

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange fell in September 2022 in US dollar terms. The technology sector was down 8.72%, non-technology -4.16%, the financial sector down 1.86% and over-the-counter stocks down 16.60% during the same period. The top three outperforming sectors were food and staples retailing, consumer services and media & entertainment. The bottom three underperforming sectors were pharmaceuticals & biotech, transportation, and semiconductors & equipment.

### Fund Review (Attribution Reports)

Nomura Asset Management U.S.A. Inc. began managing The Taiwan Fund, Inc. (the "Fund") on September 17th and maintained a high cash reserve through the end of September. Sector allocation generated a positive contribution while stock selection negatively contributed. In addition, the Fund's allocation to cash created positive performance. On the sector level, overweight positions in tech hardware & equipment, semiconductor & equipment, and telecommunication services, and underweight positions in transportation helped performance. In contrast, both the Fund's overweight position in consumer durables & apparel and underweight positions in capital goods, materials, energy, and food beverage & tobacco hurt performance. On the stock level, the best active contributors were Gold Circuit Electronics Ltd., Wiwynn Corp. and Jentech Precision Industrial Co., Ltd.; the worst active detractors were Taiwan Semiconductor Manufacturing Company, Limited ("TSMC"), Advanced Energy Solution Holding Ltd. and eMemory Technology Inc.

### Key Transactions

Nomura Asset Management U.S.A. Inc. began managing the Fund on September 17th and maintained a high cash reserve through the end of September. The major changes in the portfolio were to increase the holdings in the technology -related sectors by adding semiconductor & equipment related positions and reducing positions in both non-technology companies and financial companies. We believe Artificial Intelligence (AI), high performance computing (HPC) and autonomous cars will continue their long-term uptrend and be the growth drivers for semiconductor demand. Therefore we increased holdings in this sector by adding stocks from semiconductor upstream raw wafer makers to Intellectual Property (IP), Integrated Circuit (IC) design and component companies, including Global Wafer Co., Global Unichip Corp., eMemory Technology Inc., Aspeed Technology Inc., Jentech Precision Industrial Co., Ltd. and Nuvoton Technology Inc. Within the technology hardware & equipment sector, we made switches to be better positioned for data center and server long-term growth. Thus, we added Lotes Co. Ltd. and Wiwynn Corp., while cutting Micor-Star International Co., Accton Technology Corp., and Hon Hai Precision Industry.

On the other hand, we cut Cathay Financial Holding Co. and CTBC Financial Holding Co. as both suffered from losses from payments to COVID-19 policies and valuation losses on overseas bond investments. In addition, due to a lack of growth drivers, we reduced holdings in the capital goods (Aerospace Industrial Development Corp., Far Eastern New Century Corp. and Walsin Lihwa Crop.), materials (Taiwan Cement Corp.), telecom services (Taiwan Mobile Co.), health care equipment & services (Pegavision Corp.) and automobile sectors (Yulon Motor Co.).

### 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)	\$194.2
Median Market Cap (in billions)	\$3.3
Distribution Frequency	Annual
Management Firm	Nomura Asset Management U.S.A. Inc.

### Fund Manager



Sky Chen  
Lead Portfolio Manager

### Performance (US\$ Returns as of 9/30/2022)

	Fund	Benchmark <sup>1</sup>
One Month	-13.25%	-14.52%
Three Month	-13.08%	-12.90%
One Year	-31.74%	-32.82%
Three Year (Annualized)	16.68%	10.54%

### Net Asset Value/Market Price (as of 9/30/2022)

NAV/Market Price	\$25.99 / \$21.01
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### High/Low Ranges (52-Week)

High/Low NAV	\$46.65 / \$25.77
High/Low Market Price	\$39.60 / \$20.78
Premium/Discount to NAV (as of 9/30/2022)	-19.16

### Fund Data (Common Shares)

Shares Outstanding	7,470,494
Average Daily Volume	14,120
Expense Ratio <sup>2</sup>	1.17

**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, 2022.

## Manager's Commentary (continued)

### Outlook and Strategy

The Taiwan stock market plunged in September, along with other major global markets. The U.S. Federal Reserve again raised the fed funds rate by 0.75%, in line with expectations. The terminal rate, however, increased to around 4.6%, implying further rate hikes by the end of 2022 as inflation has remained a concern. The U.S. 10-year bond yield surged, at one point reaching 4%. Amid this backdrop, investor sentiment has become more conservative.

