

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of July 2020 up 8.98% in Taiwan Dollar terms, with the technology sector up 16.88%, non-technology down 2.66%, financial sector down 0.99% and over-the-counter ("OTC") stocks up 1.97%. The top three outperforming sectors were foundry, mother board and integrated circuit design. The bottom three underperforming sectors were handset makers, petrochemicals and optical lens.

Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"), as sector allocation was a positive contributor, but stock selection was a negative contributor. On the sector level, the Fund's overweight position in the semiconductors & semi-equipment sectors and underweight in the materials, banks and telecommunication services sectors all helped. Stock selection in technology hardware & equipment helped the most. On the stock level, the best active contributors were United Microelectronics Corp., Asmedia Technology, Inc. and Unimicron Technology; the worst active detractors were Taiwan Semiconductor Manufacturing Co. ("TSMC"), Silergy Corp., and Global Lighting Technologies, Inc.

Key Transactions

Many important companies announced second quarter results in July 2020, including many of our technology giants. The most significant action involved TSMC, whose share price ended the month up by almost 36%. In terms of market cap, TSMC now accounts for almost one-third of the Taiwan equity market. The strength of this rally was supported by solid fundamentals at the firm, which benefited from an announcement by Intel that they might consider using an outside fab to manufacture its chips. Intel has been having problems with its next generation 7nm chip, as it tries to compete with fabless peers like Advanced Micro Devices, Inc. ("AMD"). The recent delays announced by Bob Swan in delivering its next gen chip, followed by the removal of the Chief Engineering Officer at the firm, suggest that Intel may be considering a more permanent move away from the intelligent driver model ("IDM"). TSMC is the only player who could realistically supply this demand from Intel.

In our view, TSMC is a core holding in our portfolio, which at times can outperform almost every stock in Taiwan; however no more than 25% of the NAV may be invested in any single stock. Clearly, in Taiwan, where TSMC now represents a third of the market cap, this means we are almost always forced to be underweight this name, in order to control for single stock risk. We then try to search for less well-followed stocks in order to beat the benchmark. We began the month with a 19.2% weighting in TSMC, as the stock rallied we were forced to continually sell into the strength to comply with regulations governing the Fund. Nonetheless, we ended the month with a 22.9% allocation to this giant company despite having sold almost 200,000 shares over the month.

Outlook

In the technology supply chain, we see the upstream semiconductor space as having a commanding position globally. On the other hand, downstream assembly still faces severe competition from China. Therefore, our strategy will be to focus more on the semiconductor names and on niche component players in the downstream assembly names who have some kind of competitive advantage. For the niche component space, we maintain a positive view on Apple-related names leading up to the new product launches. As mentioned last month, in particular we like the mini-LED products space which we believe will become the new signature products for Apple.

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)	\$221.0
Median Market Cap (in billions)	\$1.6
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC
Portfolio Management	Corrina Xiao Lead Portfolio Manager

Performance (US\$ Returns) (as of 7/31/2020)¹

	Fund	Benchmark ²
One Month	14.56%	11.61%
Three Month	29.44%	19.58%
One Year	57.81%	28.92%
Three Year	16.20%	12.14%

Net Asset Value / Market Price

NAV / Market Price (as of 7/31/2020)	\$29.59 / \$23.51
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High / Low Ranges (52-Week)

High / Low NAV	\$29.59 / \$16.96
High / Low Market Price	\$24.13 / \$13.80
Premium/Discount to NAV (as of 7/31/2020)	-20.55%

Fund Data (Common Shares)

Shares Outstanding	7,466,650
Average Daily Volume	9,761
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.

