

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange Weighted Index ("TWSE") rose 6.49% in May 2023, in US dollar terms, with the electronics jumping the most.

The top three outperforming industry groups were Software & Services, Semiconductors & Semiconductor Equipment, and Technology Hardware & Equipment. The top three underperforming industry groups were Health Care Equipment & Services, Household & Personal Products, and Financial Services. The Taiwan TPEX Exchange Index, ("TWOTCI", the over-the-counter index) declined 3.08% in May 2023, in US dollar terms.

### Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "Benchmark") in May, 2023, as it benefited from the outperformance of electronics holdings. On an industry group level, the overweight positions in Semiconductors & Semiconductor Equipment, and Technology Hardware & Equipment and the underweight position in Consumer Staples Distribution & Retail contributed positively to performance. Conversely, the Fund's performance was negatively impacted by the underweight position in banks. At the stock selection level, the largest contributors were Taiwan Semiconductor Manufacturing Co. Ltd., Global Unichip Corp. and Alchip Technologies Ltd., while the largest relative detractors were Chailease Holding Co. Ltd., Nuvoton Technology Corp., and Eclat Textile Company Ltd.

### Key Transactions

The total securities holdings of the Fund stood at 91.89% at May month-end. This represented a slight increase from 90.74% at April month-end. Of the Fund's securities holdings, over 81% were held in TWSE traded stocks and over 10% in OTC ("over-the-counter") securities. The major changes in the portfolio were additions to the Semiconductor & Semiconductor Equipment industry group due to continued expectations of stronger demand driven by high performance computing ("HPC"). Within the Technology Hardware & Equipment industry group, the Fund sold off holdings in networking and automotive, due to expected weak demand. On the other hand, the Fund increased its position in downstream original design manufacturer ("ODM") hardware on long-term growth from server demand. Additionally, the Fund's increased position in the Semiconductor & Semiconductor Equipment industry group was in consideration of strong demand for server and high performance computing ("HPC") related equipment.

The Fund took on exposure in the Semiconductor & Semiconductor Equipment industry group by adding a position in Winway Technology Co. Ltd. as it benefitted from the Legrand Technology ("LT") trend in HPC demand growth. The Fund reduced exposure in the Consumer Durables & Apparel industry group through sales of Eclat Textile Co. Ltd. on concerns over higher inventories with

### 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)	\$266.9
Median Market Cap (in billions)	\$3.45
Distribution Frequency	Annual
Management Firm	Nomura Asset Management U.S.A. Inc.

### Fund Manager



Sky Chen  
Lead Portfolio Manager

### Performance

(US\$ Returns as of 5/31/2023)

	Fund	Benchmark <sup>1</sup>
One Month	11.34%	6.49%
Three Month	10.58%	6.40%
One Year	1.59%	-2.29%
Three Year (Annualized)	22.75%	18.20%

### Net Asset Value/Market Price (as of 5/31/2023)

NAV/Market Price	\$35.74 / \$28.67
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### High/Low Ranges (52-Week)

High/Low NAV	\$36.27 / \$23.07
High/Low Market Price	\$28.94 / \$18.70
Premium/Discount to NAV (as of 5/31/2023)	-19.78%

### Fund Data (Common Shares)

Shares Outstanding	7,470,494
Average Daily Volume	11,170
Expense Ratio <sup>2</sup>	1.62%

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

<sup>2</sup>Six months ended February 28, 2023, annualized, unaudited, before fee waiver. The unaudited expense ratio after the fee waiver is 1.45%.

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NOMURA ASSET MANAGEMENT  
Nomura Asset Management U.S.A. Inc.

## Manager's Commentary (Key Transactions continued)

end customers. In the Technology Hardware & Equipment industry group the Fund also sold off holdings in Accton Technology Corp., Tong Hsing Electronics Industries Ltd. and Largan Precision Co. Ltd. as demand for networking, automotive and Apple products has slowed. On the other hand, the Fund has increased positions in Gigabyte Technology Co. Ltd. and Quanta Computer Inc. due to their improved product mix and exposure to servers.

### Outlook and Strategy

The US Debt Ceiling Bill (the Fiscal Responsibility Act of 2023) was passed on June 1 and signed into law on June 3, as expected. While the bill did provide relief, it was not a dramatic upside catalyst to the market. On the other hand, we continue to expect the Federal Reserve Board to hold rates steady in June as it aims to bring down inflation. Taiwan's industrial production ("IP") dropped 5.1% month-on-month (seasonal adjusted) in April (the latest data available), with the contraction accelerating sharply from 1.2% in the previous month. The year-on-year decline widened to -22.9%, well below our expectations. Production fell most sharply for non-chip tech products and machinery, while leading indicators have broadly weakened in April. We believe that the April IP has implied weak exports for May.

