

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of September 2020 down 0.60% in Taiwan Dollar terms, with the technology sector up 0.65%, non-technology down 2.32%, financial sector down 3.31% and over-the-counter ("OTC") stocks down 2.40%. The top three outperforming sectors were IC-DRAM Manufacturing, golf, and solar/alternative energy. The bottom three underperforming sectors were PC adaptor, software - games, and auto component.

Fund Review

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"), with sector allocation being a positive contributor, but stock selection being a negative contributor. On the sector level, the Fund's overweight positions in the technology hardware & equipment, household & personal products and auto component, and underweight positions in the media & entertainment, utilities and consumer services all hurt performance. Stock selection in technology hardware & equipment, semiconductors, consumer durables & apparel and auto component hurt performance the most. On the stock level, the best active contributors were United Microelectronics Corp., Novatek Microelectronics Corp., and Auras Technology; while the worst active detractors were TCI, Silergy Corp., and Sensortek Technology.

Key Transactions

This month the Fund exited its position in Epistar due to what we considered a full valuation, worries about the potential for severe competition from Chinese peers, and the postponement of merger completion with Luxstar until October. Unfortunately, as the Fund exited the share price pulled back faster than expected, which limited its gains. Nonetheless, this has been a good investment for the Fund overall. The Fund still holds a positive view on the Mini-LED theme, but the Fund only holds Fittech Co., Ltd. in its portfolio.

Outlook

The Fund's cash position is now around 7% which will allow it to maintain some flexibility, and to react quickly as the Fund navigates this volatile market.

Beginning with ZTE Corp. and followed by Huawei Investment & Holding Co., Ltd. ("Huawei"), it now seems that Semiconductor Manufacturing International Corp. ("SMIC") is the latest casualty of the United States-China confrontation. In a press release late in the month, SMIC confirmed speculation surrounding fresh US sanctions by way of export restrictions slapped on their US suppliers.

We think the US government has successfully impeded China's pursuit of advanced chip technology. In the short term, we may see the Taiwan semiconductor space suffer collateral damage from this latest move. On the other hand, it is not all bad news for Taiwan high tech firms.

Regardless of their inability to supply certain Chinese customers, Taiwan Semiconductor Manufacturing Co., Ltd. ("TSMC") will grow on the back of Intel's outsourcing of 3nm CPUs and Apple's Silicon solution. MediaTek, Inc. may have lost Huawei's smartphone orders, but they will gain from Meridian Bioscience, Inc., Guangdong Oppo Mobile Telecommunications Corp., Ltd., Xiaomi Corp, etc. Furthermore, the SMIC news has driven positive sentiment in Taiwan's 8-inch wafer foundry capacity, which is a key revenue driver for local firms United Microelectronics Corp. and Vanguard International Semiconductor Corp.

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)	\$211.9
Median Market Cap (in billions)	\$1.3
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC
Portfolio Management	Corrina Xiao Lead Portfolio Manager
Performance (US\$ Returns) (as of 9/30/2020) ¹	
	Fund Benchmark²
One Month	-1.39% 0.96%
Three Month	9.91% 12.47%
One Year	43.15% 28.22%
Three Year	14.67% 12.59%
Net Asset Value / Market Price	
NAV / Market Price (as of 9/30/2020)	\$28.39 / \$23.03
High / Low Ranges (52-Week)	
High / Low NAV	\$30.37 / \$16.96
High / Low Market Price	\$25.00 / \$13.80
Premium/Discount to NAV (as of 9/30/2020)	-18.88%
Fund Data (Common Shares)	
Shares Outstanding	7,466,650
Average Daily Volume	10,035
Expense Ratio	1.63%

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.

As the global march of technology continues, the demand for foundry producers will only grow. Taiwan's semiconductor industry is well-placed to benefit in that future world, whether Huawei is still a part of it or not.

