

THE TAIWAN FUND, INC.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of September 2021 down 3.38% in US dollar terms, with the technology sector down 4.44%, non-technology down 1.13%, the financial sector down 1.10% and over-the-counter ("OTC") stocks down 3.47%. The top three outperforming sectors were transformer & uninterruptible power supply ("UPS"), chemical industry and monitor panels. The bottom three underperforming sectors were optical lens, glass & ceramic and integrated circuit ("IC") packaging & testing.

Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Although sector allocation was negative, stock selection was positive. On the sector level, there were no overweight positions that helped performance, but underweight positions in transportation and tech hardware & equipment helped performance. In contrast, the overweight positions in semiconductors & semi equipment and healthcare equipment & service, as well as underweight positions in materials, banks and energy hurt performance. On the stock level, the best active contributors were Alchip Technologies Ltd., eMemory Technology Inc. and Silergy Corporation; the worst active detractors were ASMedia Technology Inc., Pan Jit International and Pegavisision Corporation.

Key Transactions

As we continue to experience unpredictable events originating in mainland China, this month provided two major catalysts for fresh concern. First, the Evergrande situation led to some initial worries in Taiwan regarding the financial sector. However, the exposure to Evergrande among our banks is small and we do not believe it is a systemic risk to the sector. We had been increasing our exposure to insurers prior to this and have experienced some minor mark-to-market losses as a result. We view this as a transient, sentiment-driven sell off, with no basis in the fundamental soundness of the sector.

The second surprise from across the Strait involved the sudden, enforced closure of several factories at the end of September on the mainland, driven by a need to achieve policy objectives for carbon emissions. Although the official narrative on environmental compliance might be true, there are rumors that another contributing factor is the spiking cost of coal, which has been driven to extremes by the ban on Australian coal in China. We see this as positive for polyvinyl chloride ("PVC"), and have accumulated a position in China General Plastics Corp., which will benefit from rising prices for their products. We exited China Steel Corp., which will suffer from the rising energy costs.

Lastly, unrelated to the news flow from China, we made an investment in Tatung Co. this month. This is a venerable Taiwanese industrial conglomerate which has suffered in recent years after the passing of its founder. Recently, however, there have been developments at the firm involving a new management team and a turnaround plan. We think there is scope for significant upside in this stock if the company achieves its stated objectives over the next three years. We have built a stake worth around 2% of Net Asset Value ("NAV") in this name.

Outlook and Strategy

We see more risks coming from Mainland China. On September 26, the Chinese government started to restrict power consumption, officially to comply with its environmental policy, which requires factories to reduce carbon emissions. Many manufacturers in provinces including Jiangsu, Guangdong and Henan have been forced to shut down their production facilities through the end of September. This could have meaningful impact on the tech sector, especially for printed circuit board ("PCB"), copper clad laminate ("CCL") and other components. As at the time of writing this commentary, there is uncertainty as to whether the factories will be allowed to reopen in October.

Clearly, this has consequences for our investment decisions. As mentioned in the Key Transactions section, we have moved out of PCB manufacturers and increased our exposure to petrochemicals. Going forward, we will look for signs indicating whether these changes will be repeated or are in fact just a one-off, before making further adjustments to our strategy.

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)	\$307.2
Median Market Cap (in billions)	\$1.9
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

Fund Manager



Corrina Xiao
Lead Portfolio Manager

Performance

(US\$ Returns as of 9/30/2021)

	Fund	Benchmark ¹
One Month	-3.92%	-3.38%
Three Month	-2.42%	-2.60%
One Year	62.56%	44.54%
Three Year (Annualized)	36.01%	23.25%

Net Asset Value/Market Price

(as of 9/30/2021)

NAV/Market Price	\$41.14 / \$35.21
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High/Low Ranges (52-Week)

High/Low NAV	\$43.70 / \$28.15
High/Low Market Price	\$37.62 / \$23.17
Premium/Discount to NAV (as of 9/30/2021)	-14.41%

