

THE TAIWAN FUND, INC.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of August 2021 up 3.22% in U.S. dollar terms, with the technology sector up 2.56%, non-technology up 2.27%, financials up 7.83% and over-the-counter ("OTC") stocks up 0.32%. The top three outperforming sectors were freight transportation, insurance and financial holdings. The bottom three underperforming sectors were software-others, gaming and mobile phone manufacturing.

Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"), and both sector allocation and stock selection were positive. On the sector level, the Fund's overweight positions in healthcare equipment & service and semiconductors & semi equipment, as well as underweight positions in materials, tech hardware & equipment and capital goods helped performance. Underweight positions in insurance, banks and transportation hurt performance. At the stock level, the best active contributors were Pegavision Corporation, eMemory Technology Inc. and Alchip Technologies Limited (Alchip). The worst active detractors were Taiwan Semiconductor Manufacturing Company (TSMC), Accton Technology Corporation and Novatek Microelectronic.

Key Transactions

This month, we rebalanced the portfolio toward the foundry industry. In particular, we have increased the allocation to TSMC, which now represents nearly 25% of the Fund's net asset value (NAV). In addition, United Microelectronics Corp. (UMC) and Alchip are now also significant holdings in the portfolio.

It is unusual for the Fund to hold a position in TSMC that approaches the Fund's limit of 25% of NAV. The reason for our full allocation stems from developments that have had a favorable impact on the holding. On August 25, a series of news outlets in Taiwan reported that TSMC plans to raise its prices quite dramatically. In light of this and other developments, our earnings forecast for 2022 has been revised upward significantly. This is clearly a positive development for the whole semiconductor industry.

Outlook and Strategy

We recently completed our comprehensive 2022 earnings forecast, which suggests that earnings will slip by about 6% versus full year 2021. The only subsector where we foresee earnings growth is the foundry space. Apart from mega-cap TSMC, we see upside potential in the coming year in certain industries in the financials sector. On the other hand, we think there may be opportunities to buy into some of the themes we prefer, such as ABF (Ajinmoto build-up film) substrate and automotives, at better prices later in the year. Until that time, large caps may offer more security, liquidity and, at least in the foundry names, superior upside potential.

Fund Data

Description	Seeks long-term capital appreciation primarily through investments in equity securities listed in Taiwan.
Inception Date	December 31, 1986
Total Fund Assets (millions)	\$319.9
Median Market Cap (in billions)	\$1.4
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

Fund Manager



Corrina Xiao
Lead Portfolio Manager

Performance

(US\$ Returns as of 8/31/2021)

	Fund	Benchmark ¹
One Month	4.29%	3.22%
Three Month	13.82%	4.18%
One Year	66.84%	51.02%
Three Year (Annualized)	35.88%	24.74%

Net Asset Value/Market Price

(as of 8/31/2021)

NAV/Market Price	\$42.82 / \$35.83
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High/Low Ranges (52-Week)

High/Low NAV	\$43.70/\$27.36
High/Low Market Price	\$37.62/\$22.80
Premium/Discount to NAV (as of 8/31/2021)	-16.32%

Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	7,255
Expense Ratio ²	0.99%

¹Taiwan TAIEX Total Return Index.

²Six months ended February 28, 2021.

THE TAIWAN FUND, INC.

Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	4.29	13.82	40.39	66.84	35.88	24.66	13.58	10.66
Market Price	0.20	13.57	39.69	69.95	34.58	24.07	12.81	9.03
Taiwan TAIEX Total Return Index	3.22	4.18	23.09	51.02	24.74	21.55	12.95	—
MSCI Taiwan Index (net)	4.47	2.81	21.35	52.48	26.41	22.21	13.40	—
Taiwan TAIEX Price Index	2.33	2.07	20.37	47.07	20.55	17.17	8.99	—

