$26.06
Premium/Discount to NAV (as of 12/31/2021)	-14.18

### Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	10,109
Expense Ratio <sup>2</sup>	1.44%

<sup>1</sup>Taiwan TAIEX Total Return Index.

<sup>2</sup>One year ended August 31, 2021.

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### Manager's Commentary

#### Outlook and Strategy (continued)

For Taiwan, cyclical sectors include the passive component manufacturers, memory manufacturers and shipping lines. These industries also currently benefit from relatively attractive valuations, since stock prices for many companies did not move significantly over 2021. Additionally, some very well-run companies in these sectors are offering yields over 5%. We scaled up our existing holdings in these three sectors in December and our exposure to cyclical stocks is now approaching our intended target level.

Apart from cyclical names, we also like companies with strong earnings profiles, especially in the semiconductor space. However, there is a need to be selective within integrated circuits ("IC") because many firms already experienced strong earnings growth over 2021, which may become increasingly difficult to maintain into 2022. Taiwan Semiconductor Manufacturing Co. ("TSMC") announced that it will raise prices in 1Q22 but was one of the last companies to do so. We expect that this should lead to continued improvement in gross margins at TSMC. Other firms will find this more challenging as capacity constraints become less severe in specific areas, such as display driver IC.

Another of our preferred-related plays is Ajinomoto build-up film (ABF) substrate, which is predicated on the tech upgrade cycle. Demand for high-performance computing is still enjoying continuous growth, with the latest driver being the trendy metaverse story. Servers, PCs and laptops will all need to step up to match the demands of the next iteration of the internet as it takes shape over the next several years.

Uncertainty over investor response to the planned Fed tightening is a key consideration for us as we enter the new year. The market may suffer from large swings and the policy response to these will largely dictate equity performance for the year. We suspect some kind of "taper tantrum" would likely be met with easing by the Fed, given the ongoing pandemic and the recent failure to secure support for the Build Back Better bill. The only thing that is certain is that uncertainty will be higher in 2022.

# THE TAIWAN FUND, INC.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	3.60	14.98	55.09	55.09	47.96	28.75	17.03	10.87
Market Price	8.19	15.29	58.26	58.26	48.08	28.54	16.36	9.33
Taiwan TAIEX Total Return Index	5.20	8.50	29.04	29.04	32.26	22.51	14.99	—
MSCI Taiwan Index (net)	5.42	8.43	26.13	26.13	34.35	23.01	15.16	—
Taiwan TAIEX Price Index	5.06	8.33	25.59	25.59	27.67	18.06	10.92	—

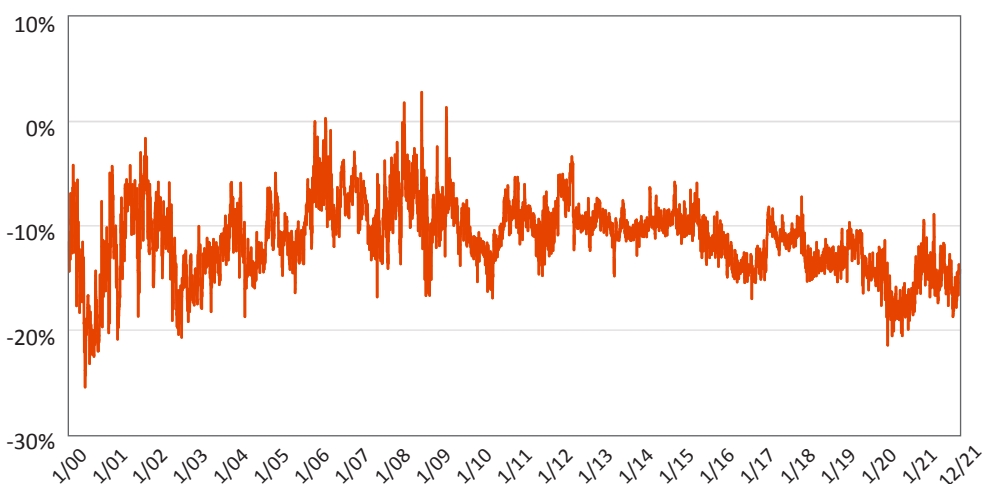
## Calendar Year Returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021
NAV	-2.25	-6.43	11.17	28.44	-14.96	47.11	41.97	55.09
Market Price	-1.28	-10.52	10.05	33.61	-19.11	46.75	39.81	58.26
Taiwan TAIEX Total Return Index	5.05	-10.40	17.81	29.45	-7.86	32.19	35.62	29.04
MSCI Taiwan Index (net)	9.36	-11.72	18.54	27.53	-8.93	36.37	40.99	26.13
Taiwan TAIEX Price Index	1.93	-13.81	13.11	24.56	-11.51	26.46	31.01	25.59

### Past performance is not indicative of future results.

Returns are expressed in US 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: 1.44%. For the one year ended August 31, 2021.

## Premium/Discount (1/3/00 - 12/31/21)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	84.87	58.24
Industrials	4.61	8.09
Financials	3.61	11.93
Health Care	2.70	0.38
Consumer Discretionary	1.18	5.49
Materials	0.00	8.13
Communication Services	0.00	2.73
Real Estate	0.00	1.19
Utilities	0.00	0.14
Consumer Staples	0.00	2.04
Energy	0.00	1.65

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	23.99
Alchip Technologies Ltd.	6.93
Unimicron Technology Corp.	5.02
Silergy Corp.	4.50
Formosa Sumco Technology Corporation	3.47
Kinsus Interconnect Technology Corp.	3.41
Pan Jit International Inc.	3.31
Nanya Technology Corporation	3.27
Winbond Electronics Corp.	3.13
eMemory Technology, Inc.	3.03

Holdings and sector weightings are subject to change. As of 12/31/2021.