Fund Data (Common Shares)

Shares Outstanding	7,468,866
Average Daily Volume	5,557
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	-3.92	-2.42	34.89	62.56	36.01	23.19	14.83	10.51
Market Price	-1.73	-0.37	37.27	71.50	35.36	23.14	14.73	8.95
Taiwan TAIEX Total Return Index	-3.38	-2.60	18.94	44.54	23.25	20.09	13.89	—
MSCI Taiwan Index (net)	-4.14	-2.06	16.33	43.25	24.52	20.50	14.19	—
Taiwan TAIEX Price Index	-3.69	-4.62	15.93	40.66	19.03	15.76	9.87	—

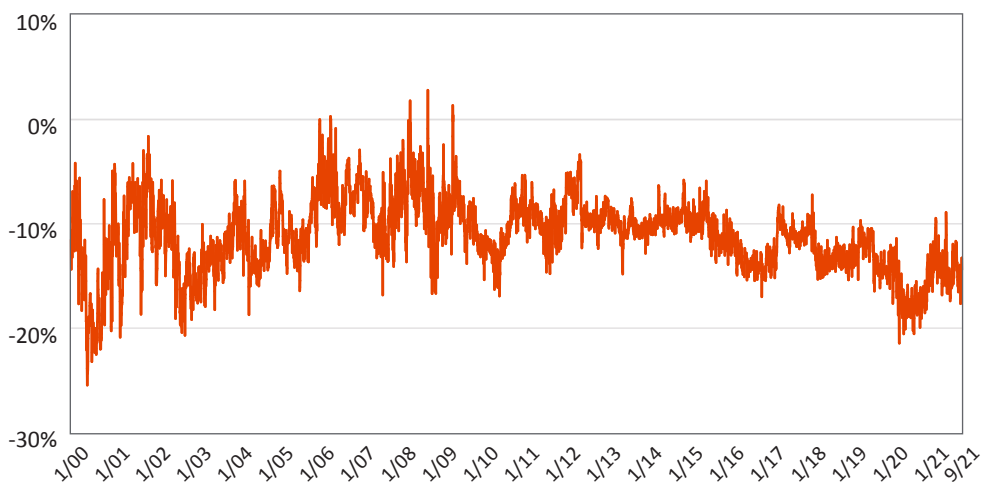
Calendar Year Returns (%)

	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 US 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 - 9/30/21)



Past performance is not indicative of future results.

Sector Breakdown (%)

	Fund	Benchmark
Information Technology	74.03	56.62
Health Care	5.55	0.42
Industrials	3.35	7.89
Financials	3.16	12.16
Consumer Discretionary	3.04	5.72
Materials	2.84	9.04
Communication Services	0.00	2.83
Real Estate	0.00	1.22
Utilities	0.00	0.12
Consumer Staples	0.00	2.14
Energy	0.00	1.83

Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	23.92
Alchip Technologies Ltd.	6.67
United Microelectronics Corp.	5.07
Kinsus Interconnect Technology Corp.	4.14
Silergy Corp.	3.89
Pegavision Corp.	3.48
eMemory Technology, Inc.	2.88
Unimicron Technology Corp.	2.81
Accton Technology Corp.	2.49
Innolux Corp.	2.49

Holdings and sector weightings are subject to change. As of 9/30/2021.

THE TAIWAN FUND, INC.

Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	17.82	13.36
P/B Ratio	3.15	2.20
Number of Issues	39	932
Foreign Holdings (%)	91.97	100.00
Cash (%)	8.03	0.00
Dividend Yield (%)	1.63	2.77

As of 9/30/2021.

