

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of March 2020 down 14.03% in Taiwan Dollar terms, with the technology sector down 12.86%, non-technology down 15.16%, financial sector down 16.38% and over-the-counter ("OTC") stocks down 17%. The top three outperforming sectors were handset makers, leisure & tourism and casing. The bottom three underperforming sectors were DRAM (dynamic random-access memory) makers, LCD-STN panels (a super-twisted nematic display ("STN") is a type of monochrome passivematrix liquid crystal display ("LCD")) and glass & ceramic.

Fund Review

The Taiwan Fund, Inc. (the "Fund") slightly outperformed the Taiwan TAIEX Total Return Index (the "benchmark") in March 2020 as both stock selection and sector allocation were detractors, with the Fund's cash position (over 10%) being the principal performance contributor. On the sector level, the Fund's overweight position in the semiconductors & semiconductor equipment and retailing sectors, as well as its underweight in the materials, banks and insurance sectors all helped. Stock selection in health care equipment and retailing helped the most. On the stock level, the best active contributors were Nan Ya Printed Circuit Board Corp., Gold Circuit Electronics Co. and Mega Financial Holding Co., Ltd. The worst active detractors were Taiwan Semiconductor Manufacturing Co., Ltd., Hiwin Technologies Corp. and Phison Electronics Corp.

Key Transactions

Early in March 2020, the Fund reduced its holdings in some smartphone names based on deteriorating conditions and in general took profits in the technology sector. The Fund cut some losses in the automobile and retail sectors, both of which were impacted by the contraction in demand accompanying the COVID-19 outbreak. Towards the end of the month, the Fund switched to a policy of buying on dips in our preferred themes in technology, as the Fund continued with its strategy of accumulating secular winners at favorable prices. Additionally, the Fund found some great opportunities in oil-related names as West Texas Intermediate ("WTI") crude tested lows below \$20 per barrel. The Fund also opportunistically added Formosa Plastics Corp. to the holding.

Outlook

The disruptions in the oil market eased somewhat towards the end of March 2020, driven by news of talks between Saudi Arabia and Russia, which have given us some comfort that the lows may be in. If WTI can find support at \$30 per barrel and higher, the broader concerns in the debt markets and the US oil patch should also begin to subside.

Furthermore, the numbers coming out of Italy on the ongoing COVID-19 crisis have started to give cause to suspect the worst may be over in Europe's most stricken nation. Riding on the back of this, some are forecasting that the United States will follow more of an Italian path with its own experience of the outbreak. Although the numbers in the United States can be expected to worsen in coming weeks, if the trajectory is similar to the Italian one, our modelling suggests a peak around mid-April 2020.

These two key factors, oil and COVID-19, are driving markets mostly to follow sentiment rather than fundamentals. Any stabilization in one or both of these will therefore allow the markets to begin to focus on fundamentals once again. Our expectation is that April 2020 may provide just such a scenario and hence we cautiously anticipate a rebound in stocks. Any recovery would likely be due to a reduction of uncertainty and fear in the market. However, the damage to demand is real and means that we do not expect to see fresh highs for some time.

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)	\$146.4
Median Market Cap (in billions)	\$1.2
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC
Portfolio Management	Corrina Xiao Lead Portfolio Manager

Performance (US\$ Returns) (as of 3/31/2020)¹

	Fund	Benchmark ²
One Month	-13.54%	-13.71%
Three Month	-18.63%	-19.59%
One Year	5.99%	-2.57%
Three Year	5.96%	4.03%

Net Asset Value / Market Price

NAV / Market Price (as of 3/31/2020)	\$19.61 / \$16.45
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High / Low Ranges (52-Week)

High / Low NAV	\$25.70 / \$16.96
High / Low Market Price	\$22.37 / \$13.80
Premium/Discount to NAV (as of 3/31/2020)	-16.11%

Fund Data (Common Shares)