Average Annual Returns¹

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	14.56%	29.44%	22.78%	57.81%	16.20%	15.72%	10.79%	9.44%
Market Price	10.84%	26.26%	14.24%	42.54%	11.93%	13.10%	9.60%	7.61%
Taiwan TAIEX Total Return Index	11.61%	19.58%	10.75%	28.92%	12.14%	14.03%	10.01%	—
MSCI Taiwan Total Return Index	16.28%	23.69%	14.23%	37.28%	13.13%	14.23%	10.32%	—
Taiwan TAIEX Price Index	9.76%	16.96%	8.02%	24.20%	7.78%	9.51%	5.97%	—

Calendar Year Returns¹

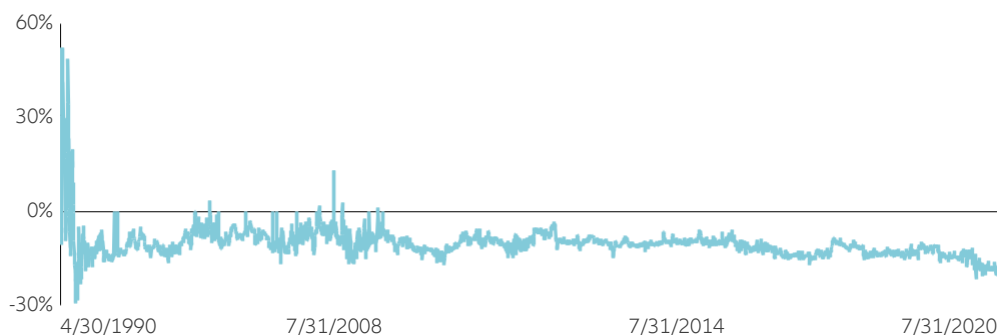
	2012	2013	2014	2015	2016	2017	2018	2019
NAV	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%
Market Price	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%
Taiwan TAIEX Total Return Index	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%
MSCI Taiwan Total Return Index	16.68%	9.06%	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	74.23%	57.78%
Consumer Discretionary	7.28%	6.23%
Industrials	1.79%	4.68%
Materials	1.41%	7.94%
Health Care	1.12%	0.53%
Consumer Staples	0.99%	2.80%
Financials	0.89%	12.63%
Communication Services	0.00%	3.88%
Energy	0.00%	2.04%
Real Estate	0.00%	1.33%
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)	22.90%
SILERGY CORP (Taiwan)	3.95%
EPISTAR CORP (Taiwan)	3.89%
ACCTON TECHNOLOGY CORP (Taiwan)	2.83%
MEDIATEK INC (Taiwan)	2.71%
FLEXIUM INTERCONNECT INC (Taiwan)	2.67%
ELITE MATERIAL CO LTD (Taiwan)	2.53%
UNITED MICROELECTRONICS CORP (Taiwan)	2.51%
UNIMICRON TECHNOLOGY CORP (Taiwan)	2.49%
ZHEN DING TECHNOLOGY HOLDING LTD (Taiwan)	2.46%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	20.79	18.44
P/B Ratio	3.24	1.89
Issues in Portfolio	49	918
Foreign Holdings (%)	87.72	100.00
Cash (%)	12.28	0.00
Yield (%)	2.33	3.27

Risk Statistics (3 Year)

Beta	1.09
R ²	0.90
Standard Deviation of NAV	22.02
Standard Deviation of Market Price	21.53

