

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of July 2022 up 2.37% in US dollar terms, with the technology sector up 4.44%, non-technology down 0.54%, the financial sector down 1.20% and over-the-counter stocks down 2.67%. The top three outperforming sectors were information access, business automation and optical lens. The bottom three underperforming sectors were plastic, securities and wire and cable.

### 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 positive, however the Fund's allocation to cash created negative active performance. On the sector level, overweight positions in tech hardware & equipment, health care equipment & services and food & staples retailing, as well as underweight positions in materials, energy, insurance, banks, real estate and consumer durables & apparel helped performance. In contrast, both the Fund's overweight positions in telecom services and pharmaceuticals & biology and underweight positions in semiconductor & semi equipment, transportation, retailing, automobiles & components and food beverage & tobacco hurt performance. On the stock level, the best active contributors were Asia Vital Components Co., Ltd., Formosa Petrochemical Corporation and Pegavision Corp.; the worst active detractors were Far Eastone Telecomm Co Ltd., Taiwan Mobile Co., Ltd. and Faraday Technology Corp.

### Key Transactions

We continue to maintain a high cash reserve and have moved the portfolio into a more defensive position for the third quarter by reducing and exiting our positions in many tech firms due to our concerns over falling consumer demand, weak economic growth in China and the semiconductor cycle. (Impacted holdings: Nuvoton Technology Corp., Alchip Technologies Ltd., Airtac International Group, Faraday Technology Corp., Unimicron Technology Corp. and ASPEED Technology, Inc.)

Taiwan Mobile Co., Ltd., Far Eastone Telecomm Co., Ltd. and Yulon Motor Co., Ltd. represent defensive purchases for the portfolio, but we have also continued to diversify our holdings with a number of new additions. We have added Accton Technology Corp. and Delta Electronics, Inc. because we expect their performance to improve in the second half of 2022 as the capacity of the semiconductor industry increases. In anticipation of improved guidance for the coming year from Boeing and General Electric, we added Aerospace Industrial Development Corporation which produces components for planes. This guidance predicted a return to pre-pandemic flight levels, so we have already seen some benefit from this purchase. Finally, the addition of Gold Circuit Electronics Ltd. represents a long-term investment due to their impressive growth margin and improved product mix, despite facing a server platform delay. This stock is trading below 10x its price-to-earnings ("P/E") multiple, so it fits our strategy of investing in long-term growth stocks.

### Outlook and Strategy

July was an eventful month. The US CPI rose to 9.1%, the highest rate in more than 40 years, which led the Federal Reserve to raise interest rates by 0.75%. This was a less hawkish reaction than expected from the market, which anticipated a 1% increase, and some investors began to act more positively in the US market.

## 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)	\$227.2
Median Market Cap (in billions)	\$2.5
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

## Fund Manager



Corrina Xiao  
Lead Portfolio Manager

## Performance (US\$ Returns as of 7/29/2022)

	Fund	Benchmark <sup>1</sup>
One Month	1.71%	2.37%
Three Month	-8.49%	-7.88%
One Year	-19.98%	-14.56%
Three Year (Annualized)	25.27%	17.17%

## Net Asset Value/Market Price (as of 7/29/2022)

NAV/Market Price	\$30.41 / \$25.99
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## High/Low Ranges (52-Week)

High/Low NAV	\$46.45 / \$28.01
High/Low Market Price	\$39.60 / \$23.79
Premium/Discount to NAV (as of 7/29/2022)	-14.53

## Fund Data (Common Shares)

Shares Outstanding	7,470,494
Average Daily Volume	5,480
Expense Ratio <sup>2</sup>	1.17

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

<sup>2</sup>Six months ended February 28, 2022.

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### Manager's Commentary

#### Outlook and Strategy (continued)

On the fundamental side, Taiwan Semiconductor Manufacturing Co., Ltd.'s ("TSMC") momentum is quite secure, even with the increasing macro headwinds, mainly due to its share gain. Even in the weak smartphone market, its revenue has still seen continuous growth as Qualcomm has returned to ordering four and five nonometer processors from TSMC rather than Samsung. Nevertheless, high performance computing is obviously the structural growth catalyst for TSMC. The only negative news revealed from its analyst meetings could be that semi inventory might need to take few quarters to digest throughout second half of 2022, and perhaps even in to first half of 2023.

Intel also provided negative guidance due to share loss to a server competitor (Advanced Micro Devices, Inc.) and the continued decline of personal computer/notebook demand. Intel also indicated that its new platform is going to be postponed to an unspecified date in 2023.

