

THE TAIWAN FUND, INC. (NYSE: TWN)

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 Manager



Corrina Xiao
Lead Portfolio Manager

Allianz 
Global Investors

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.

The opinions expressed herein are those of Allianz Global Investors US LLC and are subject to change at any time and without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument; it is not provided in a fiduciary capacity; and may not be relied upon for or in connection with the making of investment decisions. Investors should consider the investment objectives, risks, charges, and expenses of any investment fund carefully before investing. This and other information is contained in the Fund's annual and semiannual reports, proxy statement, and other fund information, which may be obtained by contacting your financial professional or visiting the Fund's website at www.thetaiwanfund.com. This information is unaudited and is intended for informational purposes only.

NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED

9533 09-21 ©2021 The Taiwan Fund, Inc., c/o State Street Bank and Trust Company, 1 Lincoln Street, P.O. Box 5049, Boston, MA, 02111