In late May, Nvidia Corporation ("NVDA") announced that sales forecast for the three months ending in July could reach \$11 billion vs street estimates of \$7.18 billion as budgets for data centers will shift very strongly to accelerated computing. It has further boosted the sentiment and expectations for artificial intelligence ("AI") server demand. The COMPUTEX Taipei (or Taipei International Information Technology Show) held during the week of May 29th has been another trigger of the same theme. The AI server topic has been generating interest and stimulated share price performance for related supply chains. We believe that the long-term trend has been set but the investment will be capped by enterprises' capital expenditure budgets and shortages in semiconductor capacity in 2023. We foresee better growth in 2024, as a result of a low base in 2023 and demand recovery. However, our strategy is to trim selective AI related holdings after the recent rally as valuations have become more expensive. On the other hand, we have gradually increased positions in technology hardware downstream companies for their AI server exposure and reasonable valuations. Over the long term, we continue to expect a divergence in demand with AI, HPC, electrical vehicles and green energy to remain buoyant.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	11.34	10.58	28.10	1.59	22.75	16.89	12.85	9.82
Market Price	11.64	7.34	24.17	1.16	21.76	15.13	11.68	8.15
Taiwan TAIEX Total Return Index	6.49	6.40	17.70	-2.29	18.20	12.60	11.01	—
Taiwan TAIEX Price Index	6.47	6.04	17.30	-6.83	13.97	8.25	6.94	—
MSCI Taiwan Index (net)	7.34	5.88	17.94	-5.11	17.84	12.68	10.87	—

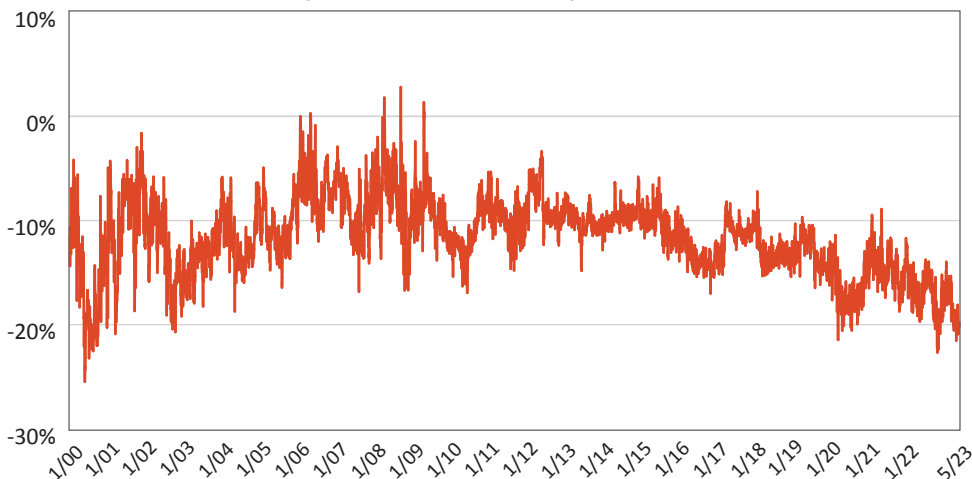
## Calendar Year Returns (%)

	2015	2016	2017	2018	2019	2020	2021	2022
NAV	-6.43	11.17	28.44	-14.96	47.11	41.97	55.09	-36.27
Market Price	-10.52	10.05	33.61	-19.11	46.75	39.81	58.26	-38.54
Taiwan TAIEX Total Return Index	-10.40	17.81	29.45	-7.86	32.19	35.62	29.04	-26.80
Taiwan TAIEX Price Index	-13.81	13.11	24.56	-11.51	26.46	31.01	25.59	-30.15
MSCI Taiwan Index (net)	-11.72	18.54	27.53	-8.93	36.37	40.99	26.13	-29.76

### 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: 1.62% for the six months ended February 28, 2023, annualized, unaudited, before fee waiver. The unaudited expense ratio after the fee waiver is 1.45%.

## Premium/Discount (1/3/00 - 5/31/23)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	73.57	57.08
Consumer Discretionary	5.32	5.9
Communication Services	3.51	3.19
Industrials	3.22	7.51
Consumer Staples	2.85	2.32
Materials	2.27	7.79
Financials	1.16	12.44
Energy	0	1.59
Real Estate	0	1.27
Health Care	0	0.65
Utilities	0	0.24
N/A	0	0.02

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co. Ltd.	22.14
Global Unichip Corp.	4.87
Asia Vital Components Co. Ltd.	4.09
eMemory Technology, Inc.	4.06
Alchip Technologies Ltd.	3.87
Delta Electronics, Inc.	3.87
Gigabyte Technology Co. Ltd.	3.4
ASPEED Technology, Inc.	3.34
Nuvoton Technology Corp.	3.07
Quanta Computer, Inc.	2.98

Holdings and sector weightings are subject to change. Source: State Street Bank & Trust Company, Bloomberg L.P. as of 5/31/2023.

## Portfolio Characteristics

	Fund
Number of Issues	42
Foreign Holdings (%)	91.89
Cash and Other Assets less Liabilities (%)	8.11
Dividend Yield (%)	N.A.

