

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange Weighted Index ("TWSE") rose 1.51% in July 2023, in US dollar terms, with electronics again leading the rise. The top three outperforming industry groups were Technology Hardware & Equipment, Insurance and Financial Services. The top three underperforming industry groups were Consumer Services, Media & Entertainment and Consumer Discretionary Distribution & Retail. The Taiwan TPEX Exchange Index, ("TWOTCI", the over-the-counter index) declined 1.93% in July, in US dollar terms.

### Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "Benchmark") in July 2023, as it benefited from the outperformance of electronics holdings. On an industry group level, the overweight position in Technology Hardware & Equipment and the underweight position in Materials contributed positively to performance. Conversely, the Fund's performance was negatively impacted by the overweight position in Semiconductor & Semiconductor Equipment. At the stock selection level, the largest contributors were Quanta Computer, Inc., Wistron Corporation and Gigabyte Technology Co., Ltd., while the largest relative detractors were eMemory Technology, Inc., ASPEED Technology Inc., and Taiwan Semiconductor Manufacturing Company, Ltd.

### Key Transactions

The total securities holdings of the Fund stood at 86.81% of assets at July month-end. This represented a slight decrease from 88.62% at June month-end. Of the Fund's securities holdings, approximately 76.71% were held in TWSE traded stocks and approximately 10.10% in OTC ("over-the-counter") securities. The major changes in the portfolio were reductions to the Semiconductor & Semiconductor Equipment and Technology Hardware & Equipment industry groups given the weaker than expected capital expenditure in general purpose servers and continuing delays in new server platform launches. The Fund divested its positions in the Financial Services industry group in consideration of the weak loan demand in China post COVID-19. Conversely, the Fund strategically increased its positions in non-tech industry groups (i.e. capital goods, consumer durables & apparel, and food beverage & tobacco) eyeing some attractive valuations.

The Fund reduced exposure in the Semiconductor & Semiconductor Equipment industry group by reducing its position in Jentech Precision Industrial Co. Ltd. and ASPEED Technology, Inc. based on a conservative demand forecast for general purpose servers in the second half of 2023. The Fund also reduced its exposure in the Technology Hardware & Equipment industry group by reducing its positions in Lotes Co. Ltd. and Gold Circuit Electronics Ltd. based on delays in new server

### 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)	\$299.0
Median Market Cap (in billions)	\$2.84
Distribution Frequency	Annual
Management Firm	Nomura Asset Management U.S.A. Inc.

### Fund Manager



Sky Chen  
Lead Portfolio Manager

### Performance

(US\$ Returns as of 7/31/2023)

	Fund	Benchmark <sup>1</sup>
One Month	4.15%	1.51%
Three Month	25.08%	10.36%
One Year	32.03%	13.09%
Three Year (Annualized)	18.04%	12.16%

### Net Asset Value/Market Price (as of 7/31/2023)

NAV/Market Price	\$40.15 / \$33.32
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### High/Low Ranges (52-Week)

High/Low NAV	\$41.48 / \$23.07
High/Low Market Price	\$34.18 / \$18.70
Premium/Discount to NAV (as of 7/31/2023)	-17.011%

### Fund Data (Common Shares)

Shares Outstanding	7,447,238
Average Daily Volume	7,113
Expense Ratio <sup>2</sup>	1.62%

# NOMURA

NOMURA ASSET MANAGEMENT  
Nomura Asset Management U.S.A. Inc.

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

<sup>2</sup>Six months ended February 28, 2023, annualized, unaudited, before fee waiver. The unaudited expense ratio after the fee waiver is 1.45%.

## Manager's Commentary (Key Transactions continued)

platform launches and a weaker demand for general-purpose servers. The Fund realized gains by reducing its positions in Quanta Computer, Inc. and Asia Vital Components Co. Ltd., following the recent share price rally. The Fund sold off its holdings in Chailease Holding Co. Ltd. on concerns of a weakened economic situation in its major market - China. The Fund has initiated positions in Sunonwealth Electric Machine Industry Co. Ltd. and Fortune Electric Co. Ltd. in light of rising demand for heat dissipation and electric transmission products. The Fund has also gradually increased its positions in consumer related industries, notably Nien Made Enterprise Co. Ltd., Merida Industry Co. Ltd. and President Chain Store Corp. as each benefitted from the forecasted long-term consumption recovery.

## Outlook and Strategy

As expected, the US Federal Reserve Board (the "Fed") raised interest rates to a range of 5.25% - 5.50% at the July FOMC ("Federal Open Market Committee") meeting. FOMC chair Powell underscored that the Fed has been able to achieve disinflation while the unemployment rate remains low. The next two U.S. Bureau of Labor Statistics Consumer Price Index ("CPI") and jobs reports are key to the September decision. On the other hand, Taiwan's exports dropped 6.6% month-on-month ("MoM") in June, with the decline widening to -4.8% in May and to -23.8% year-on-year. Exports fell broadly across major product categories, with tech exports falling the most at 11.4% MoM. Those results were below expectations.