The cloud server companies in the FAMG group (Facebook, Amazon, Microsoft, Google) are also important to watch. They did not provide clear capital expenditure ("CAPEX") guidance, which means that 2022 could be the CAPEX peak. If 2023 CAPEX growth rate is lower than this year's, it might have a negative impact on the Taiwan server sector.

Our strategy remains unchanged from last month and we will continue to maintain a high cash reserve and keep the portfolio in a defensive position.

# THE TAIWAN FUND, INC.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	1.71	-8.49	-30.54	-19.98	25.27	14.34	12.28	9.56
Market Price	3.46	-5.94	-30.82	-21.47	24.07	13.45	11.74	8.05
Taiwan TAIEX Total Return Index	2.37	-7.88	-21.04	-14.56	17.17	11.97	11.60	—
MSCI Taiwan Index (net)	2.95	-8.46	-22.87	-16.25	18.13	11.70	11.72	—
Taiwan TAIEX Price Index	0.47	-11.00	-23.92	-18.77	12.91	7.73	7.53	—

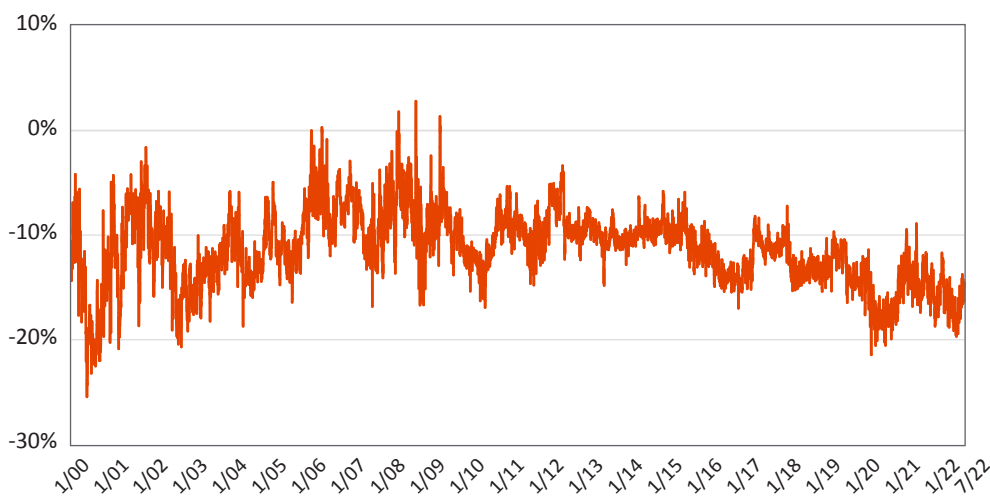
## Calendar Year Returns (%)

	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: 1.17%. For the six months ended February 28, 2022.

## Premium/Discount (1/3/00 - 7/29/22)



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

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	59.54	55.63
Communication Services	11.22	3.45
Health Care	3.52	0.49
Financials	3.16	12.98
Industrials	2.77	8.04
Consumer Discretionary	2.75	5.61
Materials	1.04	8.13
Consumer Staples	0.71	2.42
Real Estate	0.00	1.35
Utilities	0.00	0.17
Energy	0.00	1.74

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	26.41
Hon Hai Precision Industry Co., Ltd.	5.58
Chunghwa Telecom Co., Ltd	5.01
Asia Vital Components Co., Ltd.	4.64
Taiwan Mobile Co., Ltd.	3.84
Unimicron Technology Corp.	3.54
Pegavision Corp.	3.12
Far Eastone Telecommunications Co., Ltd.	2.36
Gold Circuit Electronics Ltd	2.35
Advanced Energy Solution Holding Co., Ltd.	2.28

Holdings and sector weightings are subject to change. As of 7/29/2022.

# THE TAIWAN FUND, INC.

## Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	13.98	10.11
P/B Ratio	3.78	2.86
Number of Issues	40	945
Foreign Holdings (%)	84.71	100.00
Cash (%)	15.29	0.00
Dividend Yield (%)	2.85	4.56

As of 7/29/2022.