As of 5/31/2023.

## 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 May 31, 2023

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	of Fund	
<b>INFORMATION TECHNOLOGY</b>					<b>73.57</b>	
	Taiwan Semiconductor Manufacturing Co. Ltd.	2330-TW	558.00	3,255,000	59,109,592	22.14
	Global Unichip Corp.	3443 TW	1495.00	267,000	12,990,481	4.87
	Asia Vital Components Co. Ltd.	3017-TW	197.50	1,697,705	10,911,943	4.09
	eMemory Technology, Inc.	3529-TW	1840.00	181,000	10,838,500	4.06
	Alchip Technologies Ltd.	3661-TW	1655.00	192,000	10,341,225	3.87
	Delta Electronics, Inc.	2308-TW	316.50	1,002,000	10,320,820	3.87
	Gigabyte Technology Co. Ltd.	2376-TW	186.50	1,496,000	9,079,945	3.40
	ASPEED Technology, Inc.	5274-TW	2880.00	95,000	8,904,076	3.34
	Nuvoton Technology Corp.	4919-TW	129.00	1,950,000	8,186,478	3.07
	Quanta Computer, Inc.	2382-TW	116.50	2,098,000	7,954,340	2.98
	Gold Circuit Electronics Ltd.	2368-TW	122.00	1,772,100	7,035,919	2.64
	Lotes Co. Ltd.	3533-TW	871.00	235,972	6,688,849	2.51
	Wistron Corp.	3231-TW	66.70	2,658,000	5,769,705	2.16
	MediaTek, Inc.	2454-TW	759.00	202,000	4,989,602	1.87
	E Ink Holdings, Inc.	8069-TW	207.00	731,000	4,924,481	1.84
	Jentech Precision Industrial Co. Ltd.	3653-TW	598.00	240,000	4,670,735	1.75
	SDI Corp.	2351-TW	123.50	955,000	3,838,337	1.44
	WinWay Technology Co. Ltd.	6515-TW	796.00	124,000	3,212,237	1.20
	Parade Technologies Ltd.	4966-TW	1020.00	66,000	2,190,871	0.82
	Unimicron Technology Corp.	3037-TW	180.50	271,000	1,591,913	0.60
	Wiwynn Corp.	6669-TW	1160.00	38,000	1,434,546	0.54
	Globalwafers Co. Ltd.	6488-TW	504.00	78,000	1,279,375	0.48
	Grand Process Technology Corp.	3131-TW	477.50	9,000	139,859	0.05
<b>CONSUMER DISCRETIONARY</b>					<b>5.32</b>	
	Eclat Textile Co. Ltd.	1476-TW	469.00	197,000	3,006,851	1.13
	Fulgent Sun International Holding Co. Ltd.	9802-TW	126.00	505,000	2,070,783	0.78
	Gourmet Master Co. Ltd.	2723-TW	149.00	391,000	1,895,989	0.71
	Nien Made Enterprise Co. Ltd.	8464-TW	352.50	160,000	1,835,489	0.69
	Feng TAY Enterprise Co. Ltd.	9910-TW	191.00	290,000	1,802,620	0.68
	Makalot Industrial Co. Ltd.	1477-TW	218.00	196,000	1,390,546	0.52
	Merida Industry Co. Ltd.	9914-TW	194.50	198,000	1,253,307	0.47
	Bafang Yunji International Co. Ltd.	2753-TW	174.00	110,000	622,895	0.23
	Taiwan Paiho Ltd.	9938-TW	54.80	100,000	178,342	0.07
	Giant Manufacturing Co. Ltd.	9921-TW	206.00	20,000	134,082	0.05
<b>COMMUNICATION SERVICES</b>					<b>3.51</b>	
	Chunghwa Telecom Co. Ltd.	2412-TW	126.00	1,285,000	5,269,221	1.97
	Far EasTone Telecommunications Co. Ltd.	4904-TW	76.70	1,639,000	4,091,166	1.53
<b>INDUSTRIALS</b>					<b>3.22</b>	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	710.00	340,000	7,856,155	2.94
	Nak Sealing Technologies Corp	9942-TW	158.50	143,000	737,629	0.28
<b>CONSUMER STAPLES</b>					<b>2.85</b>	
	President Chain Store Corp.	2912-TW	279.50	549,000	4,993,751	1.87
	Uni-President Enterprises Corp.	1216-TW	74.30	1,080,000	2,611,472	0.98
<b>MATERIALS</b>					<b>2.27</b>	
	Century Iron & Steel Industrial Co. Ltd.	9958-TW	109.00	1,148,000	4,072,313	1.53
	Swancor Holding Co. Ltd.	3708-TW	94.60	645,000	1,985,746	0.74
<b>FINANCIALS</b>					<b>1.16</b>	
	Chailease Holding Co. Ltd.	5871-TW	202.50	470,000	3,097,388	1.16

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.

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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 in 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