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					74.25	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	425.50	3,494,000	50,750,038	22.90
	SILERGY CORP	6415	1,755.00	146,000	8,746,693	3.95
	EPISTAR CORP	2448	45.40	5,562,000	8,619,871	3.89
	ACCTON TECHNOLOGY CORP	2345	229.50	802,000	6,283,057	2.83
	MEDIATEK INC	2454	701.00	251,000	6,006,281	2.71
	FLEXIUM INTERCONNECT INC	6269	141.50	1,223,000	5,907,406	2.67
	ELITE MATERIAL CO LTD	2383	177.00	927,000	5,601,017	2.53
	UNITED MICROELECTRONICS CORP	2303	22.35	7,293,000	5,564,135	2.51
	UNIMICRON TECHNOLOGY CORP	3037	64.30	2,518,000	5,526,887	2.49
	ZHEN DING TECHNOLOGY HOLDING LTD	4958	135.00	1,183,000	5,451,706	2.46
	DELTA ELECTRONICS INC	2308	200.00	741,000	5,058,970	2.28
	ASMEDIA TECHNOLOGY INC	5269	1,850.00	78,000	4,925,839	2.22
	PARADE TECHNOLOGIES LTD	4966	1,275.00	76,000	3,307,788	1.49
	TONG HSING ELECTRONIC INDUSTRIES LTD	6271	140.50	649,573	3,115,431	1.41
	WIWYNN CORP	6669	784.00	115,000	3,077,711	1.39
	FITTECH CO LTD	6706	153.50	549,000	2,876,700	1.30
	TAIWAN SURFACE MOUNTING TECHNOLOGY CORP	6278	134.50	579,000	2,658,366	1.20
	NOVATEK MICROELECTRONICS CORP	3034	290.00	264,000	2,613,460	1.18
	REALTEK SEMICONDUCTOR CORP	2379	374.50	200,000	2,556,794	1.15
	RADIANT OPTO-ELECTRONICS CORP	6176	125.00	587,000	2,504,736	1.13
	TAIFLEX SCIENTIFIC CO LTD	8039	51.30	1,313,000	2,299,302	1.04
	YAGEO CORP	2327	389.00	169,000	2,244,141	1.01
	ITEQ CORP	6213	134.00	458,000	2,095,001	0.95
	MPI CORP	6223	150.50	400,000	2,054,993	0.93
	LOTES CO LTD	3533	449.00	134,000	2,053,833	0.93
	ADVANCED CERAMIC X CORP	3152	409.00	121,000	1,689,361	0.76
	AURAS TECHNOLOGY CO LTD	3324	228.50	208,000	1,622,421	0.73
	WIN SEMICONDUCTORS CORP	3105	317.00	138,000	1,493,318	0.67
	SPEED TECH CORP	5457	87.80	435,000	1,303,760	0.59
	CHUNGHWA PRECISION TEST TECH CO LTD	6510	843.00	44,000	1,266,176	0.57
	HANNSTAR BOARD CORP	5469	41.80	883,000	1,259,943	0.57
	JENTECH PRECISION INDUSTRIAL CO LTD	3653	318.50	100,000	1,087,235	0.49
	ALCHIP TECHNOLOGIES LTD	3661	599.00	51,000	1,042,824	0.47
	SITRONIX TECHNOLOGY CORP	8016	150.00	202,000	1,034,324	0.47
	EMEMORY TECHNOLOGY INC	3529	547.00	45,000	840,260	0.38
Consumer Discretionary					7.28	
	POYA INTERNATIONAL CO LTD	5904	614.00	218,000	4,569,185	2.06
	YULON MOTOR CO LTD	2201	23.70	3,290,000	2,661,694	1.20
	MERIDA INDUSTRY CO LTD	9914	270.50	280,000	2,585,468	1.17
	GIANT MANUFACTURING CO LTD	9921	308.50	199,000	2,095,666	0.95
	GLOBAL PMX CO LTD	4551	165.50	288,000	1,627,063	0.73
	FULGENT SUN INTERNATIONAL HOLDING CO LTD	9802	107.50	440,000	1,614,638	0.73
	MAKALOT INDUSTRIAL CO LTD	1477	180.50	138,000	850,296	0.38
	ACTRON TECHNOLOGY CORP	8255	79.20	49,000	132,475	0.06
Industrials					1.80	
	SHIN ZU SHING CO LTD	3376	154.00	568,000	2,985,953	1.35
	REXON INDUSTRIAL CORP LTD	1515	80.50	361,000	992,012	0.45
Materials					1.41	
	TAIWAN CEMENT CORP	1101	45.00	2,040,000	3,133,694	1.41
Health Care					1.12	
	PEGAVISION CORP	6491	185.50	391,000	2,475,908	1.12
Consumer Staples					0.99	
	UNI-PRESIDENT ENTERPRISES CORP	1216	71.50	894,995	2,184,442	0.99

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value	
Financials					0.89	
	MEGA FINANCIAL HOLDING CO LTD	2886	32.35	1,793,000	1,980,015	0.89

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. 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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