Shares Outstanding	7,466,650
Average Daily Volume	9,218
Expense Ratio	1.74%

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	-13.54%	-18.63%	-18.63%	5.99%	5.96%	5.38%	6.38%	8.19%
Market Price	-13.19%	-20.07%	-20.07%	-0.71%	3.82%	3.96%	5.91%	6.54%
Taiwan TAIEX Total Return Index	-13.71%	-19.59%	-19.59%	-2.57%	4.03%	5.17%	6.49%	—
MSCI Taiwan Total Return Index	-13.45%	-19.07%	-19.07%	1.27%	4.67%	5.23%	6.46%	—
Taiwan TAIEX Price Index	-13.92%	-19.79%	-19.79%	-7.02%	-0.24%	0.94%	2.56%	—

Calendar Year Returns¹

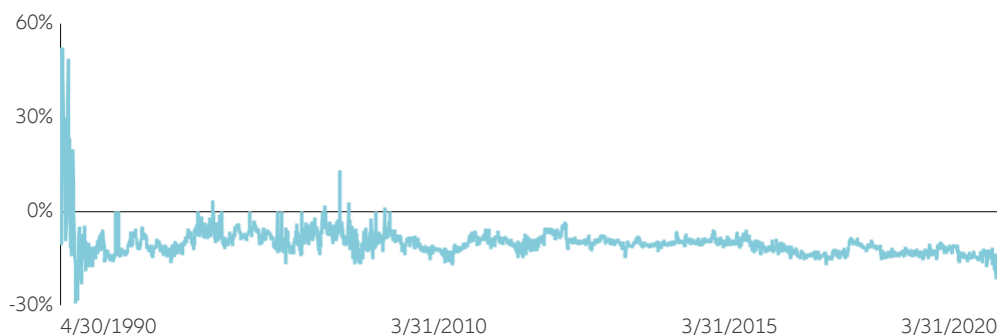
	2012	2013	2014	2015	2016	2017	2018	2019
NAV	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%
Market Price	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%
Taiwan TAIEX Total Return Index	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%
MSCI Taiwan Total Return Index	16.68%	9.06%	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	74.28%	51.69%
Industrials	3.14%	4.99%
Consumer Discretionary	2.58%	6.21%
Materials	1.80%	9.45%
Financials	1.65%	14.51%
Communication Services	1.62%	4.92%
Real Estate	1.47%	1.46%
Consumer Staples	1.22%	3.42%
Health Care	0.86%	0.50%
Energy	0.00%	2.66%
Utilities	0.00%	0.17%

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

Top 10 Holdings

TAIWAN SEMIC CO LTD (Taiwan)	17.39%
GLOBAL LIGHTING TECHNOLOGIES (Taiwan)	3.94%
SILERGY CORP (Taiwan)	3.49%
MEDIATEK INC (Taiwan)	3.35%
CATCHER TECHNOLOGY CO LTD (Taiwan)	3.16%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	3.03%
ACCTON TECHNOLOGY CORP (Taiwan)	2.45%
LANDMARK OPTOELECTRONICS CORP (Taiwan)	2.41%
NAN YA PRINTED CIRCUIT BOARD CORP (Taiwan)	2.34%
UNIMICRON TECHNOLOGY CORP (Taiwan)	2.29%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	14.73	13.46
P/B Ratio	2.07	1.49
Issues in Portfolio	49	917
Foreign Holdings (%)	88.62	100.00
Cash (%)	11.38	0.00
Yield (%)	3.22	4.20

Risk Statistics (3 Year)

Beta	1.08
R ²	0.88
Standard Deviation of NAV	17.91
Standard Deviation of Market Price	18.94

