

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of November 2021 up 2.61% in US dollar terms, with the technology sector up 3.64%, non-technology up 0.39%, the financial sector up 2.62% and over-the-counter ("OTC") stocks up 5.62%. The top three outperforming sectors were power supply, motherboard and freight transportation. The bottom three underperforming sectors were cement, plastic and chassis.

### Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Although sector allocation was negative, stock selection was positive. On the sector level, the Fund's overweight positions in semiconductors & semiconductor equipment, as well as underweight positions in materials, energy and retail helped performance. In contrast, the Fund's overweight positions in health care equipment & services and capital goods hurt performance, while underweight positions in transportation, technology hardware & equipment and insurance hurt performance. On the stock level, the best active contributors were Formosa Sumco Technology Corporation, Unimicron Technology Corp. and Nan Ya Printed Circuit Board Corporation; the worst active detractors were Pegavision Corp., eMemory Technology, Inc. and Universal Vision Biotechnology Co., Ltd.

### Key Transactions

At the time of writing, another COVID-19 variant, Omicron, has emerged to disrupt plans for the holiday season. The markets took the news badly on the last Friday of November and we opportunistically added to server-related stock ASPEED Technology, Inc., as it pulled back below New Taiwan Dollars ("NTD") 3,000. Although Omicron might disrupt reopening efforts globally, we are maintaining the strategy as outlined in the October commentary, which involves building positions in cyclical components, including dynamic random-access memory ("DRAM") and silicon wafer sectors. In line with this, stocks we accumulated over November included Nanya Technology Corporation, Winbond Electronics Corp. and Formosa Sumco Technology Corporation.

We funded some of our purchases by exiting companies whose earnings were below our expectations. We exited China General Plastics Corporation, which delivered a weaker Q3 than we had hoped, mostly because energy policy in China underwent some dramatic changes over the last several weeks. We also sold out of Universal Vision Biotechnology Co., Ltd., which suffered due to a higher operating expense ("OPEX") ratio in the second half of 2021 on the back of an aggressive expansion plan.

### Outlook and Strategy

Our analysts have been closely following the data on unfulfilled orders in upstream semiconductors, looking for clues that might indicate the likely performance for the space into 2022. In August, both 8-inch and 12-inch foundries were experiencing as much as 50% rates of unfulfilled orders. The reaction from major fabricators since then has been on the one hand to raise prices and, on the other, to pledge to bring new foundry capacity online over the coming two years. The market seems to be concerned that this will be a typical boom-bust cycle in semiconductors, where the initial tightness in August leads to an eventual glut of chips. This has helped to keep share prices fairly subdued, including for Taiwan Semiconductor Manufacturing Co., Ltd.

However, we see a slightly different picture emerging. In both 8- and 12-inch, rates of unfulfilled orders are still significant. For the more mature 8-inch technology, the rate has declined to a range of between 20% and 30%, but shows no signs of falling any lower. In the more advanced 12-inch space, we are still seeing 50% of orders going unfulfilled. This does not suggest that the price hikes and promised capacity increases are denting real demand as much as the market expected they might. As a result, we believe there are opportunities to accumulate stock in upstream semi at these prices.

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

<sup>2</sup>One year ended August 31, 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)	\$341.0
Median Market Cap (in billions)	\$2.6
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

## Fund Manager



Corrina Xiao  
Lead Portfolio Manager

## Performance

(US\$ Returns as of 11/30/2021)

	Fund	Benchmark <sup>1</sup>
One Month	3.96%	2.61%
Three Month	6.63%	-0.35%
One Year	62.55%	33.79%
Three Year (Annualized)	46.00%	29.42%

## Net Asset Value/Market Price

(as of 11/30/2021)

NAV/Market Price	\$45.66 / \$37.52
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## High/Low Ranges (52-Week)

High/Low NAV	\$46.45 / \$30.19
High/Low Market Price	\$39.17 / \$25.58
Premium/Discount to NAV (as of 11/30/2021)	-17.83

## Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	16,424
Expense Ratio <sup>2</sup>	1.44%

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### Manager's Commentary

#### Outlook and Strategy (continued)

Apart from the robust short-term demand dynamics, we foresee an increasingly bullish case for long-term demand, especially as high performance computing (“HPC”) and server chips will be necessary for many emerging applications. The technology required to get the most performance out of the most advanced chips includes Anjiomoto Build-up Film (“ABF”) substrate. This has long been one of our favorite investment themes, however valuations are now quite high and we prefer to hold rather than to accumulate at current levels.