In July, the technology industries continued to outperform, as artificial intelligence ("AI") server providers remained the focus, but with higher volatility. In addition to the strong demand, AI server shipments have been constrained by the shortage of capacity chips, advanced packaging and no inventory burden. In contrast, Taiwan Semiconductor Manufacturing Company, Ltd. has reported a prolonged inventory adjustment at the customers' end, with an exception with regards to AI servers. They believe that AI servers have a higher growth potential in the next few years. As a result, liquidity has continued to flow into this market segment, driven by a fear-of-missing-out sentiment. We continue to have a positive view in the AI server demand for long term. However, we are carefully monitoring the changes in inventory consumption in other tech and non-tech market segments. Related tech product consumption is expected to gradually recover in pace with the tapering off of inventories in 2024. Therefore, we forecast a return to earnings growth in 2024 across all major industries. Our strategy is to hold onto positions in top tier companies in the Semiconductor, HPC ("high performance computing"), AI and green energy categories. In addition, we have carefully accumulated positions in Consumer Staples and Consumer Discretionary sectors which are expected to benefit from the anticipated consumption recovery in the mid to long term.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	4.15	25.08	43.91	32.03	18.04	20.04	13.79	10.12
Market Price	6.32	29.75	44.30	28.20	19.76	18.96	13.01	8.56
Taiwan TAIEX Total Return Index	1.51	10.36	21.98	13.09	12.16	12.80	11.41	—
Taiwan TAIEX Price Index	0.45	7.66	18.61	8.90	8.06	8.60	7.27	—
MSCI Taiwan Index (net)	0.78	10.01	20.87	10.08	9.74	12.60	11.36	—

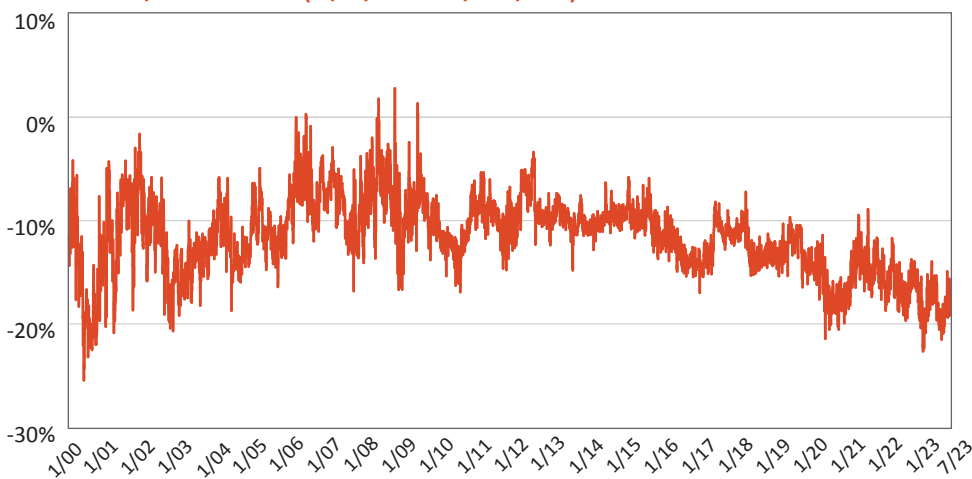
## Calendar Year Returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022
NAV	-6.43	11.17	28.44	-14.96	47.11	41.97	55.09	-36.27
Market Price	-10.52	10.05	33.61	-19.11	46.75	39.81	58.26	-38.54
Taiwan TAIEX Total Return Index	-10.40	17.81	29.45	-7.86	32.19	35.62	29.04	-26.80
Taiwan TAIEX Price Index	-13.81	13.11	24.56	-11.51	26.46	31.01	25.59	-30.15
MSCI Taiwan Index (net)	-11.72	18.54	27.53	-8.93	36.37	40.99	26.13	-29.76

### 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: Nomura Asset Management U.S.A. Inc., 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: 1.62% for the six months ended February 28, 2023, annualized, unaudited, before fee waiver. The unaudited expense ratio after the fee waiver is 1.45%.

## Premium/Discount (1/3/00 - 7/31/23)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	65.75	58.76
Consumer Discretionary	6.79	5.67
Industrials	5.44	7.02
Consumer Staples	3.45	2.27
Communication Services	2.82	2.83
Materials	2.57	7.30
Energy	0.00	1.43
Financials	0.00	12.61
Health Care	0.00	0.62
N/A	0.00	0.02
Real Estate	0.00	1.24
Utilities	0.00	0.23

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co. Ltd.	19.57
eMemory Technology, Inc.	4.42
Gigabyte Technology Co. Ltd.	4.39
Asia Vital Components Co. Ltd.	4.33
Quanta Computer, Inc.	4.27
Global Unichip Corp.	4.19
Alchip Technologies Ltd.	4.07
Wistron Corp.	4.00
Delta Electronics, Inc.	3.90
Nuvoton Technology Corp.	2.67

Holdings and sector weightings are subject to change. Source: State Street Bank & Trust Company, Bloomberg L.P. as of 7/31/2023.