Average Annual Returns¹

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	-1.39%	9.91%	17.80%	43.15%	14.67%	16.17%	8.98%	9.26%
Market Price	-2.62%	8.58%	11.90%	34.79%	11.56%	14.58%	7.58%	7.51%
Taiwan TAIEX Total Return Index	0.96%	12.47%	11.60%	28.22%	12.59%	16.20%	9.04%	—
MSCI Taiwan Total Return Index	2.04%	16.54%	14.49%	35.02%	13.94%	16.82%	9.38%	—
Taiwan TAIEX Price Index	0.70%	9.71%	7.98%	23.80%	8.25%	11.70%	5.06%	—

Calendar Year Returns¹

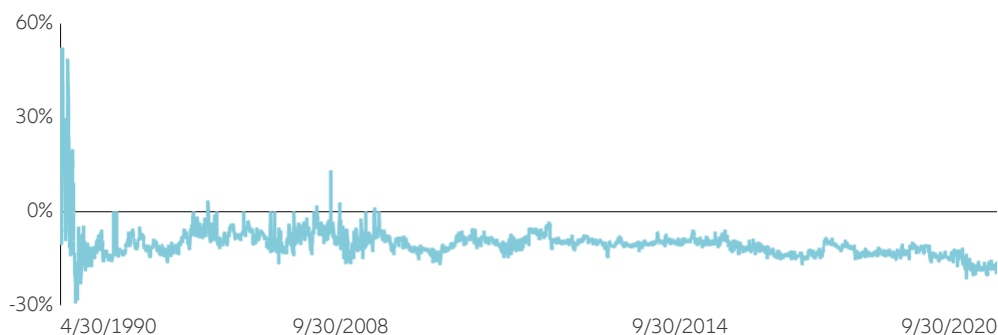
	2012	2013	2014	2015	2016	2017	2018	2019
NAV	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%
Market Price	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%
Taiwan TAIEX Total Return Index	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%
MSCI Taiwan Total Return Index	16.68%	9.06%	9.36%	-11.72%	18.54%	27.53%	-8.94%	36.37%
Taiwan TAIEX Price Index	13.52%	8.98%	1.93%	-13.81%	13.11%	24.56%	-11.51%	26.46%

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 ²
Information Technology	81.57%	57.59%
Consumer Discretionary	8.15%	6.37%
Materials	2.89%	8.30%
Consumer Staples	1.74%	2.63%
Communication Services	0.76%	3.80%
Health Care	0.70%	0.50%
Financials	0.00%	12.24%
Industrials	0.00%	4.98%
Energy	0.00%	2.03%
Real Estate	0.00%	1.39%
Utilities	0.00%	0.15%

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

Top 10 Holdings

TAIWAN SEMIC CO LTD (Taiwan)	22.70%
SILERGY CORP (Taiwan)	3.97%
UNIMICRON TECHNOLOGY CORP (Taiwan)	3.35%
ACCTON TECHNOLOGY CORP (Taiwan)	3.20%
SPEED TECH CORP (Taiwan)	2.65%
FLEXIUM INTERCONNECT INC (Taiwan)	2.42%
ITEQ CORP (Taiwan)	2.29%
SENSORTEK TECHNOLOGY CORP (Taiwan)	2.20%
ZHEN DING TECHNOLOGY HOLDING LTD (Taiwan)	2.15%
EPISTAR CORP (Taiwan)	2.12%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	18.74	17.63
P/B Ratio	2.93	1.87
Issues in Portfolio	53	910
Foreign Holdings (%)	95.79	100.00
Cash (%)	4.21	0.00
Yield (%)	2.65	3.30

Risk Statistics (3 Year)

Beta	1.09
R ²	0.89
Standard Deviation of NAV	22.04
Standard Deviation of Market Price	21.44

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/Share	Income	Long-term Capital Gain	Short-term Capital Gain
12/16/2010	12/28/2010	12/30/2010	1/6/2011	\$0.08148	\$0.08148	—	—
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

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

The Taiwan Fund NAV Performance of \$10,000 since inception (with dividends reinvested at NAV price)



Past performance is not a guide to future returns.

