

THE TAIWAN FUND, INC.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of August 2022 down 0.46% in US dollar terms, with the technology sector down 0.99%, non-technology down 0.52%, the financial sector up 2.22% and over-the-counter stocks up 7.34%. The top three outperforming sectors were LCD-TFT panel, transformers and uninterruptible power supply and biotech. The bottom three underperforming sectors were shipping, handset and power supply.

Fund Review (Attribution Reports)

The Taiwan Fund, Inc. (the "Fund") underperformed the Taiwan TAIEX Total Return Index (the "benchmark"). Both sector and stock selection were negative, yet the allocation to cash contributed to positive active performance. On the sector level, the Fund's overweight positions in technology hardware & equipment and health care equipment & services, as well as underweight positions in transportation, retailing, semiconductor & semi equipment, energy, food beverage & tobacco and diversified financials helped performance. In contrast, the Fund's overweight positions in telecommunication services and food & staples retailing, and underweight positions in banks, materials, real estate, pharmaceuticals & biotech, capital goods and automobiles & components hurt performance. At the stock level, the best active contributors were E Ink Holdings Inc., Alchip Technologies Ltd. and Accton Technology Corp.; the worst active detractors were Pegavision Corp., Asia Vital Components Co., Ltd. and Advanced Energy Solution Holding Co., Ltd.

Key Transactions

The portfolio remains in a defensive position with increased diversification across different sectors, but we have begun to explore potential opportunities in underperforming stocks in the hope that their share price will rebound in the future. Although we remain concerned over weak economic growth in China and are still in the inventory adjustment period, we can find positives in the upcoming launches of server chip platforms from Nvidia and Intel. The launch of these platforms should generate significant business for many firms in our market and we hope to be able to successfully exploit this opportunity in the next two quarters.

Two additions to the portfolio are Gigabyte Technology Co., Ltd. and Micro-Star International Co., Ltd., which represent plays on this opportunity, as we believe the new platform launches will drive demand for their products. Furthermore, the companies have been efficient at clearing their inventory, which should give them an advantage against others in the short-term, as they will be able to react to market changes more quickly. Another addition is Walsin Lihwa Corporation, which has recently begun refining its nickel production to enable it to move away from purely producing nickel for stainless steel and to penetrate the EV battery market. As such, it is a stock with strong growth potential, and we hope to see good returns on this investment in the future. Finally, we have continued to diversify our portfolio with the addition of Makalot Industrial Co., Ltd., a textiles company. Its share price has struggled recently, and we hope to see it rebound to turn a profit.

We exited both ASPEED Technology, Inc. and Wiyynn Corp., two companies that form part of the supply chain for the server market. Both revised down their third quarter guidance due to a reduction in orders as their customers had previously built up

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)	\$223.8
Median Market Cap (in billions)	\$2.9
Distribution Frequency	Annual
Management Firm	Allianz Global Investors US LLC

Fund Manager



Corrina Xiao
Lead Portfolio Manager

Performance (US\$ Returns as of 8/31/2022)

	Fund	Benchmark ¹
One Month	-1.48%	-0.46%
Three Month	-14.84%	-10.88%
One Year	-24.40%	-17.61%
Three Year (Annualized)	23.58%	17.82%

Net Asset Value/Market Price (as of 8/31/2022)

NAV/Market Price	\$29.96 / \$25.20
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High/Low Ranges (52-Week)

High/Low NAV	\$46.45 / \$28.01
High/Low Market Price	\$39.60 / \$23.79
Premium/Discount to NAV (as of 8/31/2022)	-15.89

Fund Data (Common Shares)

Shares Outstanding	7,470,494
Average Daily Volume	9,700
Expense Ratio ²	1.17

¹Taiwan TAIEX Total Return Index.

²Six months ended February 28, 2022.

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Key Transactions (continued)

inventories. We hope the server market will recover in the next two quarters and we will explore the opportunity of adding ASPEED to take advantage of the potential of its products. We also exited Merida Industry Co. Ltd., a producer of e-bikes for Specialize, a Europe-based e-bike brand. This is due to the slowdown in the European economies, leading to a downward revision of incoming orders.

Outlook and Strategy

The US Federal Reserve's (the "Fed") policy of raising interest rates to combat inflation has resulted in significant uncertainty in the financial markets. The Fed recently committed to continuing its current hawkish stance, and, although it is impossible to know whether the market has bottomed out, we believe it has largely adjusted to this situation. Therefore, we take the view that we should explore the possibility of finding stocks with growth potential and attractive valuations.

Inventories are at a historical high due to the impact of COVID-19, making predicting changes in demand more challenging. This high level of stock being held by many companies has slowed the production of new products as they wait for inventory to be digested. A direct consequence of this has been the slowdown in production of new products and services, such as Nvidia's new chip platform.

