

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of January 2021 up 2.75% in Taiwan Dollar terms, with the technology sector up 8.26%, non-technology down 7.64%, financial sector down 5.01% and over-the-counter ("OTC") stocks down 2.48%. The top three outperforming sectors were electronics manufacturing, integrated circuit design, and integrated circuit manufacturing. The bottom three underperforming sectors were paper, glass & ceramics, and freight transportation.

Fund Review

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"), as sector allocation was positive but stock selection was negative. On the sector level, the Fund's overweight positions in technology hardware & equipment and semiconductors, as well as underweight positions in materials, energy, and banks aided performance. The Fund's overweight position in automobiles & components hurt performance. On the stock level, the best active contributors were Formosa Petrochemical Corp., Tong Hsing Electronic Industries Ltd., and Silergy Corp.; the worst active detractors were Ta Chen Stainless Pipe Co., Ltd., Hon Hai Precision Industry Co., Ltd. and Accton Technology Corp.

Key Transactions

Large-cap technology stocks performed extremely well in January of 2021, including Taiwan Semiconductor Manufacturing Co., Ltd. ("TSMC"), whose share price rose as much as 28% from the end of December 2020. We sold shares of TSMC amounting to around 8% of NAV over the month.

As mentioned last month, we are positive on semiconductors so, being limited in our holdings of TSMC, we looked elsewhere for technology names with the potential to outperform the giant. We selected United Microelectronics Corp., MediaTek, Inc., Chunghwa Precision Test Technology Co., Ltd. and Global Unichip Corp., all of which are in the semiconductor space.

We also trimmed cyclical names outside of technology, in line with our rebalance towards the technology space in general. Additionally, we added in electric vehicle ("EV") related names including Tung Thih Electronic Co., Ltd., Hon Hai Precision Industry Co., Ltd. and Pegatron Corp.

Outlook

The most important, regular event of the year in Taiwan is TSMC's fourth quarter 2020 earnings call, which this year was held on January 14, 2021. The position TSMC has as a supplier to almost every major global customer in the integrated circuit space gives management their unique insights into the outlook across a myriad of subsectors within global technology. As such, the outlook for 2021 announced by TSMC is something of a forecast for the entire global technology ecosystem. This year brought good tidings.

First, TSMC reported strong fourth quarter 2020 results and promising 2021 guidance. This vindicates our decision, as outlined in last month's update, to switch back to an over-weight bias in Tech. Even more encouraging, management raised its long-term sales compound annual growth rate target to 10-15% from 5-10% and indicated a range of \$25-28bn capital expenditure spending for 2021. This represents a substantial 54% increase year-over-year, showing the positive outlook from TSMC is supported by heavy investment across process nodes N7, N5 and N3, which are some of the smaller process nodes. Process nodes are a specific semiconductor manufacturing process and in general, the smaller the process node the smaller the size of the feature being manufactured producing smaller transistors which are both faster and more power efficient. We believe these strides in advanced technology will support TSMC's future growth rate.

Next, TSMC provided some valuable granularity in the 2021 forecast across different technology sub-sectors. Their outlook for the foundry industry as a whole is for revenue to grow 10% year-over-year, and for TSMC to outgrow the average. Customer segments reveal expectations for growth in the global smartphone unit of 10% year-over-year, driven by an economic rebound and increased 5G smartphone penetration rates (forecast to jump from 18% in 2020 to more than 35% in 2021). Both High Performance Computing and automotive industries are the top two growth drivers for TSMC. These insights provide us with cues to invest more heavily in related areas, such as electric vehicles and application-specific integrated chips.

TSMC's guidance has re-affirmed our confidence in our call for continued strength in technology through 2021. We continue to position ourselves accordingly.

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)	\$231.0	
Median Market Cap (in billions)	\$2.0	
Distribution Frequency	Annual	
Management Firm	Allianz Global Investors U.S. LLC	
Portfolio Management	Corrina Xiao Lead Portfolio Manager	
Performance (US\$ Returns) (as of 1/31/2021) ¹		
	Fund	Benchmark ²
One Month	2.45%	3.11%
Three Month	20.94%	23.44%
One Year	40.02%	47.07%
Three Year	19.10%	16.93%
Net Asset Value / Market Price		
NAV / Market Price (as of 1/31/2021)	\$30.93 / \$26.85	
High / Low Ranges (52-Week)		
High / Low NAV	\$33.43 / \$16.96	
High / Low Market Price	\$29.00 / \$13.80	
Premium/Discount to NAV (as of 1/31/2021)	-13.20%	
Fund Data (Common Shares)		
Shares Outstanding	7,468,866	
Average Daily Volume	9,765	
Expense Ratio	1.70%	

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.