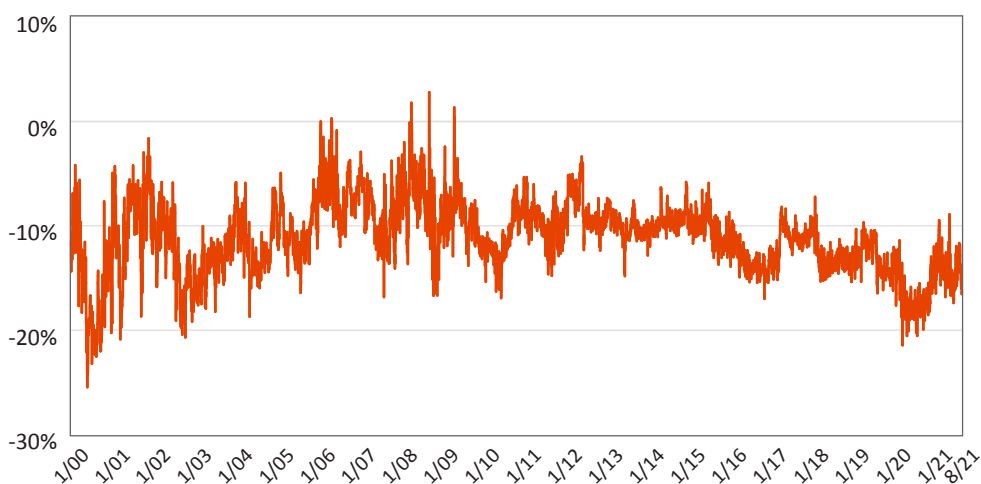
Calendar Year Returns (%)

	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 Index (net)	9.06	9.36	-11.72	18.54	27.53	-8.93	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 indicative of future results.

Returns are expressed in U.S. dollars and are annualized except for periods of less than one year. Source: Virtus, 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: 0.99%. For the six months ended February 28, 2021.

Premium/Discount (1/3/00 - 8/31/21)



Past performance is not indicative of future results.

Sector Breakdown (%)

	Fund	Benchmark
Information Technology	78.96	57.65
Health Care	6.57	0.42
Materials	3.51	8.60
Consumer Discretionary	2.59	5.56
Financials	1.94	11.89
Industrials	1.22	7.97
Communication Services	0.00	2.78
Real Estate	0.00	1.16
Utilities	0.00	0.11
Consumer Staples	0.00	2.11
Energy	0.00	1.75

Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	24.44
Alchip Technologies Ltd.	4.85
United Microelectronics Corp.	4.82
Kinsus Interconnect Technology Corp.	3.96
Pegavision Corp.	3.86
Silergy Corp.	3.64
Unimicron Technology Corp.	3.03
Gold Circuit Electronics Ltd.	2.86
Pan Jit International Inc.	2.82
Accton Technology Corp.	2.57

Holdings and sector weightings are subject to change. As of 8/31/2021.

THE TAIWAN FUND, INC.

Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	22.89	14.05
P/B Ratio	3.87	2.28
Number of Issues	42	932
Foreign Holdings (%)	94.80	100.00
Cash (%)	5.20	0.00
Dividend Yield (%)	1.60	2.68

As of 7/30/2021.

Risk Statistics (3 Year)

Beta	1.15
R ²	0.88
Standard Deviation of NAV	24.69
Standard Deviation of Market Price	23.93

Distribution History (10 Year)

Ex-dividend Date	Record Date	Payable Date	Distribution/Share	Income	Long-term Capital Gain	Short-term Capital Gain
12/28/11	12/30/11	1/9/12	0.560530	0.000000	0.560530	0.000000
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

Distribution/Share includes income, long-term capital gains, and short-term capital gains.

THE TAIWAN FUND, INC.