## Portfolio Characteristics

	Fund
Number of Issues	40
Foreign Holdings (%)	86.81
Cash and Other Assets less Liabilities (%)	13.19
Dividend Yield (%)	N.A.

As of 7/31/2023.

## 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.

## All Portfolio Holdings

As of July 31, 2023

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	of Fund	
<b>INFORMATION TECHNOLOGY</b>					<b>65.75</b>	
	Alchip Technologies Ltd.	3661-TW	1,990.00	192,000	12,157,892	4.07
	Asia Vital Components Co. Ltd.	3017-TW	1,855.00	224,000	12,958,331	4.33
	ASPEED Technology, Inc.	5274-TW	2,320.00	77,000	5,684,375	1.90
	Delta Electronics, Inc.	2308-TW	365.50	1,002,000	11,653,573	3.90
	E Ink Holdings, Inc.	8069-TW	225.00	731,000	5,233,640	1.75
	eMemory Technology, Inc.	3529-TW	322.00	1,374,705	13,221,962	4.42
	Gigabyte Technology Co. Ltd.	2376-TW	238.50	1,809,000	13,138,911	4.39
	Global Unichip Corp.	3443 TW	1,635.00	241,000	12,538,304	4.19
	Globalwafers Co. Ltd.	6488-TW	514.00	234,000	3,827,216	1.28
	Gold Circuit Electronics Ltd.	2368-TW	169.50	100,100	539,893	0.18
	Grand Process Technology Corp.	3131-TW	662.00	7,000	147,455	0.05
	Jentech Precision Industrial Co. Ltd.	3653-TW	531.00	200,000	3,379,314	1.13
	Lotes Co. Ltd.	3533-TW	746.00	20,972	497,832	0.17
	Nuvoton Technology Corp.	4919-TW	140.00	1,915,000	7,987,526	2.67
	Parade Technologies Ltd.	4966-TW	920.00	66,000	1,932,127	0.65
	Quanta Computer, Inc.	2382-TW	314.00	1,315,000	12,772,517	4.27
	SDI Corp.	2351-TW	106.50	955,000	3,236,361	1.08
	Taiwan Semiconductor Manufacturing Co. Ltd.	2330-TW	565.00	3,255,000	58,519,880	19.57
	WinWay Technology Co. Ltd.	6515-TW	782.00	124,000	3,085,549	1.03
	Wistron Corp.	3231-TW	141.50	2,658,000	11,967,830	4.00
	Wiwynn Corp.	6669-TW	1,780.00	38,000	2,152,324	0.72
<b>CONSUMER DISCRETIONARY</b>					<b>6.79</b>	
	Bafang Yunji International Co. Ltd.	2753-TW	165.00	110,000	577,538	0.19
	Eclat Textile Co. Ltd.	1476-TW	542.00	152,000	2,621,482	0.88
	Feng TAY Enterprise Co. Ltd.	9910-TW	212.00	290,000	1,956,311	0.65
	Fulgent Sun International Holding Co. Ltd.	9802-TW	125.00	505,000	2,008,655	0.67
	Giant Manufacturing Co. Ltd.	9921-TW	232.00	120,000	885,876	0.30
	Gourmet Master Co. Ltd.	2723-TW	123.50	391,000	1,536,554	0.51
	Makalot Industrial Co. Ltd.	1477-TW	311.50	196,000	1,942,755	0.65
	Merida Industry Co. Ltd.	9914-TW	216.50	652,000	4,491,687	1.50
	Nien Made Enterprise Co. Ltd.	8464-TW	325.00	414,000	4,281,419	1.43
<b>COMMUNICATION SERVICES</b>					<b>2.82</b>	
	Chunghwa Telecom Co. Ltd.	2412-TW	116.00	1,285,000	4,743,131	1.59
	Far EasTone Telecommunications Co. Ltd.	4904-TW	71.00	1,639,000	3,702,894	1.24
<b>INDUSTRIALS</b>					<b>5.44</b>	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	691.00	299,000	6,354,478	2.12
	Fortune Electric Co. Ltd.	1519-TW	239.00	452,000	3,437,481	1.15
	Nak Sealing Technologies Corp.	9942-TW	148.50	143,000	675,720	0.23
	Sunonwealth Electric Machine Industry Co. Ltd.	2421-TW	132.00	1,378,000	5,787,981	1.94
<b>CONSUMER STAPLES</b>					<b>3.45</b>	
	President Chain Store Corp.	2912-TW	279.00	869,000	7,714,859	2.58
	Uni-President Enterprises Corp.	1216-TW	75.30	1,080,000	2,587,752	0.87
<b>MATERIALS</b>					<b>2.57</b>	
	Century Iron & Steel Industrial Co. Ltd.	9958-TW	160.50	1,148,000	5,863,013	1.96
	Swancor Holding Co. Ltd.	3708-TW	88.20	645,000	1,810,224	0.61

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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:

- Nomura Asset Management U.S.A. Inc. (NAM-USA) became the Investment Manager of the Fund on September 17, 2022. 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 NAM-USA 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, NAM-USA 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 in 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