

# The Taiwan Fund, Inc.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of April 2020 up 13.22% in Taiwan Dollar terms, with the technology sector up 13.18%, non-technology up 14.51%, financial sector up 10.78% and over-the-counter ("OTC") stocks up 16.86%. The top three outperforming sectors were connectors, printed circuit board ("PCB") manufacturing and networking. The bottom three underperforming sectors were handset makers, leisure & tourism and steel.

### Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"), as both stock selection and sector allocation were positive contributors. On the sector level, the Fund's overweight position in the semiconductors & semiconductor equipment and technology hardware sectors and underweight in the telecommunications services, banks and energy sectors all helped. Stock selection in semiconductors and technology hardware helped the most. On the stock level, the best active contributors were Accton Technology Corp., Unimicron Technology Corp. and Epistar Corp.; the worst active detractors were NanYa Printed Circuit Board Corp., Land Mark Optoelectronic Corp. and Yageo Corp.

### Key Transactions

In April 2020, the Fund restructured its portfolio in anticipation of a market rebound. The Fund cut some losses in the machinery sector, based on rising uncertainty in the capital expenditure ("capex") cycle, since most companies now prefer to hold more cash going into an unpredictable second half of 2020. The Fund maintained its strategy of buying on dips in our preferred themes in technology, as the Fund continued with its strategy of accumulating secular winners at favorable prices. Additionally, the Fund found some great opportunities in non-tech names whose valuations have become attractive due to the COVID-19 outbreak. The Fund also opportunistically added Giant Manufacturing Co., Ltd. to the holding.

### Outlook

Our earlier expectation was that April 2020 might provide a more positive scenario which led us to cautiously anticipate a rebound in stocks. This did in fact transpire. The two key factors driving markets, oil and COVID-19, seem to have stabilized somewhat. Indeed, market confidence seems to have recovered remarkably strongly and liquidity has flooded into the rally, taking it further, faster than we expected. Turning to the fundamental picture, after the first quarter of 2020 earnings season, many analysts were worried about the extensive damage to demand and inventory adjustment issues heading into the second half of 2020. Accordingly, they revised down fiscal year 2020 forecast numbers, downgrading semiconductors and consumers stocks, among others. Nonetheless, share prices have not been impacted by the downgrades, instead preferring to focus on a long-term recovery story now bolstered by large scale market intervention. Once again, risk-on sentiment and liquidity flows are dictating market direction, rather than fundamentals. 2020 will be a challenging year for life in general and for investment in particular. As always, we keep the long-term view in mind and in our portfolio.

## In Brief

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)	\$170.7
Median Market Cap (in billions)	\$1.8
Distribution Frequency	Annual
Management Firm	Allianz Global Investors U.S. LLC
Portfolio Management	Corrina Xiao Lead Portfolio Manager
Performance (US\$ Returns) (as of 4/30/2020) <sup>1</sup>	
	<b>Fund Benchmark<sup>2</sup></b>
One Month	16.57% 15.18%
Three Month	-0.65% -2.59%
One Year	20.90% 9.16%
Three Year	10.63% 8.62%
Net Asset Value / Market Price	
NAV / Market Price (as of 4/30/2020)	\$22.86 / \$18.62
High / Low Ranges (52-Week)	
High / Low NAV	\$25.70 / \$16.96
High / Low Market Price	\$22.37 / \$13.80
Premium/Discount to NAV (as of 4/30/2020)	-18.55%
Fund Data (Common Shares)	
Shares Outstanding	7,466,650
Average Daily Volume	9,228
Expense Ratio	1.63%

## Fund Manager



Corrina Xiao  
Lead Portfolio  
Manager

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

2. Taiwan TAIEX Total Return Index.

### Average Annual Returns<sup>1</sup>

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	16.57%	-0.65%	-5.15%	20.90%	10.63%	7.47%	7.67%	8.67%
Market Price	13.19%	-4.27%	-9.52%	11.33%	7.13%	5.52%	6.95%	6.92%
Taiwan TAIEX Total Return Index	15.18%	-2.59%	-7.38%	9.16%	8.62%	7.20%	7.75%	—
MSCI Taiwan Total Return Index	14.11%	-3.09%	-7.64%	11.15%	8.64%	7.10%	7.61%	—
Taiwan TAIEX Price Index	15.15%	-2.86%	-7.64%	4.15%	4.15%	2.89%	3.77%	—