All Portfolio Holdings

As of August 31, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
Information Technology					78.96	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	614.00	3,529,000	78,185,938	24.44
	Alchip Technologies Ltd.	3661-TW	699.00	615,000	15,511,754	4.85
	United Microelectronics Corp.	2303-TW	63.10	6,775,000	15,425,785	4.82
	Kinsus Interconnect Technology Corp.	3189-TW	200.50	1,753,000	12,682,501	3.96
	Silergy Corp.	6415-TW	3980.00	81,000	11,632,598	3.64
	Unimicron Technology Corp.	3037-TW	147.50	1,820,000	9,686,615	3.03
	Gold Circuit Electronics Ltd.	2368-TW	73.50	3,448,000	9,144,569	2.86
	Pan Jit International Inc.	2481-TW	108.50	2,306,000	9,028,127	2.82
	Accton Technology Corp.	2345-TW	280.50	811,000	8,208,472	2.57
	GlobalWafers Co., Ltd.	6488-TW	870.00	249,000	7,816,768	2.44
	eMemory Technology, Inc.	3529-TW	1630.00	125,000	7,352,013	2.30
	Nuvoton Technology Corporation	4919-TW	155.00	1,242,000	6,946,434	2.17
	SDI Corporation	2351-TW	146.00	1,094,000	5,763,401	1.80
	Novatek Microelectronics Corp.	3034-TW	449.00	349,000	5,654,320	1.77
	VIA Labs. Inc.	6756-TW	436.50	293,000	4,614,881	1.44
	Nan Ya Printed Circuit Board Corporation	8046-TW	421.50	283,000	4,304,202	1.35
	Advanced Wireless Semiconductor Co.	8086-TW	168.50	661,000	4,018,926	1.26
	Visual Photonics Epitaxy Co., Ltd.	2455-TW	127.00	867,000	3,973,118	1.24
	Formosa Sumco Technology Corporation	3532-TW	186.00	551,000	3,698,053	1.16
	Asmedia Technology Inc.	5269-TW	2075.00	49,000	3,668,790	1.15
	Parade Technologies, Ltd.	4966-TW	1750.00	55,000	3,473,037	1.09
	Episil Holdings Inc.	3707-TW	109.00	868,000	3,413,932	1.07
	Jih Lin Technology Co., Ltd.	5285-TW	118.50	710,000	3,035,885	0.95
	Anpec Electronics Corporation	6138-TW	157.50	468,000	2,659,715	0.83
	Sensortek Technology Corp.	6732-TW	740.00	98,000	2,616,775	0.82
	Wafer Works Corp.	6182-TW	70.40	969,000	2,461,530	0.77
	Taiwan Semiconductor Co., Ltd.	5425-TW	73.80	921,000	2,452,588	0.77
	Lotes Co., Ltd.	3533-TW	540.00	100,000	1,948,509	0.61
	MPI Corp.	6223-TW	148.50	322,000	1,725,405	0.54
	Elite Material Co., Ltd.	2383-TW	234.00	178,000	1,502,950	0.47
Health Care					6.57	
	Pegavision Corp.	6491-TW	598.00	572,000	12,342,577	3.86
	Universal Vision Biotechnology Co., Ltd.	3218-TW	314.00	468,000	5,302,542	1.66
	St. Shine Optical Co., Ltd.	1565-TW	339.00	277,000	3,388,349	1.06
Materials					3.51	
	China Steel Corporation	2002-TW	38.15	3,954,000	5,443,019	1.70
	Century Iron & Steel Industrial Co., Ltd.	9958-TW	112.00	735,000	2,970,393	0.93
	TA Chen Stainless Pipe Co., Ltd.	2027-TW	50.60	1,548,000	2,826,377	0.88
Consumer Discretionary					2.59	
	Makalot Industrial Co., Ltd.	1477-TW	238.50	296,000	2,547,351	0.80
	Nien Made Enterprise Co., Ltd.	8464-TW	414.00	133,000	1,986,830	0.62
	Actron Technology Corporation	8255-TW	213.00	249,000	1,913,760	0.60
	Fulgent Sun International (Holding) Co., Ltd.	9802-TW	87.70	583,877	1,847,692	0.58
Financials					1.94	
	Fubon Financial Holding Co., Ltd.	2881-TW	84.98	2,025,000	6,210,872	1.94
Industrials					1.22	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	852.00	127,000	3,904,379	1.22

Source: State Street Bank and Trust Company, Virtus.

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:

Allianz Global Investors US LLC became the Investment Manager of the Fund on June 1, 2019.

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 AllianzGI 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, AllianzGI 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.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED