

# THE TAIWAN FUND, INC.

## Manager's Commentary

### Market Review

The TWSE Total Return Index rose 0.08% in February 2023, in US dollar terms. The top three performing industry groups were Technology Hardware & Equipment, Capital Goods and Transportation. The top three underperforming industry groups were Semiconductors & Semiconductor Equipment, Retailing and Insurance. The Taiwan TPEX Exchange Index, ("TWOTCI", the over-the-counter index) rose 4.20% in February.

### Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark") in February 2023, as it benefited largely from rising prices, overweight positions and stock selection in its holdings in the Semiconductor & Semiconductor Equipment and Technology Hardware & Equipment industry groups. Stock selection in the Capital Goods industry group also contributed positively to performance. On the other hand, the Fund's overweight position in Consumer Durables & Apparel and Food & Staples Retailing detracted from performance. At the stock selection level, the largest contributors were Global Unichip Corp., ASPEED Technology, Inc., and eMemory Technology, Inc., while the largest detractors were Taiwan Semiconductor Manufacturing Co. Ltd., Delta Electronics, Inc., and Eclat Textile Co. Ltd.

### Key Transactions

The total securities holding of the Fund stood at 91.96% at February month-end. This represented an increase from 90.6% at January month-end. Of the Fund's securities holdings, 81.24% were held in TWSE traded securities and 10.72% were in OTC traded securities at February month-end. The major changes in the portfolio were the addition within the Technology Hardware & Equipment industry group securities in consideration of the stronger demand of product upgrades and in the Materials industry group in consideration of increased demand driven by green energy related businesses. The Fund also realized profits through the reduction of positions in Semiconductor & Semiconductor Equipment after recent price increases.

We have added weightings to the Materials industry group, by increasing our position in Century Iron & Steel Industrial Co. Ltd. with a focus on its wind power related business. We have also added weightings in the Technology Hardware & Equipment industry group, by increasing our positions in Asia Vital Components Co. Ltd., Lotes Co. Ltd., and Largan Precision Co. Ltd., by focusing on expected

### 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)	\$241.4
Median Market Cap (in billions)	\$3.5
Distribution Frequency	Annual
Management Firm	Nomura Asset Management U.S.A. Inc.

### Fund Manager



Sky Chen  
Lead Portfolio Manager

### Performance

(US\$ Returns as of 2/28/2023)

	Fund	Benchmark <sup>1</sup>
One Month	4.29%	0.08%
Three Month	7.41%	5.86%
One Year	-19.92%	-15.32%
Three Year (Annualized)	19.98%	15.00%

### Net Asset Value/Market Price (as of 2/28/2023)

NAV/Market Price	\$32.32 / \$26.71
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### High/Low Ranges (52-Week)

High/Low NAV	\$41.63 / \$23.07
High/Low Market Price	\$34.26 / \$18.695
Premium/Discount to NAV (as of 2/28/2023)	-17.36

### Fund Data (Common Shares)

Shares Outstanding	7,470,494
Average Daily Volume	7,584
Expense Ratio <sup>2</sup>	1.02%

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

<sup>2</sup>12 months ended August 31, 2022, before waiver fee. The expense ratio after the fee waiver is 0.96%.

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

## Manager's Commentary (continued)

server and data center related component upgrades and smart phone lens migrations. Conversely, we have reduced holdings in the Semiconductor & Semiconductor Equipment industry group by taking advantage of rising valuations after share price surges in the past two months by reducing our positions in Global Unichip Corp., Nuvoton Technology Corp., and eMemory Technology Inc.

## Outlook and Strategy

Recently released economic data was better than expected, which has supported local indexes to maintain their high levels. Nonetheless, we note that inflation pressure has started to ease, but not disappear. We have therefore maintained a cautious stand and will continue to observe how the higher interest rates impact both investment and consumption. As we have previously discussed, inventory levels have come off gradually and are expected to reach reasonable levels sometime in the 1st half of 2023, followed by a demand recovery in the 2nd half of 2023. The demand growth has yet to appear, but expectations remain in support of this view.

One interesting topic is the new artificial intelligence ("AI") applications demonstrated by ChatGPT (a language model developed by OpenAI, designed to respond to text-based queries and generate natural language responses) which have further boosted the market, especially in internet protocol ("IP") services and AI related industries. Over the long term, we believe that AI technology will become popular in daily lives. However, the near-term share price movements have been driven largely by sentiment and expectations. It remains to be seen when the momentum diminishes. On the fundamental side, we remain in favor of industries with long-term secular growth, such as in semiconductors with regards to AI, high performance computing servers, electronic vehicles and autonomous driving, etc. We have focused on companies trading at reasonable valuations while staying alert of the macro environment and potential recession risks.

## Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	4.29	7.41	15.84	-19.92	19.98	14.59	12.03	9.59
Market Price	2.89	9.02	15.68	-21.05	19.54	13.18	10.99	8.00
Taiwan TAIEX Total Return Index	0.08	5.86	10.62	-15.32	15.00	10.75	10.72	—
Taiwan TAIEX Price Index	0.08	5.69	10.62	-19.19	10.91	6.55	6.69	—
MSCI Taiwan Index (net)	-1.13	5.32	11.40	-18.10	14.17	10.61	10.58	—

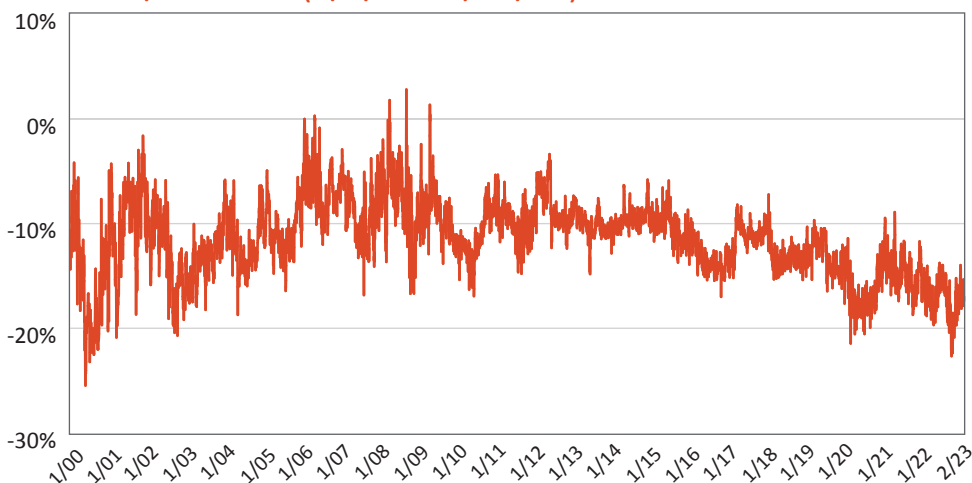
## Calendar Year Returns (%)

	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: 1.02% for the 12 month period ended August 31, 2022, before waiver fee. The expense ratio after the fee waiver is 0.96%.

## Premium/Discount (1/3/00 - 2/28/23)



Past performance is not indicative of future results.

## Sector Breakdown (%)

	Fund	Benchmark
Information Technology	72.50	55.82
Consumer Discretionary	5.45	5.89
Communication Services	4.04	3.13
Industrials	3.97	7.58
Consumer Staples	2.98	2.31
Materials	1.57	8.33
Financials	1.44	12.99
Energy	0.00	1.69
Real Estate	0.00	1.38
Health Care	0.00	0.73
Utilities	0.00	0.16

## Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co. Ltd.	23.63
eMemory Technology, Inc.	5.19
Global Unichip Corp.	4.46
Nuvoton Technology Corp.	3.91
Delta Electronics, Inc.	3.86
Advanced Energy Solution Holding Co. Ltd.	3.80
ASPEED Technology, Inc.	3.61
Asia Vital Components Co. Ltd.	3.05
Alchip Technologies Ltd.	2.76
Lotes Co. Ltd.	2.69

Holdings and sector weightings are subject to change. As of 2/28/2023.

## Portfolio Characteristics

	Fund
Number of Issues	43
Foreign Holdings (%)	91.96
Cash and Other Assets less Liabilities (%)	8.04
Dividend Yield (%)	N.A.

As of 2/28/2023.