On the fundamental side, overall inventory levels for semiconductors have risen for most of the subsectors like consumer electronics and memory. Only the HPC inventories have maintained a healthy level, supported by strong demand. TSMC forecasts that the industry will consolidate as inventory adjustments continue through 1H 2023, and experience a gradual recovery. We believe share prices for TSMC and semiconductor companies have started to discount an industry downturn. Therefore, our strategy is to accumulate good companies during the down cycle with reasonable valuations.

Intel and AMD both are scheduled to introduce new server platforms, Eagle Stream and Zen4, respectively, as early as in 1Q 2023. We are positive about these new platform launches and expect the related supply chain companies to benefit from the upgrades.

No one knows exactly when this downturn will end making it challenging to get ahead of macro events. After the rapid market correction, most stocks are at low recent historical valuations. Our portfolio strategy is positioned to invest in industries and companies with long-term growth potential and therefore will look to add positions on weakness.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	-13.25	-13.08	-40.63	-31.74	16.68	10.84	9.58	9.04
Market Price	-16.63	-16.36	-44.08	-35.53	14.23	8.95	8.37	7.37
Taiwan TAIEX Total Return Index	-14.52	-12.90	-32.82	-27.11	10.54	8.39	8.79	—
Taiwan TAIEX Price Index	-14.74	-15.20	-35.79	-30.44	6.60	4.31	4.85	—
MSCI Taiwan Index (net)	-15.84	-14.47	-35.93	-30.53	10.53	8.15	8.86	—

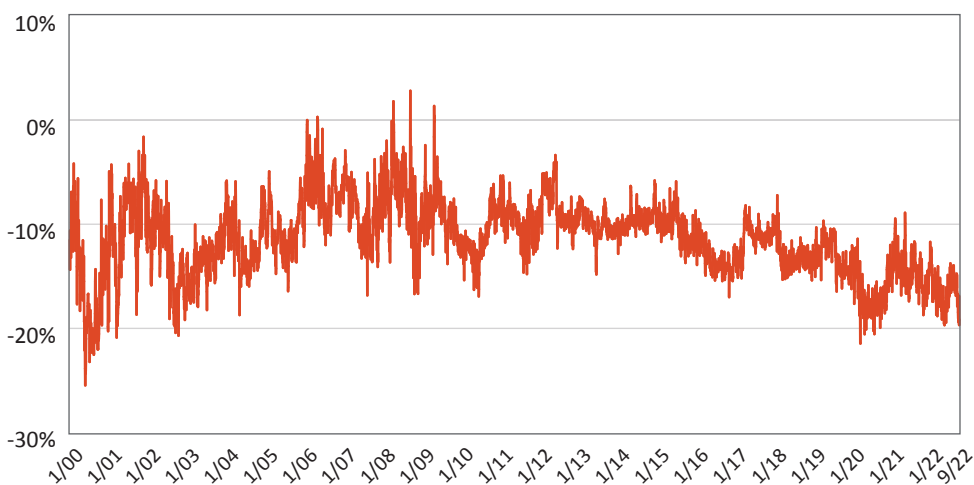
## Calendar Year Returns (%)

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

## Premium/Discount (1/3/00 - 9/30/22)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	79.86	55.78
Communication Services	10.42	3.41
Industrials	1.84	7.28
Consumer Discretionary	4.15	5.73
Health Care	0.98	0.71
Financials	1.66	13.16
Materials	0.00	8.28
Consumer Staples	0.49	2.35
Energy	0.00	1.72
Real Estate	0.00	1.41
Utilities	0.00	0.17
Chemicals	0.60	0.00

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co. Ltd.	28.04
Delta Electronics, Inc.	4.72
Chunghwa Telecom Co. Ltd.	4.33
eMemory Technology, Inc.	3.89
Wiwynn Corp.	3.78
Global Unichip Corp.	3.74
Alchip Technologies Ltd.	3.68
Nuvoton Technology Corp.	3.55
Gold Circuit Electronics Ltd.	3.24
ASPEED Technology, Inc.	3.20

Holdings and sector weightings are subject to change. As of 9/30/2022.

## Portfolio Characteristics

	Fund
Number of Issues	38
Foreign Holdings (%)	81.18
Cash (%)	18.82
Dividend Yield (%)	3.32

As of 9/30/2022.