Additionally, the Integrated Circuits (“IC”) design space in Taiwan could benefit as many integrated device manufacturers (“IDMs”) such as Texas Instruments and NXP Semiconductors look to place their focus on more automotive and industrial applications, opening up some opportunities to design chips for consumer products that such firms no longer wish to support. Taiwan’s chip design companies are well-positioned to compete for this business.

There are consequences too for panel and DRAM markets. Due to the tight supply at foundries globally, the driver ICs needed for panels and the wafers needed for DRAM are introducing discipline to these commodity components markets. Of the two sectors, DRAM is perhaps the more interesting opportunity because we see current prices reflecting the lows of this cycle and the new iPhone, set to be released in the second half of 2022, will likely include 8GB, up from 6GB previously. Furthermore, another specification upgrade cycle is imminent in 2022 as DRAM used in servers, PCs and notebooks moves to double data rate 5 (“DDR5”), although there is some uncertainty on the exact timing. On the other hand, panel prices may also be bottoming out, although the industry structure is less attractive as it is still consolidating. Nonetheless, there is improvement in this sector also, especially since Chinese manufacturers are no longer incentivized to sell at below cost.

In summary, from upstream semiconductor fabricators and the technologies supporting cutting-edge chips, to IC design, to downstream commodity components, we have reason to be optimistic on the Taiwan technology space, for at least the next quarter.

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## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	3.96	6.63	49.70	62.55	46.00	27.43	16.89	10.78
Market Price	5.10	4.72	46.28	54.80	43.46	26.63	15.67	9.11
Taiwan TAIEX Total Return Index	2.61	-0.35	22.66	33.79	29.42	21.04	14.71	—
MSCI Taiwan Index (net)	2.20	-1.40	19.65	32.19	31.39	21.41	14.89	—
Taiwan TAIEX Price Index	2.61	-0.68	19.54	30.19	24.99	16.67	10.66	—

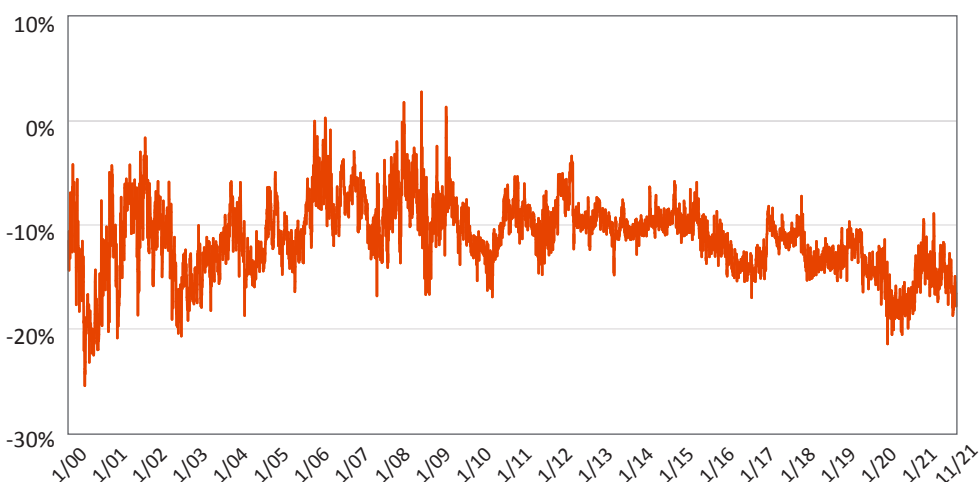
## Calendar Year Returns (%)

	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 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 - 11/30/21)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	80.29	58.25
Industrials	4.92	7.66
Financials	2.83	12.13
Health Care	2.73	0.40
Consumer Discretionary	1.66	5.55
Materials	0.00	8.14
Communication Services	0.00	2.75
Consumer Staples	0.00	2.06
Energy	0.00	1.71
Real Estate	0.00	1.23
Utilities	0.00	0.11

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	22.18
Alchip Technologies Ltd.	6.62
Kinsus Interconnect Technology Corp.	4.45
Unimicron Technology Corp.	4.38
United Microelectronics Corp.	4.02
Silergy Corp.	4.01
Pan Jit International Inc.	3.26
Nan Ya Printed Circuit Board Corporation	3.10
Asmedia Technology Inc.	3.04
eMemory Technology, Inc.	2.83

Holdings and sector weightings are subject to change. As of 11/30/2021.