Risk Statistics (3 Year)

Beta	1.14
R ²	0.89
Standard Deviation of NAV	24.66
Standard Deviation of Market Price	23.80

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 September 30, 2021

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
Information Technology					74.03	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	580.00	3,529,000	73,466,736	23.92
	Alchip Technologies Ltd.	3661-TW	928.00	615,000	20,484,916	6.67
	United Microelectronics Corp.	2303-TW	64.00	6,775,000	15,563,253	5.07
	Kinsus Interconnect Technology Corp.	3189-TW	202.00	1,753,000	12,709,966	4.14
	Silergy Corp.	6415-TW	4105.00	81,000	11,934,639	3.89
	eMemory Technology, Inc.	3529-TW	1975.00	125,000	8,861,112	2.88
	Unimicron Technology Corp.	3037-TW	132.00	1,820,000	8,622,961	2.81
	Accton Technology Corp.	2345-TW	263.00	811,000	7,655,749	2.49
	Innolux Corp.	3481-TW	17.00	12,514,000	7,635,829	2.49
	Pan Jit International Inc.	2481-TW	89.30	2,306,000	7,391,318	2.41
	Nan Ya Printed Circuit Board Corporation	8046-TW	435.00	469,000	7,322,733	2.38
	GlobalWafers Co., Ltd.	6488-TW	795.00	249,000	7,105,221	2.31
	ASMedia Technology Inc.	5269-TW	1670.00	117,000	7,013,155	2.28
	SDI Corporation	2351-TW	126.50	1,094,000	4,967,283	1.62
	Visual Photonics Epitaxy Co., Ltd.	2455-TW	118.00	867,000	3,672,081	1.20
	Novatek Microelectronics Corp.	3034-TW	410.00	245,000	3,605,463	1.17
	Formosa Sumco Technology Corporation	3532-TW	161.00	551,000	3,184,114	1.04
	Nuvoton Technology Corporation	4919-TW	134.00	642,000	3,087,812	1.01
	Anpec Electronics Corporation	6138-TW	157.00	501,000	2,823,244	0.92
	Jih Lin Technology Co., Ltd.	5285-TW	94.70	719,000	2,443,937	0.80
	Au Optronics Corp.	2409-TW	17.65	3,823,000	2,421,922	0.79
	Lotes Co., Ltd	3533-TW	555.00	118,932	2,369,206	0.77
	Episil Technologies Inc.	3707-TW	118.00	356,000	1,507,798	0.49
	Wafer Works Corp.	6182-TW	63.60	477,000	1,088,896	0.35
	Sensortek Technology Corp.	6732-TW	582.00	23,000	480,465	0.16
Health Care					5.55	
	Pegavision Corp.	6491-TW	521.00	572,000	10,696,578	3.48
	Universal Vision Biotechnology Co., Ltd.	3218-TW	309.00	468,000	5,190,574	1.69
	St. Shine Optical Co., Ltd.	1565-TW	303.00	107,000	1,163,691	0.38
Industrials					3.35	
	Tatung Co.	2371-TW	32.70	5,653,000	6,634,953	2.16
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	803.00	127,000	3,660,415	1.19
Financials					3.16	
	Fubon Financial Holding Co., Ltd.	2881-TW	76.70	2,227,500	6,132,311	2.00
	Chailease Holding Co. Ltd.	5871-TW	246.00	404,000	3,567,201	1.16
Consumer Discretionary					3.04	
	Makalot Industrial Co., Ltd.	1477-TW	246.50	398,000	3,521,365	1.15
	Fulgent Sun International (Holding) Co., Ltd.	9802-TW	99.20	583,877	2,078,950	0.68
	Nien Made Enterprise Co., Ltd.	8464-TW	396.00	133,000	1,890,418	0.62
	Actron Technology Corporation	8255-TW	206.00	249,000	1,841,101	0.60
Materials					2.84	
	China General Plastics Corporation	1305-TW	46.30	1,876,000	3,117,632	1.01
	Century Iron & Steel Industrial Co., Ltd.	9958-TW	116.50	735,000	3,073,437	1.00
	TA Chen Stainless Pipe Co., Ltd.	2027-TW	45.85	1,548,000	2,547,542	0.83

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