Foreign investor confidence in Taiwan remains low following the Russian invasion of Ukraine and the recent heightening of tensions in the Taiwan Strait. Nonetheless, Taiwan remains the global hub of the strategically significant semiconductor industry with a highly specialized labor force and established supply chain. For these reasons, we remain confident that the semiconductor industry will remain based in Taiwan.

As this will be our last report for the Fund, we wish to thank the Fund for giving us the opportunity to manage its portfolio.

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Returns (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
NAV	-1.48	-14.84	-31.57	-24.40	23.58	13.32	11.81	9.49
Market Price	-3.04	-11.08	-32.93	-24.01	22.78	12.14	10.99	7.94
Taiwan TAIEX Total Return Index	-0.46	-10.88	-21.41	-17.61	17.82	11.32	11.23	—
MSCI Taiwan Index (net)	-1.30	-12.80	-23.87	-20.87	18.50	11.07	11.28	—
Taiwan TAIEX Price Index	-1.01	-14.36	-24.69	-21.42	13.63	7.17	7.22	—

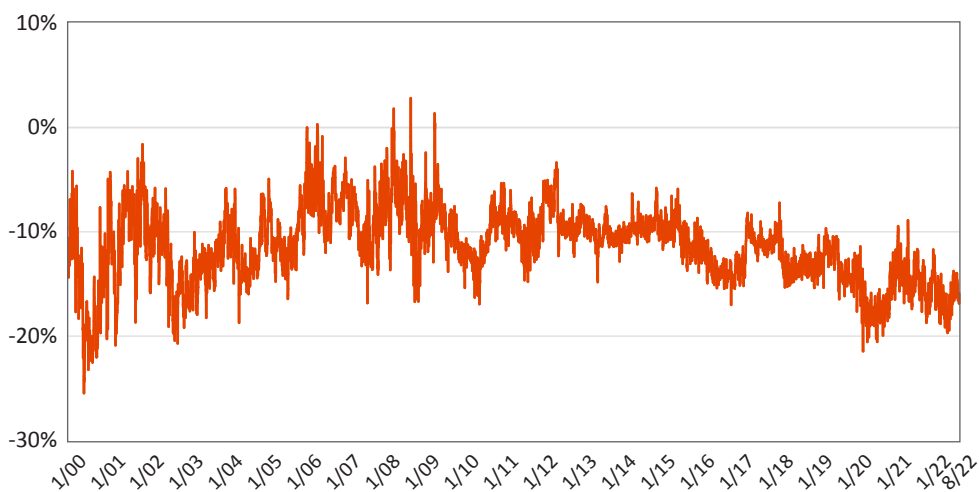
Calendar Year Returns (%)

	2014	2015	2016	2017	2018	2019	2020	2021
NAV	-2.25	-6.43	11.17	28.44	-14.96	47.11	41.97	55.09
Market Price	-1.28	-10.52	10.05	33.61	-19.11	46.75	39.81	58.26
Taiwan TAIEX Total Return Index	5.05	-10.40	17.81	29.45	-7.86	32.19	35.62	29.04
MSCI Taiwan Index (net)	9.36	-11.72	18.54	27.53	-8.93	36.37	40.99	26.13
Taiwan TAIEX Price Index	1.93	-13.81	13.11	24.56	-11.51	26.46	31.01	25.59

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: 1.17%. For the six months ended February 28, 2022.

Premium/Discount (1/3/00 - 8/31/22)



Past performance is not indicative of future results.

Sector Breakdown (%)

	Fund	Benchmark
Information Technology	58.45	55.78
Communication Services	8.67	3.41
Industrials	3.60	7.28
Consumer Discretionary	3.55	5.73
Health Care	3.29	0.71
Financials	3.06	13.16
Materials	1.54	8.28
Consumer Staples	0.87	2.35
Real Estate	0.00	1.41
Utilities	0.00	0.17
Energy	0.00	1.72

Top 10 Holdings (%)

Taiwan Semiconductor Manufacturing Co., Ltd.	24.96
Hon Hai Precision Industry Co., Ltd.	4.53
Chunghwa Telecom Co., Ltd	3.96
Accton Technology Corp.	3.73
Delta Electronics, Inc.	3.65
Pegavisision Corp.	2.89
Gold Circuit Electronics Ltd	2.42
Taiwan Mobile Co., Ltd.	2.38
Far Eastone Telecommunications Co., Ltd.	2.34
Asia Vital Components Co., Ltd.	2.24

Holdings and sector weightings are subject to change. As of 8/31/2022.