## THE TAIWAN FUND, INC.

### Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	19.69	19.14
P/B Ratio	3.55	2.84
Number of Issues	31.00	932.00
Foreign Holdings (%)	92.44	100.00
Cash (%)	7.56	0.00
Dividend Yield (%)	1.37	1.84

As of 11/30/2021.

### Risk Statistics (3 Year)

Beta	1.14
R <sup>2</sup>	0.86
Standard Deviation of NAV	23.07
Standard Deviation of Market Price	22.08

### 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 November 30, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
<b>Information Technology</b>					<b>80.29</b>	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	596.00	3,529,000	75,645,453	22.18
	Alchip Technologies Ltd.	3661-TW	1020.00	615,000	22,561,096	6.62
	Kinsus Interconnect Technology Corp.	3189-TW	240.50	1,753,000	15,162,887	4.45
	Unimicron Technology Corp.	3037-TW	228.00	1,820,000	14,924,203	4.38
	United Microelectronics Corp.	2303-TW	63.70	5,986,000	13,713,902	4.02
	Silergy Corp.	6415-TW	4690.00	81,000	13,662,896	4.01
	Pan Jit International Inc.	2481-TW	110.50	2,799,000	11,123,721	3.26
	Nan Ya Printed Circuit Board Corporation	8046-TW	626.00	469,000	10,559,226	3.10
	Asmedia Technology Inc.	5269-TW	1945.00	148,000	10,353,000	3.04
	eMemory Technology, Inc.	3529-TW	2150.00	125,000	9,665,702	2.83
	Winbond Electronics Corp.	2344-TW	32.05	8,325,000	9,596,154	2.81
	Formosa Sumco Technology Corporation	3532-TW	250.00	1,017,000	9,144,203	2.68
	Nanya Technology Corporation	2408-TW	74.20	3,196,000	8,528,950	2.50
	Innolux Corp.	3481-TW	17.45	12,034,000	7,552,493	2.21
	GlobalWafers Co., Ltd.	6488-TW	815.00	249,000	7,298,639	2.14
	SDI Corporation	2351-TW	163.00	1,094,000	6,413,422	1.88
	Novatek Microelectronics Corp.	3034-TW	465.50	303,000	5,072,794	1.49
	Visual Photonics Epitaxy Co., Ltd.	2455-TW	153.00	867,000	4,770,846	1.40
	Anpec Electronics Corporation	6138-TW	257.50	501,000	4,639,807	1.36
	Jih Lin Technology Co., Ltd.	5285-TW	108.00	1,098,000	4,264,921	1.25
	Realtek Semiconductor Corp	2379-TW	555.00	180,000	3,592,944	1.05
	ASPEED Technology, Inc.	5274-TW	3365.00	28,000	3,388,660	0.99
	Episil Technologies Inc.	3707-TW	150.00	400,000	2,157,924	0.63
<b>Industrials</b>					<b>4.92</b>	
	Tatung Co.	2371-TW	35.60	7,039,000	9,012,512	2.64
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	1610.00	134,000	7,759,176	2.28
<b>Financials</b>					<b>2.83</b>	
	Fubon Financial Holding Co., Ltd.	2881-TW	73.10	2,304,694	6,059,204	1.78
	Chailease Holding Co. Ltd.	5871-TW	247.00	404,000	3,588,915	1.05
<b>Health Care</b>					<b>2.73</b>	
	Pegavision Corp.	6491-TW	453.00	572,000	9,319,211	2.73
<b>Consumer Discretionary</b>					<b>1.66</b>	
	Makalot Industrial Co., Ltd.	1477-TW	233.00	398,000	3,335,216	0.98
	Fulgent Sun International (Holding) Co., Ltd.	9802-TW	98.40	583,877	2,066,338	0.61
	Global PMX Co., Ltd.	4551-TW	181.00	41,000	266,899	0.08

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