Average Annual Returns¹

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	2.45%	20.94%	1.41%	40.02%	19.10%	21.25%	9.41%	9.81%
Market Price	4.35%	28.06%	4.68%	45.58%	17.96%	20.88%	8.94%	8.28%
Taiwan TAIEX Total Return Index	3.11%	23.44%	3.11%	47.07%	16.93%	22.16%	9.56%	—
MSCI Taiwan Total Return Index	6.52%	29.50%	6.52%	57.59%	20.12%	24.20%	10.26%	—
Taiwan TAIEX Price Index	3.10%	23.25%	3.10%	42.07%	12.37%	17.40%	5.55%	—

Calendar Year Returns¹

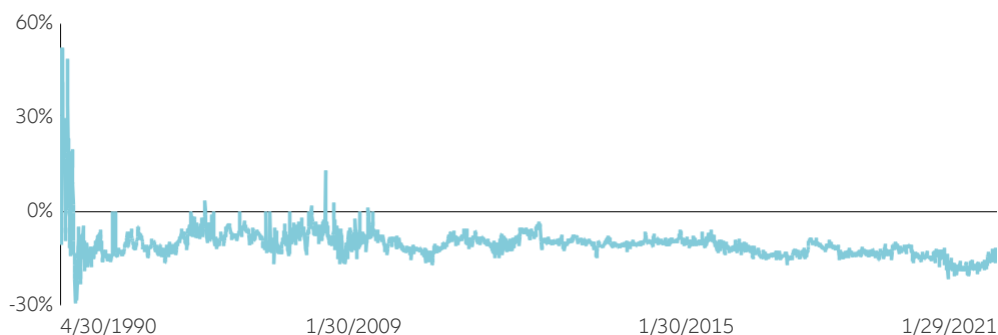
	2013	2014	2015	2016	2017	2018	2019	2020
NAV	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%	41.97%
Market Price	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%	39.81%
Taiwan TAIEX Total Return Index	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%	35.62%
MSCI Taiwan Total Return Index	9.06%	9.36%	-11.72%	18.54%	27.53%	-8.94%	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 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	79.54%	62.87%
Consumer Discretionary	6.64%	5.57%
Industrials	2.56%	4.93%
Materials	1.73%	7.41%
Communication Services	0.62%	3.13%
Financials	0.00%	10.34%
Consumer Staples	0.00%	2.27%
Energy	0.00%	1.86%
Real Estate	0.00%	1.13%
Health Care	0.00%	0.36%
Utilities	0.00%	0.13%

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

Top 10 Holdings

TAIWAN SEMIC CO LTD (Taiwan)	23.46%
INNOLUX CORP (Taiwan)	4.11%
SILERGY CORP (Taiwan)	3.73%
UNITED MICROELECTRONICS CORP (Taiwan)	3.44%
HON HAI PRECISION INDU (Taiwan)	2.73%
MEDIATEK INC (Taiwan)	2.67%
YAGEO CORP (Taiwan)	2.67%
HIWIN TECHNOLOGIES CORP (Taiwan)	2.56%
UNIMICRON TECHNOLOGY CORP (Taiwan)	2.53%
ACCTON TECHNOLOGY CORP (Taiwan)	2.48%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	24.42	18.85
P/B Ratio	3.05	2.27
Issues in Portfolio	45	910
Foreign Holdings (%)	91.09	100.00
Cash (%)	8.91	0.00
Yield (%)	1.81	2.74

Risk Statistics (3 Year)

Beta	1.09
R ²	0.90
Standard Deviation of NAV	22.86
Standard Deviation of Market Price	23.09

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
12/16/2011	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
12/17/2020	12/28/2020	12/29/2020	1/8/2021	\$3.31220	\$0.37590	\$0.61560	\$2.32070