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 (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value	
Information Technology					81.57	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	433.00	3,223,000	48,185,864	22.70
	SILERGY CORP	6415	1,705.00	143,000	8,418,445	3.97
	UNIMICRON TECHNOLOGY CORP	3037	74.40	2,771,000	7,118,376	3.35
	ACCTON TECHNOLOGY CORP	2345	222.50	883,000	6,783,630	3.20
	SPEED TECH CORP	5457	116.00	1,403,000	5,619,363	2.65
	FLEXIUM INTERCONNECT INC	6269	121.50	1,223,000	5,130,671	2.42
	ITEQ CORP	6213	123.00	1,142,000	4,850,010	2.29
	SENORTEK TECHNOLOGY CORP	6732	794.00	170,000	4,660,590	2.20
	ZHEN DING TECHNOLOGY HOLDING LTD	4958	126.00	1,047,000	4,555,003	2.15
	EPISTAR CORP	2448	35.35	3,687,000	4,500,223	2.12
	NOVATEK MICROELECTRONICS CORP	3034	265.50	465,000	4,262,741	2.01
	MERRY ELECTRONICS CO LTD	2439	148.00	814,000	4,159,657	1.96
	RADIANT OPTO-ELECTRONICS CORP	6176	110.50	989,000	3,773,375	1.78
	AURAS TECHNOLOGY CO LTD	3324	239.50	454,000	3,754,333	1.77
	ASIA VITAL COMPONENTS CO LTD	3017	67.10	1,605,000	3,718,510	1.75
	ELITE MATERIAL CO LTD	2383	146.00	721,000	3,634,625	1.71
	UNITED MICROELECTRONICS CORP	2303	28.55	3,613,000	3,561,603	1.68
	ASMEDIA TECHNOLOGY INC	5269	1,455.00	68,000	3,416,201	1.61
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	65.90	1,475,000	3,356,208	1.58
	GRAND PLASTIC TECHNOLOGY CORP	3131	376.00	241,000	3,128,789	1.47
	REALTEK SEMICONDUCTOR CORP	2379	368.50	237,000	3,015,486	1.42
	WIWYNN CORP	6669	653.00	133,000	2,998,722	1.41
	TONG HSING ELECTRONIC INDUSTRIES LTD	6271	133.00	649,573	2,982,985	1.41
	FITTECH CO LTD	6706	147.00	549,000	2,786,513	1.31
	TAIFLEX SCIENTIFIC CO LTD	8039	49.00	1,313,000	2,221,428	1.05
	VANGUARD INTERNATIONAL SEMICONDUCTOR CORP	5347	96.10	666,000	2,209,882	1.04
	PRIMAX ELECTRONICS LTD	4915	42.75	1,482,000	2,187,539	1.03
	LOTES CO LTD	3533	461.00	134,000	2,132,933	1.01
	JENTECH PRECISION INDUSTRIAL CO LTD	3653	304.00	195,000	2,046,820	0.96
	TPK HOLDING CO LTD	3673	49.10	1,103,000	1,869,943	0.88
	MEDIATEK INC	2454	607.00	81,000	1,697,638	0.80
	HANNSTAR BOARD CORP	5469	39.20	1,064,000	1,440,122	0.68
	WIN SEMICONDUCTORS CORP	3105	286.50	138,000	1,365,134	0.64
	ALCHIP TECHNOLOGIES LTD	3661	487.50	80,000	1,346,592	0.63
	NAN YA PRINTED CIRCUIT BOARD CORP	8046	118.00	320,000	1,303,777	0.61
	PARADE TECHNOLOGIES LTD	4966	1,050.00	35,000	1,268,904	0.60
	NANYA TECHNOLOGY CORP	2408	57.50	639,000	1,268,645	0.60
	PEGATRON CORP	4938	63.80	524,000	1,154,313	0.54
	ASUSTEK COMPUTER INC	2357	253.50	128,000	1,120,365	0.53
	EMEMORY TECHNOLOGY INC	3529	510.00	6,000	105,656	0.05
Consumer Discretionary					8.14	
	POYA INTERNATIONAL CO LTD	5904	553.00	218,000	4,162,489	1.96
	FULGENT SUN INTERNATIONAL HOLDING CO LTD	9802	108.50	752,877	2,820,494	1.33
	MAKALOT INDUSTRIAL CO LTD	1477	171.00	446,000	2,633,313	1.24
	YULON MOTOR CO LTD	2201	22.95	3,290,000	2,607,054	1.23
	CUB ELECPARTS INC	2231	159.50	417,000	2,296,509	1.08
	GLOBAL PMX CO LTD	4551	166.50	330,000	1,897,141	0.89
	HOTA INDUSTRIAL MANUFACTURING CO LTD	1536	94.70	268,000	876,307	0.41
Materials					2.89	
	ASIA CEMENT CORP	1102	41.50	2,148,000	3,077,895	1.45
	TAIWAN CEMENT CORP	1101	41.40	1,647,065	2,354,412	1.11
	LONGCHEN PAPER & PACKAGING CO LTD	1909	16.75	1,200,000	694,013	0.33
Consumer Staples					1.74	
	TCI CO LTD	8436	269.00	397,000	3,687,349	1.74
Communication Services					0.76	

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value
CHIEF TELECOM INC	6561	344.50	135,000	1,605,811	0.76
Health Care					0.70
PEGAVISION CORP	6491	202.00	212,000	1,478,627	0.70

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.

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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