### Calendar Year Returns<sup>1</sup>

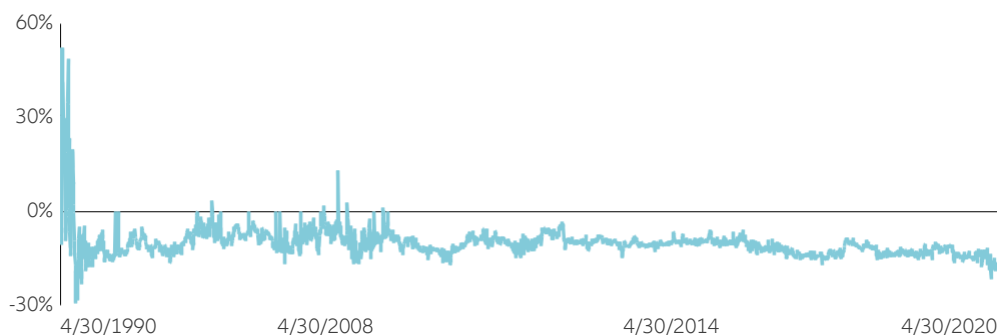
	2012	2013	2014	2015	2016	2017	2018	2019
NAV	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%
Market Price	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%
Taiwan TAIEX Total Return Index	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%
MSCI Taiwan Total Return Index	16.68%	9.06%	9.36%	-11.72%	18.54%	27.53%	-8.94%	36.37%
Taiwan TAIEX Price Index	13.52%	8.98%	1.93%	-13.81%	13.11%	24.56%	-11.51%	26.46%

Past performance is not a guide to future returns.

Returns are expressed in US dollars and are annualized, except for periods of less than one year.

Source: IDS GmbH-Analysis and Reporting Services, a subsidiary of Allianz SE. Inception date is August 29, 1984. 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. Market price performance does not include the deduction of expenses and would be lower had expenses been deducted. NAV and market price returns do not reflect broker sales charges or commissions, which would reduce returns. It is not possible to invest directly in an index.

### Premium/Discount



### Sector Breakdown

	Fund	Benchmark <sup>2</sup>
Information Technology	78.64%	52.07%
Consumer Discretionary	4.81%	6.46%
Materials	1.56%	9.50%
Real Estate	1.46%	1.47%
Communication Services	1.44%	4.52%
Consumer Staples	1.10%	3.27%
Financials	1.03%	14.26%
Industrials	0.87%	5.18%
Energy	0.00%	2.59%
Health Care	0.00%	0.51%
Utilities	0.00%	0.16%

Source: IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

### Top 10 Holdings

TAIWAN SEMIC CO LTD (Taiwan)	17.74%
CATCHER TECHNOLOGY CO LTD (Taiwan)	3.67%
SILERGY CORP (Taiwan)	3.66%
GLOBAL LIGHTING TECHNOLOGIES (Taiwan)	3.56%
ACCTON TECHNOLOGY CORP (Taiwan)	3.36%
TAIWAN SURFACE MOUNTING TECHNOLOGY CORP (Taiwan)	3.35%
MEDIATEK INC (Taiwan)	3.22%
UNIMICRON TECHNOLOGY CORP (Taiwan)	2.66%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	2.53%
LARGAN PRECISION CO LTD (Taiwan)	2.34%

### Portfolio Characteristics

	Fund	Benchmark <sup>2</sup>
P/E Ratio	16.43	15.94
P/B Ratio	2.20	1.65
Issues in Portfolio	51	919
Foreign Holdings (%)	90.90	100.00
Cash (%)	9.10	0.00
Yield (%)	2.86	3.75

### Risk Statistics (3 Year)

Beta	1.08
R <sup>2</sup>	0.91
Standard Deviation of NAV	20.07
Standard Deviation of Market Price	20.24