## Risk Statistics (3 Year)

Beta	1.21
R <sup>2</sup>	0.87
Standard Deviation of NAV	27.40
Standard Deviation of Market Price	25.50

## 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 July 29, 2022

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
<b>Information Technology</b>					<b>59.54</b>	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	509.00	3,529,000	59,993,354	26.41
	Hon Hai Precision Industry Co., Ltd.	2317-TW	109.00	3,480,000	12,668,916	5.58
	Asia Vital Components Co., Ltd.	3017-TW	118.00	2,677,000	10,550,282	4.64
	Unimicron Technology Corp.	3037-TW	158.50	1,517,000	8,030,610	3.54
	Gold Circuit Electronics Ltd.	2368-TW	81.30	1,969,000	5,346,505	2.35
	Wiwynn Corp.	6669-TW	736.00	200,000	4,916,335	2.16
	SDI Corporation	2351-TW	120.50	958,000	3,855,549	1.70
	Nan Ya Printed Circuit Board Corporation	8046-TW	240.50	462,000	3,710,998	1.63
	Silergy Corp.	6415-TW	556.00	196,000	3,639,691	1.60
	Alchip Technologies Ltd.	3661-TW	706.00	129,000	3,041,782	1.34
	eMemory Technology, Inc.	3529-TW	1185.00	75,000	2,968,338	1.31
	Accton Technology Corp.	2345-TW	248.00	338,000	2,799,639	1.23
	E Ink Holdings Inc.	8069-TW	195.50	390,000	2,546,508	1.12
	Zhen Ding Technology Holding Limited	4958-TW	113.00	621,000	2,343,709	1.03
	ASE Technology Holding Co., Ltd.	3711-TW	86.40	747,000	2,155,599	0.95
	Tong Hsing Electronic Industries, Ltd.	6271-TW	195.00	317,000	2,064,560	0.91
	Jentech Precision Industrial Co., Ltd.	3653-TW	389.50	113,000	1,470,008	0.65
	Delta Electronics, Inc.	2308-TW	258.00	127,000	1,094,352	0.48
	MediaTek Inc	2454-TW	683.00	34,000	775,592	0.34
	Xintec Inc.	3374-TW	129.00	177,000	762,600	0.34
	Faraday Technology Corp.	3035-TW	156.00	60,000	312,615	0.14
	ASPEED Technology, Inc.	5274-TW	1925.00	3,400	218,597	0.10
<b>Communication Services</b>					<b>11.22</b>	
	Chunghwa Telecom Co., Ltd.	2412-TW	121.50	2,806,000	11,386,694	5.01
	Taiwan Mobile Co., Ltd.	3045-TW	101.50	2,573,000	8,722,471	3.84
	Far Eastone Telecommunications Co., Ltd.	4904-TW	75.50	2,129,000	5,368,541	2.36
<b>Health Care</b>					<b>3.52</b>	
	Pegavision Corp.	6491-TW	458.00	464,000	7,097,692	3.12
	PharmaEssentia Corp.	6446-TW	569.00	47,000	893,190	0.39
<b>Financials</b>					<b>3.16</b>	
	Chailease Holding Co., Ltd.	5871-TW	211.50	460,000	3,249,390	1.43
	CTBC Financial Holding Company Ltd.	2891-TW	22.95	2,604,000	1,995,985	0.88
	Cathay Financial Holdings Co., Ltd.	2882-TW	45.50	1,274,000	1,936,041	0.85
<b>Industrials</b>					<b>2.77</b>	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	1060.00	146,000	5,168,832	2.28
	Aerospace Industrial Development Corp.	2634-TW	35.90	946,000	1,134,277	0.50
<b>Consumer Discretionary</b>					<b>2.75</b>	
	Eclat Textile Co., Ltd.	1476-TW	408.00	197,000	2,684,479	1.18
	Feng Tay Enterprise Co., Ltd.	9910-TW	167.00	238,000	1,327,477	0.58
	Yulon Motor Co., Ltd.	2201-TW	45.75	747,000	1,141,420	0.50
	Global PMX Co., Ltd.	4551-TW	173.00	109,000	629,805	0.28
	Merida Industry Co., Ltd.	9914-TW	230.00	34,000	261,180	0.12
	Taiwan Paiho Co., Ltd.	9938-TW	61.00	100,000	203,734	0.09
<b>Materials</b>					<b>1.04</b>	
	Taiwan Cement Corp.	1101-TW	38.75	1,818,181	2,353,112	1.04
<b>Consumer Staples</b>					<b>0.71</b>	
	Great Tree Pharmacy Co., Ltd.	6469-TW	317.00	152,000	1,609,298	0.71

Source: State Street Bank and Trust Company, Virtus.

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

## THE TAIWAN FUND, INC.

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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 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.

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