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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					74.30	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	274.00	2,899,000	26,266,091	17.39
	GLOBAL LIGHTING TECHNOLOGIES	4935	110.50	1,629,000	5,952,235	3.94
	SILERGY CORP	6415	990.00	161,000	5,270,572	3.49
	MEDIATEK INC	2454	327.50	467,000	5,057,371	3.35
	CATCHER TECHNOLOGY CO LTD	2474	195.50	737,000	4,764,430	3.16
	ASE TECHNOLOGY HOLDING CO LTD	3711	58.60	2,363,000	4,578,867	3.03
	ACCTON TECHNOLOGY CORP	2345	163.00	686,000	3,697,502	2.45
	LANDMARK OPTOELECTRONICS CORP	3081	261.00	421,000	3,633,451	2.41
	NAN YA PRINTED CIRCUIT BOARD CORP	8046	55.00	1,945,000	3,537,358	2.34
	UNIMICRON TECHNOLOGY CORP	3037	32.00	3,268,000	3,458,030	2.29
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	40.45	2,585,000	3,457,608	2.29
	ELITE ADVANCED LASER CORP	3450	60.90	1,552,000	3,125,401	2.07
	UNITED MICROELECTRONICS CORP	2303	13.65	6,176,000	2,787,640	1.85
	CHAUN-CHOUNG TECHNOLOGY CORP	6230	231.50	337,000	2,579,750	1.71
	ITEQ CORP	6213	133.50	573,000	2,529,488	1.68
	PHISON ELECTRONICS CORP	8299	248.00	298,000	2,443,794	1.62
	TAIWAN SURFACE MOUNTING TECHNOLOGY CORP	6278	69.10	1,056,000	2,412,896	1.60
	BRAVE C&H SUPPLY CO LTD	6538	221.00	314,000	2,294,661	1.52
	FLEXIUM INTERCONNECT INC	6269	95.40	670,000	2,113,586	1.40
	LARGAN PRECISION CO LTD	3008	3,830.00	16,000	2,026,355	1.34
	LOTES CO LTD	3533	275.00	222,000	2,018,749	1.34
	TONG HSING ELECTRONIC INDUSTRIES LTD	6271	108.50	518,000	1,858,473	1.23
	PARADE TECHNOLOGIES LTD	4966	645.00	87,000	1,855,563	1.23
	CHROMA ATE INC	2360	124.50	418,000	1,720,847	1.14
	SINO-AMERICAN SILICON PRODUCTS	5483	78.20	635,000	1,642,015	1.09
	SPEED TECH CORP	5457	53.60	925,000	1,639,469	1.09
	GOLD CIRCUIT ELECTRONICS LTD	2368	24.25	1,864,000	1,494,701	0.99
	HON HAI PRECISION INDUSTRY CO LTD	2317	69.90	636,000	1,470,046	0.97
	ZHEN DING TECHNOLOGY HOLDING LTD	4958	93.00	441,000	1,356,183	0.90
	KINGPAK TECHNOLOGY INC	6238	119.50	325,220	1,285,114	0.85
	ELAN MICROELECTRONICS CORP	2458	83.90	459,000	1,273,419	0.84
	EPISTAR CORP	2448	25.80	1,220,000	1,040,821	0.69
	ADVANCED CERAMIC X CORP	3152	266.00	48,000	422,201	0.28
	COMPEQ MANUFACTURING CO LTD	2313	31.25	396,000	409,206	0.27
	GENIUS ELECTRONIC OPTICAL CO LTD	3406	413.00	20,000	273,135	0.18
	JENTECH PRECISION INDUSTRIAL CO LTD	3653	172.00	44,000	250,252	0.17
	EMEMORY TECHNOLOGY INC	3529	235.00	21,000	163,186	0.11
Industrials					3.14	
	HIWIN TECHNOLOGIES CORP	2049	200.50	477,000	3,162,492	2.09
	AIRTAC INTERNATIONAL GROUP	1590	451.00	106,000	1,580,808	1.05
Consumer Discretionary					2.59	
	POYA INTERNATIONAL CO LTD	5904	429.00	183,000	2,596,002	1.72
	ACTRON TECHNOLOGY CORP	8255	76.80	289,000	733,932	0.49
	GLOBAL PMX CO LTD	4551	109.50	157,000	568,474	0.38
Materials					1.80	
	FORMOSA PLASTICS CORP	1301	75.10	1,093,000	2,714,293	1.80
Financials					1.65	
	MEGA FINANCIAL HOLDING CO LTD	2886	28.45	2,646,000	2,489,252	1.65
Communication Services					1.62	
	CHUNGHWA TELECOM CO LTD	2412	107.50	690,000	2,452,755	1.62
Real Estate					1.47	
	KINDOM DEVELOPMENT CO LTD	2520	22.95	2,926,000	2,220,515	1.47
Consumer Staples					1.21	
	UNI-PRESIDENT ENTERPRISES CORP	1216	65.60	537,995	1,167,021	0.77
	GRAPE KING BIO LTD	1707	197.00	103,000	670,965	0.44

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value
Health Care					0.86
TAIDOC TECHNOLOGY CORP	4736	167.50	234,000	1,296,067	0.86

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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