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

2. Taiwan TAIEX Total Return Index.

### Distribution History (10 Year)

Declaration Date	Ex-dividend Date	Record Date	Payable Date	Distribution/Share	Income	Long-term Capital Gain	Short-term Capital Gain
12/16/2010	12/28/2010	12/30/2010	1/6/2011	\$0.08148	\$0.08148	—	—
12/16/2011	12/28/2011	12/30/2011	1/9/2012	\$0.56052	—	\$0.56052	—
12/16/2014	12/26/2014	12/30/2014	1/9/2015	\$2.63320	—	\$2.63320	—
12/19/2017	12/28/2017	12/29/2017	1/9/2018	\$0.66000	\$0.66000	—	—
12/10/2018	12/20/2018	12/21/2018	1/4/2019	\$1.70780	—	\$1.70780	—
12/17/2019	12/27/2019	12/30/2019	1/10/2020	\$1.69910	\$1.46950	\$0.16450	\$0.06510

Distribution/Share includes Income, Long-term Capital gains and Short-term Capital gains.

### The Taiwan Fund NAV Performance of \$10,000 since inception (with dividends reinvested at NAV price)



Past performance is not a guide to future returns.

### Index Description

#### Taiwan TAIEX Total Return Index

The TAIEX (Taiwan Capitalization Weighted Stock Index) Total Return Index is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The returns assume reinvestment of dividends (net of foreign withholding taxes).

#### MSCI Taiwan Total Return Index

The MSCI Taiwan Total Return Index is designed to measure the performance of the large and mid cap segments of the Taiwan market. The index covers approximately 85% of the free float-adjusted market capitalization in Taiwan.

#### Taiwan TAIEX Price Index

The TAIEX (Taiwan Capitalization Weighted Stock Index) Price Index is a stock market index for companies traded on the Taiwan Stock Exchange (TWSE). The returns, unlike Fund returns, do not reflect any fees or expenses.

It is not possible to invest directly in an index.

**Portfolio in Full**

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value	
<b>Information Technology</b>					<b>78.66</b>	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	304.50	3,066,000	31,395,659	17.74
	CATCHER TECHNOLOGY CO LTD	2474	228.00	848,000	6,501,908	3.67
	SILERGY CORP	6415	1,195.00	161,000	6,469,995	3.66
	GLOBAL LIGHTING TECHNOLOGIES	4935	128.50	1,457,000	6,296,118	3.56
	ACCTON TECHNOLOGY CORP	2345	217.50	814,000	5,953,794	3.36
	TAIWAN SURFACE MOUNTING TECHNOLOGY CORP	6278	90.50	1,948,000	5,928,539	3.35
	MEDIATEK INC	2454	415.00	408,000	5,694,012	3.22
	UNIMICRON TECHNOLOGY CORP	3037	42.85	3,268,000	4,709,155	2.66
	ASE TECHNOLOGY HOLDING CO LTD	3711	67.10	1,987,000	4,483,638	2.53
	LARGAN PRECISION CO LTD	3008	4,110.00	30,000	4,146,419	2.34
	PARADE TECHNOLOGIES LTD	4966	738.00	144,000	3,573,790	2.02
	ELITE ADVANCED LASER CORP	3450	71.00	1,465,000	3,497,890	1.98
	UNITED MICROELECTRONICS CORP	2303	15.55	6,176,000	3,229,593	1.82
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	52.80	1,799,000	3,194,297	1.81
	FLEXIUM INTERCONNECT INC	6269	108.50	867,000	3,163,436	1.79
	PHISON ELECTRONICS CORP	8299	286.50	298,000	2,871,118	1.62
	CHAUN-CHOUNG TECHNOLOGY CORP	6230	250.50	337,000	2,838,885	1.60
	COMPEQ MANUFACTURING CO LTD	2313	39.95	2,087,000	2,803,815	1.58
	ITEQ CORP	6213	145.00	573,000	2,794,041	1.58
	EPISTAR CORP	2448	38.40	2,109,000	2,723,441	1.54
	NANYA TECHNOLOGY CORP	2408	65.00	1,240,000	2,710,474	1.53
	BRAVE C&H SUPPLY CO LTD	6538	238.00	314,000	2,513,140	1.42
	SPEED TECH CORP	5457	69.30	925,000	2,155,684	1.22
	WIWYNN CORP	6669	770.00	79,000	2,045,634	1.16
	SINO-AMERICAN SILICON PRODUCTS	5483	89.10	635,000	1,902,662	1.08
	WALSIN TECHNOLOGY CORP	2492	213.00	261,000	1,869,521	1.06
	YAGEO CORP	2327	391.00	125,000	1,643,603	0.93
	DELTA ELECTRONICS INC	2308	140.00	347,000	1,633,683	0.92
	CASETEK HOLDINGS LTD	5264	46.85	1,019,000	1,605,439	0.91
	ZHEN DING TECHNOLOGY HOLDING LTD	4958	108.00	441,000	1,601,668	0.91
	KINGPAK TECHNOLOGY INC	6238	145.00	325,220	1,585,826	0.90
	AU OPTRONICS CORP	2409	7.90	5,902,000	1,567,965	0.89
	JENTECH PRECISION INDUSTRIAL CO LTD	3653	218.00	203,000	1,488,205	0.84
	LOTES CO LTD	3533	335.00	99,000	1,115,296	0.63
	ASROCK INC	3515	117.00	147,000	578,380	0.33
	ADVANCED CERAMIC X CORP	3152	314.00	48,000	506,852	0.29
	TAISOL ELECTRONICS CO LTD	3338	96.70	113,000	367,464	0.21
<b>Consumer Discretionary</b>					<b>4.80</b>	
	POYA INTERNATIONAL CO LTD	5904	500.00	183,000	3,077,027	1.74
	FENG TAY ENTERPRISE CO LTD	9910	171.00	293,000	1,684,899	0.95
	GIANT MANUFACTURING CO LTD	9921	177.50	199,000	1,187,850	0.67
	YULON MOTOR CO LTD	2201	17.40	1,641,000	960,214	0.54
	ACTRON TECHNOLOGY CORP	8255	87.90	289,000	854,273	0.48
	GLOBAL PMX CO LTD	4551	141.50	157,000	747,079	0.42
<b>Materials</b>					<b>1.57</b>	
	TAIWAN CEMENT CORP	1101	43.20	1,152,000	1,673,580	0.95
	NAN YA PLASTICS CORP	1303	66.20	489,000	1,088,622	0.62
<b>Real Estate</b>					<b>1.46</b>	
	KINDOM DEVELOPMENT CO LTD	2520	26.20	2,926,000	2,578,017	1.46
<b>Communication Services</b>					<b>1.44</b>	
	CHUNGHWA TELECOM CO LTD	2412	109.50	690,000	2,540,817	1.44
<b>Consumer Staples</b>					<b>1.10</b>	
	UNI-PRESIDENT ENTERPRISES CORP	1216	69.50	537,995	1,257,399	0.71
	GRAPE KING BIO LTD	1707	198.00	103,000	685,824	0.39