## 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 February 28, 2023

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	of Fund	
<b>INFORMATION TECHNOLOGY</b>					<b>72.50</b>	
	Taiwan Semiconductor Manufacturing Co. Ltd.	2330-TW	511.00	3,402,000	57,054,497	23.63
	eMemory Technology, Inc.	3529-TW	1,870.00	204,000	12,520,061	5.19
	Global Unichip Corp.	3443 TW	1,160.00	283,000	10,774,053	4.46
	Nuvoton Technology Corp.	4919-TW	147.50	1,950,000	9,439,768	3.91
	Delta Electronics, Inc.	2308-TW	286.50	991,000	9,318,220	3.86
	ASPEED Technology, Inc.	5274-TW	2,795.00	95,000	8,714,452	3.61
	Asia Vital Components Co. Ltd.	3017-TW	120.50	1,864,000	7,371,700	3.05
	Alchip Technologies Ltd.	3661-TW	944.00	215,000	6,661,087	2.76
	Lotes Co. Ltd.	3533-TW	861.00	230,000	6,499,286	2.69
	Gold Circuit Electronics Ltd.	2368-TW	92.10	1,772,100	5,356,517	2.22
	MediaTek, Inc.	2454-TW	723.00	202,000	4,793,187	1.99
	SDI Corp.	2351-TW	124.00	955,000	3,886,509	1.61
	Accton Technology Corp.	2345-TW	283.00	407,000	3,780,206	1.57
	Realtek Semiconductor Corp.	2379-TW	380.00	282,000	3,516,960	1.46
	E Ink Holdings, Inc.	8069-TW	194.50	536,000	3,421,520	1.42
	Jentech Precision Industrial Co. Ltd.	3653-TW	425.00	240,000	3,347,610	1.39
	Hon Hai Precision Industry Co. Ltd.	2317-TW	101.00	916,000	3,036,348	1.26
	Tong Hsing Electronic Industries Ltd.	6271-TW	219.00	385,100	2,767,912	1.15
	Wiwynn Corp.	6669-TW	969.00	76,000	2,416,974	1.00
	Genius Electronic Optical Co. Ltd.	3406-TW	389.00	181,000	2,310,803	0.96
	Largan Precision Co Ltd	3008-TW	2,205.00	29,000	2,098,656	0.87
	Compeq Manufacturing Co Ltd	2313-TW	45.60	1,376,000	2,059,292	0.85
	Gigabyte Technology Co. Ltd.	2376-TW	119.00	481,000	1,878,567	0.78
	Globalwafers Co. Ltd.	6488-TW	512.00	78,000	1,310,688	0.54
	Novatek Microelectronics Corp	3034-TW	407.50	51,000	682,075	0.28
<b>CONSUMER DISCRETIONARY</b>					<b>5.45</b>	
	Eclat Textile Co. Ltd.	1476-TW	480.50	287,000	4,525,952	1.87
	Fulgent Sun International Holding Co. Ltd.	9802-TW	136.50	505,000	2,262,345	0.94
	Feng TAY Enterprise Co. Ltd.	9910-TW	185.00	290,000	1,760,777	0.73
	Nien Made Enterprise Co. Ltd.	8464-TW	326.00	160,000	1,711,876	0.71
	Makalot Industrial Co. Ltd.	1477-TW	214.50	196,000	1,379,806	0.57
	Merida Industry Co. Ltd.	9914-TW	180.00	198,000	1,169,694	0.48
	Taiwan Paiho Ltd.	9938-TW	61.90	100,000	203,154	0.08
	Giant Manufacturing Co Ltd	9921-TW	203.50	20,000	133,576	0.06
<b>COMMUNICATION SERVICES</b>					<b>4.04</b>	
	Chunghwa Telecom Co. Ltd.	2412-TW	115.50	1,285,000	4,871,019	2.02
	Far EasTone Telecommunications Co. Ltd.	4904-TW	69.00	1,639,000	3,711,613	1.54
	Taiwan Mobile Co. Ltd.	3045-TW	96.60	373,000	1,182,553	0.49
<b>INDUSTRIALS</b>					<b>3.97</b>	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	823.00	340,000	9,183,610	3.80
	Nak Sealing Technologies Corp	9942-TW	119.50	105,000	411,805	0.17
<b>CONSUMER STAPLES</b>					<b>2.98</b>	
	President Chain Store Corp.	2912-TW	267.00	549,000	4,810,811	1.99
	Uni-President Enterprises Corp.	1216-TW	67.50	1,080,000	2,392,556	0.99
<b>MATERIALS</b>					<b>1.57</b>	
	Swancor Holding Co. Ltd.	3708-TW	109.50	645,000	2,317,974	0.96
	Century Iron & Steel Industrial Co. Ltd.	9958-TW	104.00	431,000	1,471,110	0.61
<b>FINANCIALS</b>					<b>1.44</b>	
	Chailease Holding Co. Ltd.	5871-TW	225.50	470000	3,478,397	1.44

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.

**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.

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