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Portfolio Characteristics

	Fund	Benchmark
Forward P/E Ratio	14.33	10.74
P/B Ratio	3.89	2.92
Number of Issues	39	949
Foreign Holdings (%)	83.04	100.00
Cash (%)	16.96	0.00
Dividend Yield (%)	3.13	4.39

As of 8/31/2022.

Risk Statistics (3 Year)

Beta	1.22
R ²	0.88
Standard Deviation of NAV	27.48
Standard Deviation of Market Price	25.64

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.

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All Portfolio Holdings

As of August 31, 2022

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Fund	
Information Technology					58.45	
	Taiwan Semiconductor Manufacturing Co., Ltd.	2330-TW	505.00	3,367,000	55,863,162	24.96
	Hon Hai Precision Industry Co., Ltd.	2317-TW	109.00	2,830,000	10,134,538	4.53
	Accton Technology Corp.	2345-TW	283.50	897,000	8,354,809	3.73
	Delta Electronics, Inc.	2308-TW	263.00	945,000	8,165,421	3.65
	Gold Circuit Electronics Ltd.	2368-TW	83.60	1,969,000	5,408,079	2.42
	Asia Vital Components Co., Ltd.	3017-TW	108.50	1,406,000	5,011,943	2.24
	E Ink Holdings Inc.	8069-TW	239.50	628,000	4,941,470	2.21
	Nan Ya Printed Circuit Board Corporation	8046-TW	270.50	480,000	4,265,791	1.91
	Alchip Technologies Ltd.	3661-TW	857.00	129,000	3,632,131	1.62
	eMemory Technology, Inc.	3529-TW	1385.00	75,000	3,412,731	1.52
	MediaTek Inc.	2454-TW	667.00	148,000	3,243,236	1.45
	Realtek Semiconductor Corp	2379-TW	346.00	282,000	3,205,651	1.43
	Unimicron Technology Corp.	3037-TW	151.50	616,000	3,066,086	1.37
	Zhen Ding Technology Holding Limited	4958-TW	114.00	621,000	2,325,881	1.04
	SDI Corporation	2351-TW	119.00	571,000	2,232,411	1.00
	Tong Hsing Electronic Industries, Ltd.	6271-TW	213.50	317,000	2,223,556	0.99
	ASE Technology Holding Co., Ltd.	3711-TW	85.40	747,000	2,095,895	0.94
	Gigabyte Technology Co., Ltd.	2376-TW	85.90	481,000	1,357,467	0.61
	Xintec Inc.	3374-TW	131.50	177,000	764,698	0.34
	Silergy Corp.	6415-TW	533.00	34,000	595,384	0.27
	Micro-Star International Co., Ltd.	2377-TW	115.00	140,000	528,953	0.24
Communication Services					8.67	
	Chunghwa Telecom Co., Ltd.	2412-TW	121.00	2,227,000	8,853,125	3.96
	Taiwan Mobile Co., Ltd.	3045-TW	99.60	1,625,000	5,317,454	2.38
	Far Eastone Telecommunications Co., Ltd.	4904-TW	74.80	2,129,000	5,232,007	2.34
Industrials					3.60	
	Advanced Energy Solution Holding Co., Ltd.	6781-TW	980.00	146,000	4,700,780	2.10
	Aerospace Industrial Development Corp.	2634-TW	35.50	1,819,000	2,121,544	0.95
	Walsin Lihwa Corporation	1605-TW	39.70	955,000	1,245,618	0.56
Consumer Discretionary					3.55	
	Eclat Textile Co., Ltd.	1476-TW	445.50	210,000	3,073,676	1.37
	Makalot Industrial Co., Ltd.	1477-TW	180.50	339,000	2,010,333	0.90
	Feng Tay Enterprise Co., Ltd.	9910-TW	172.00	290,000	1,638,768	0.73
	Yulon Motor Co., Ltd	2201-TW	41.25	747,000	1,012,361	0.45
	Taiwan Paiho Co., Ltd.	9938-TW	63.50	100,000	208,624	0.09
Health Care					3.29	
	Pegavision Corp.	6491-TW	424.50	464,000	6,471,228	2.89
	PharmaEssentia Corp.	6446-TW	581.00	47,000	897,150	0.40
Financials					3.06	
	Chailease Holding Co., Ltd.	5871-TW	197.00	460,000	2,977,248	1.33
	CTBC Financial Holding Company, Ltd.	2891-TW	23.50	2,604,000	2,010,480	0.90
	Cathay Financial Holdings Co., Ltd.	2882-TW	44.55	1,274,000	1,864,697	0.83
Materials					1.54	
	Taiwan Cement Corp.	1101-TW	39.30	2,667,181	3,443,785	1.54
Consumer Staples					0.87	
	Great Tree Pharmacy Co., Ltd.	6469-TW	309.50	191,064	1,942,811	0.87

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