Sector	Company (exchange ticker)	Price TWD	Holding	Value US\$	% of Market Value	
<b>Financials</b>					<b>1.03</b>	
	MEGA FINANCIAL HOLDING CO LTD	2886	30.10	1,793,000	1,814,918	1.03
<b>Industrials</b>					<b>0.87</b>	
	SHIN ZU SHING CO LTD	3376	132.00	348,000	1,544,768	0.87

Source: State Street Bank and Trust Company, IDS GmbH - Analysis and Reporting Services, a subsidiary of Allianz SE.

Note: Cash (including for these purposes cash equivalents) is not included.

#### Important Information:

The Fund Seeks long-term capital appreciation primarily through investments in equity securities listed in Taiwan. An investment in the Fund involves risk, including loss of principal. Investing in non-U.S. securities entails additional risks, including political and economic risk and the risk of currency fluctuations, as well as lower liquidity. These risks, which can result in greater price volatility, will generally be enhanced in less diversified funds that concentrate investments in a particular geographic region or sector.

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P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. P/B is a ratio of the current stock price to the book value. This is used to identify undervalued stocks. Beta measures the market related volatility of a portfolio, where the overall market is represented by the Taiwan TAIEX Total Return Index. The beta of the market is 1 by definition. A beta greater than 1 indicates that a portfolio's market risk is greater than the overall market's, while a beta less than 1 indicates a lower market risk. It is important to note that having a low market risk does not necessarily imply low volatility. A portfolio may have a low beta while experiencing volatility due to factors independent of the market. R-Squared measures the percentage of a portfolio's movements that are explained by movements in the overall market, represented by the Taiwan TAIEX Total Return Index. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk.

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