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

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					79.53	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	591.00	2,586,000	54,578,198	23.46
	INNOLUX CORP	3481	13.05	20,500,000	9,553,611	4.11
	SILERGY CORP	6415	2,615.00	93,000	8,684,760	3.73
	UNITED MICROELECTRONICS CORP	2303	50.00	4,481,000	8,001,071	3.44
	HON HAI PRECISION INDUSTRY CO LTD	2317	111.50	1,596,000	6,354,933	2.73
	MEDIATEK INC	2454	875.00	199,000	6,218,195	2.67
	YAGEO CORP	2327	574.00	303,000	6,210,945	2.67
	UNIMICRON TECHNOLOGY CORP	3037	86.50	1,907,000	5,890,742	2.53
	ACCTON TECHNOLOGY CORP	2345	269.50	600,000	5,774,484	2.48
	SENSORTEK TECHNOLOGY CORP	6732	732.00	213,000	5,567,931	2.39
	CHUNGHWA PRECISION TEST TECH CO LTD	6510	888.00	149,000	4,725,007	2.03
	MPI CORP	6223	108.00	1,170,000	4,512,454	1.94
	ITEQ CORP	6213	134.00	861,000	4,120,132	1.77
	AU OPTRONICS CORP	2409	14.75	7,517,000	3,959,495	1.70
	ASMEDIA TECHNOLOGY INC	5269	1,905.00	57,000	3,877,689	1.67
	NOVATEK MICROELECTRONICS CORP	3034	394.00	266,000	3,742,666	1.61
	TONG HSING ELECTRONIC INDUSTRIES LTD	6271	209.50	490,762	3,671,624	1.58
	SPEED TECH CORP	5457	87.00	1,173,000	3,644,353	1.57
	MACRONIX INTERNATIONAL	2337	39.30	2,571,000	3,608,260	1.55
	SINO-AMERICAN SILICON PRODUCTS	5483	152.00	590,000	3,202,571	1.38
	PARADE TECHNOLOGIES LTD	4966	1,210.00	73,000	3,154,361	1.36
	GLOBAL UNICHIP CORP	3443	395.00	206,000	2,905,812	1.25
	TAIFLEX SCIENTIFIC CO LTD	8039	51.80	1,313,000	2,428,833	1.04
	GOLD CIRCUIT ELECTRONICS LTD	2368	52.10	1,275,000	2,372,199	1.02
	GLOBALWAFERS CO LTD	6488	620.00	96,000	2,125,525	0.91
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	78.10	738,000	2,058,309	0.88
	FLEXIUM INTERCONNECT INC	6269	119.00	472,000	2,005,821	0.86
	CO-TECH DEVELOPMENT CORP	8358	51.90	965,000	1,788,537	0.77
	VISUAL PHOTONICS EPITAXY CO LTD	2455	105.00	459,000	1,721,096	0.74
	PEGATRON CORP	4938	78.40	583,000	1,632,254	0.70
	FITTECH CO LTD	6706	156.00	276,000	1,537,577	0.66
	NAN YA PRINTED CIRCUIT BOARD CORP	8046	226.00	166,000	1,339,738	0.58
	ASE TECHNOLOGY HOLDING CO LTD	3711	92.00	361,000	1,186,037	0.51
	GRAND PLASTIC TECHNOLOGY CORP	3131	355.00	91,000	1,153,647	0.50
	EPISIL HOLDINGS INC	3707	44.80	606,000	969,513	0.42
	EMEMORY TECHNOLOGY INC	3529	688.00	30,000	737,077	0.32
Consumer Discretionary					6.64	
	FULGENT SUN INTERNATIONAL HOLDING CO LTD	9802	109.50	929,877	3,636,159	1.56
	GIANT MANUFACTURING CO LTD	9921	272.50	344,000	3,347,558	1.44
	TUNG THIH ELECTRONIC CO LTD	3552	296.00	238,000	2,515,775	1.08
	GLOBAL PMX CO LTD	4551	175.50	384,000	2,406,642	1.03
	POYA INTERNATIONAL CO LTD	5904	580.00	86,000	1,781,270	0.77
	NIEN MADE ENTERPRISE CO LTD	8464	370.00	133,000	1,757,343	0.76
Industrials					2.56	
	HIWIN TECHNOLOGIES CORP	2049	396.00	421,000	5,953,611	2.56
Materials					1.73	
	TA CHEN STAINLESS PIPE	2027	25.10	4,496,000	4,029,983	1.73
Communication Services					0.62	
	CHIEF TELECOM INC	6561	299.00	135,000	1,441,478	0.62

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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FS-TWN-0121 | 1507257

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