## 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 September 30, 2022

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
<b>Information Technology</b>					<b>79.87</b>	
	Taiwan Semiconductor Manufacturing Co. Ltd.	2330-TW	422.00	3,367,000	44,753,347	28.04
	Delta Electronics, Inc.	2317-TW	253.00	945,000	7,530,474	4.72
	eMemory Technology, Inc.	3529-TW	1145.00	172,000	6,203,030	3.89
	Wiwynn Corp.	6669-TW	808.00	237,000	6,031,560	3.78
	Global Unichip Corp.	3443-TW	589.00	322,000	5,973,668	3.74
	Alchip Technologies Ltd.	3661-TW	867.00	215,000	5,871,209	3.68
	Nuvoton Technology Corp.	4919-TW	108.00	1,665,000	5,663,800	3.55
	Gold Circuit Electronics Ltd.	2368-TW	92.80	1,772,100	5,179,718	3.24
	ASPEED Technology, Inc.	5274-TW	1780.00	91,000	5,101,893	3.20
	Asia Vital Components Co. Ltd.	3017-TW	111.50	1,406,000	4,937,762	3.09
	E Ink Holdings, Inc.	8069-TW	212.00	628,000	4,193,392	2.63
	Hon Hai Precision Industry Co. Ltd.	2317-TW	102.00	1,221,000	3,922,706	2.46
	Jentech Precision Industrial Co. Ltd.	3653-TW	381.50	240,000	2,883,870	1.81
	Nan Ya Printed Circuit Board Corp.	8046-TW	189.00	480,000	2,857,413	1.79
	MediaTek, Inc.	2454-TW	551.00	148,000	2,568,522	1.61
	Realtek Semiconductor Corp.	2379-TW	270.00	282,000	2,398,186	1.50
	Unimicron Technology Corp.	3037-TW	117.50	566,000	2,094,712	1.31
	Zhen Ding Technology Holding Ltd.	4958-TW	106.00	621,000	2,073,325	1.30
	SDI Corp.	2351-TW	106.00	571,000	1,906,391	1.19
	Tong Hsing Electronic Industries Ltd.	6271-TW	166.00	317,000	1,657,438	1.04
	Lotes Co. Ltd.	3533-TW	764.00	60,000	1,443,825	0.90
	Gigabyte Technology Co. Ltd.	2376-TW	88.30	481,000	1,337,752	0.84
	Globalwafers Co. Ltd.	6488-TW	366.50	78,000	900,406	0.56
<b>Communication Services</b>					<b>10.42</b>	
	Chunghwa Telecom Co. Ltd.	2412-TW	114.00	1,927,000	6,919,210	4.33
	Far EasTone Telecommunications Co. Ltd.	4904-TW	72.40	1,825,000	4,161,706	2.61
	Accton Technology Corp.	2345-TW	272.50	452,000	3,879,492	2.43
	Taiwan Mobile Co. Ltd.	3045-TW	95.60	559,000	1,683,215	1.05
<b>Consumer Discretionary</b>					<b>4.15</b>	
	Eclat Textile Co. Ltd.	1476-TW	392.00	210,000	2,592,838	1.62
	Makalot Industrial Co. Ltd.	1477-TW	183.50	350,000	2,022,898	1.27
	Feng TAY Enterprise Co. Ltd.	9910-TW	158.00	290,000	1,443,195	0.90
	Merida Industry Co. Ltd.	9914-TW	180.50	66,000	375,224	0.24
	Taiwan Paiho Ltd.	9938-TW	59.00	100,000	185,833	0.12
<b>Industrials</b>					<b>1.84</b>	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	638.00	146,000	2,933,888	1.84
<b>Financials</b>					<b>1.66</b>	
	Chailease Holding Co. Ltd.	5871-TW	182.50	460,000	2,644,178	1.66
<b>Health Care</b>					<b>0.98</b>	
	Pegavision Corp.	6491-TW	369.50	73,000	849,586	0.53
	PharmaEssentia Corp.	6446-TW	483.50	47,000	715,755	0.45
<b>Chemicals</b>					<b>0.60</b>	
	Swancor Holding Co. Ltd.	3708-TW	94.00	323,000	956,313	0.60
<b>Consumer Staples</b>					<b>0.49</b>	
	President Chain Store Corp.	2912-TW	282.50	88,000	783,017	0.49

Source: State Street Bank and Trust Company, Nomura Asset Management U.S.A. Inc..

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:

- 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 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.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED

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