## THE TAIWAN FUND, INC.

### Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	20.01	16.20
P/B Ratio	3.91	2.95
Number of Issues	33	933
Foreign Holdings (%)	96.97	100.00
Cash (%)	3.03	0.00
Dividend Yield (%)	1.38	1.85

As of 12/31/2021.

### Risk Statistics (3 Year)

Beta	1.14
R <sup>2</sup>	0.85
Standard Deviation of NAV	22.96
Standard Deviation of Market Price	22.06

### Distribution History (10 Year)

Ex-dividend Date	Record Date	Payable Date	Distribution/Share	Income	Long-term Capital Gain	Short-term Capital Gain
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
12/27/21	12/28/21	1/10/22	2.922700	0.478000	2.444700	0.000000

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

# THE TAIWAN FUND, INC.

## All Portfolio Holdings

As of December 31, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
<b>Information Technology</b>					<b>84.87</b>	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	615.00	3,529,000	78,444,898	23.99
	Alchip Technologies Ltd.	3661-TW	1020.00	615,000	22,673,221	6.93
	Unimicron Technology Corp.	3037-TW	231.00	1,967,000	16,423,067	5.02
	Silergy Corp.	6415-TW	5025.00	81,000	14,711,570	4.50
	Formosa Sumco Technology Corporation	3532-TW	290.00	1,082,000	11,341,309	3.47
	Kinsus Interconnect Technology Corp.	3189-TW	233.00	1,325,000	11,158,600	3.41
	Pan Jit International Inc.	2481-TW	107.00	2,799,000	10,824,918	3.31
	Nanya Technology Corporation	2408-TW	78.10	3,788,000	10,692,984	3.27
	Winbond Electronics Corp.	2344-TW	34.00	8,325,000	10,230,600	3.13
	eMemory Technology, Inc.	3529-TW	2190.00	125,000	9,894,459	3.03
	Asmedia Technology Inc.	5269-TW	1820.00	148,000	9,735,786	2.98
	Nan Ya Printed Circuit Board Corporation	8046-TW	572.00	469,000	9,696,317	2.97
	GlobalWafers Co., Ltd.	6488-TW	888.00	249,000	7,991,904	2.44
	Faraday Technology Corp.	3035-TW	239.00	849,000	7,334,044	2.24
	SDI Corporation	2351-TW	175.50	1,094,000	6,939,567	2.12
	Novatek Microelectronics Corp.	3034-TW	539.00	303,000	5,902,953	1.81
	Gigabyte Technology Co., Ltd.	2376-TW	155.50	972,000	5,463,043	1.67
	Anpec Electronics Corporation	6138-TW	278.50	501,000	5,043,138	1.54
	Visual Photonics Epitaxy Co., Ltd.	2455-TW	144.00	881,000	4,585,391	1.40
	Win Semiconductors Corp.	3105-TW	374.50	303,000	4,101,402	1.25
	LARGAN Precision Co., Ltd.	3008-TW	2465.00	45,000	4,009,289	1.23
	ASPEED Technology, Inc.	5274-TW	3565.00	30,000	3,865,616	1.18
	Realtek Semiconductor Corp	2379-TW	580.00	180,000	3,773,449	1.15
	Yageo Corporation	2327-TW	479.50	155,000	2,686,323	0.82
<b>Industrials</b>					<b>4.61</b>	
	Evergreen Marine Corp. (Taiwan) Ltd.	2603-TW	142.50	1,277,000	6,577,240	2.01
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	1825.00	87,000	5,738,786	1.75
	Wan Hai Lines Ltd.	2615-TW	198.50	384,000	2,755,051	0.84
<b>Financials</b>					<b>3.61</b>	
	Fubon Financial Holding Co., Ltd.	2881-TW	76.30	2,304,694	6,355,881	1.94
	Chailease Holding Co. Ltd.	5871-TW	263.50	404,000	3,847,689	1.18
	Cathay Financial Holdings Co., Ltd.	2882-TW	62.50	703,000	1,588,083	0.49
<b>Health Care</b>					<b>2.70</b>	
	Pegavision Corp.	6491-TW	427.00	572,000	8,827,990	2.70
<b>Consumer Discretionary</b>					<b>1.18</b>	
	Makalot Industrial Co., Ltd.	1477-TW	247.00	398,000	3,553,186	1.09
	Global PMX Co., Ltd.	4551-TW	181.00	49,000	320,562	0.10

Source: State Street Bank and Trust Company, Virtus.

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

## THE TAIWAN FUND, INC.

The opinions expressed herein are those of Allianz Global Investors US LLC and are subject to change at any time and without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument, it is not provided in a fiduciary capacity, and may not be relied upon for or in connection with the making of investment decisions. Investors should consider the investment objectives, risks, charges, and expenses of any investment fund carefully before investing. This and other information is contained in the Fund's annual and semiannual reports, proxy statement, and other fund information, which may be obtained by contacting your financial professional or visiting the Fund's website at [www.thetaiwanfund.com](http://www.thetaiwanfund.com). This information is unaudited and is intended for informational purposes only. It is presented only to provide information on the Fund's holdings, performance, and strategies. The Fund is a closed-end exchange traded management investment company. This material is presented only to provide information and is not intended for trading purposes. Closed-end funds, unlike open-end funds, are not continuously offered. After the initial public offering by a closed-end fund, its shares can be purchased and sold on the open market through a stock exchange, where shares may trade at a premium or a discount to the per share net asset value of the Fund's shares.

### 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 US 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