

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of July 2019 up 0.87% in Taiwan Dollar terms, with the technology sector up 4.25%, non-technology down 3.5%, financial sector down 1.1% and over-the-counter ("OTC") stocks up 2.99%. The top three outperforming sectors were DRAM makers, IC testing and TFT LCD components. The bottom three underperforming sectors were automotive, petrochemical and cement.

Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark") in July as both stock selection and sector allocation were positive contributors. On the sector level, the Fund's overweight to the semiconductor and health care sectors and underweight to the material and telecommunication services sectors both helped. Stock selection in capital goods and diversified financials helped the most.

The Fund focuses on long term growth trends and tries to enhance performance by adding stocks with share gain opportunity, whether it is a beneficiary of trade tension or a powerful technology provider. In terms of portfolio allocation, the Fund favors 5G, Artificial Intelligence, Big Data, high speed transmission themes, and beneficiaries from the ban on Huawei in the technology sector. The Fund is also interested in such themes as E-bikes, sports & leisure, cement and food-related stocks in the non-technology sector.

Key Transactions

In July 2019, the Fund further reduced its exposure to the materials and financial sectors but increased its exposure to the semiconductor sector as we believe Taiwan's semiconductor technology continues to advance and the trend is positive.

Outlook

The macroeconomic outlook continues to be uncertain but we believe that Taiwan would be an alternative plan to China for the manufacture of certain products. After Taiwan Semiconductor Manufacturing Co, Ltd's ("TSMC") bullish second half of 2019 guidance, investors regained their confidence in the technology sector. TSMC implied that 5G would really accelerate TSMC as the major foundry alternative to Huawei on 5G base-station application specific integrated circuits and smartphone application processors. Therefore, we believe that TSMC stands to benefit. We also expect a recovery in 2020 as things return to normal and new tech megatrends such as AI, Cloud and 5G continue.

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)	\$155.8	
Median Market Cap (in billions)	\$1.4	
Distribution Frequency	Annual	
Management Firm	Allianz Global Investors U.S. LLC	
Portfolio Management	Corrina Xiao Lead Portfolio Manager	
Performance (US\$ Returns) (as of 7/31/2019) ¹		
	Fund	Benchmark ²
One Month	4.27%	2.99%
Three Month	-0.83%	1.26%
One Year	-3.95%	0.39%
Three Year	7.30%	11.86%
Net Asset Value / Market Price		
NAV / Market Price (as of 7/31/2019)	\$20.27 / \$17.83	
High / Low Ranges (52-Week)		
High / Low NAV	\$23.87 / \$17.20	
High / Low Market Price	\$20.51 / \$14.76	
Premium/Discount to NAV (as of 7/31/2019)	-12.04%	
Fund Data (Common Shares)		
Shares Outstanding	7,687,739	
Average Daily Volume	4,534	
Expense Ratio	1.71%	

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 Returns¹

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	4.27%	-0.83%	14.46%	-3.95%	7.30%	4.43%	7.32%	8.22%
Market Price	5.19%	-1.38%	17.61%	-2.72%	7.97%	4.07%	6.91%	6.69%
Taiwan TAIEX Total Return Index	2.99%	1.26%	13.56%	0.39%	11.86%	6.48%	8.88%	—
MSCI Taiwan Total Return Index (Net)	3.23%	0.15%	13.47%	-0.73%	10.53%	6.21%	8.15%	—
Taiwan TAIEX Price Index	0.75%	-1.93%	9.99%	-3.63%	7.34%	2.30%	4.90%	—

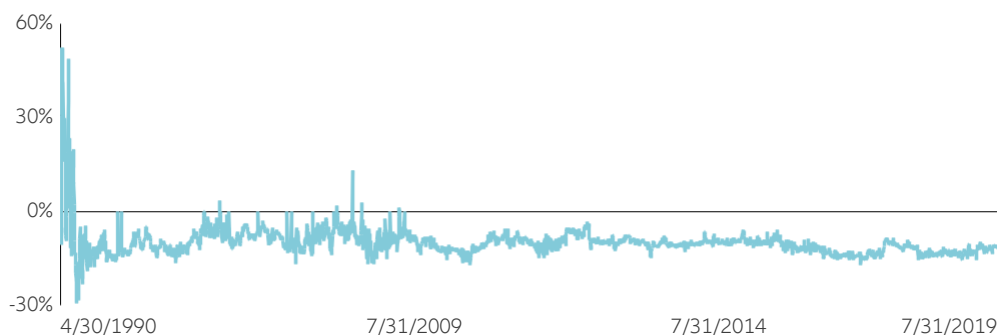
Calendar Year Returns¹

	2011	2012	2013	2014	2015	2016	2017	2018
NAV	-20.58%	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%
Market Price	-21.80%	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%
Taiwan TAIEX Total Return Index	-21.02%	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%
MSCI Taiwan Total Return Index (Net)	-20.89%	16.68%	9.06%	9.36%	-11.72%	18.54%	27.53%	-8.94%
Taiwan TAIEX Price Index	-24.10%	13.52%	8.98%	1.93%	-13.81%	13.11%	24.56%	-11.51%

Past performance is not a guide to future returns.
Returns 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 ²
Information Technology	67.20%	47.73%
Financials	7.31%	14.95%
Consumer Discretionary	6.85%	7.22%
Consumer Staples	4.74%	3.53%
Industrials	3.27%	5.71%
Health Care	1.73%	0.46%
Materials	1.19%	10.94%
Communication Services	0.00%	4.68%
Energy	0.00%	3.13%
Real Estate	0.00%	1.52%
Utilities	0.00%	0.15%

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

Top 10 Holdings

TAIWAN SEMIC CO LTD (Taiwan)	18.71%
MEDIATEK INC (Taiwan)	4.77%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	3.59%
ACCTON TECHNOLOGY CORP (Taiwan)	3.47%
EGIS TECHNOLOGY INC (Taiwan)	3.45%
SILERGY CORP (Taiwan)	3.35%
FUBON FINANCIAL HOLDING CO LTD (Taiwan)	3.34%
CHROMA ATE INC (Taiwan)	3.30%
RICHWAVE TECHNOLOGY CORP (Taiwan)	3.13%
GLOBAL LIGHTING TECHNOLOGIES (China)	2.94%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	17.45	15.68
P/B Ratio	2.70	1.66
Issues in Portfolio	41	909
Foreign Holdings (%)	92.28	100.00
Cash (%)	7.72	0.00
Yield (%)	3.08	4.05

Risk Statistics (3 Year)

Beta	1.09
R ²	0.86
Standard Deviation of NAV	14.51
Standard Deviation of Market Price	16.11

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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
12/19/2009	12/29/2009	12/31/2009	1/8/2010	\$0.07067	\$0.07067	—	—
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	—

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 (Net)

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	
Information Technology					67.21	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	259.50	3,474,000	28,991,430	18.71
	MEDIATEK INC	2454	314.50	730,000	7,383,223	4.77
	ASE TECHNOLOGY HOLDING CO LTD	3711	69.90	2,475,000	5,563,586	3.59
	ACCTON TECHNOLOGY CORP	2345	134.00	1,247,000	5,373,704	3.47
	EGIS TECHNOLOGY INC	6462	223.00	745,000	5,342,734	3.45
	SILERGY CORP	6415	635.00	254,000	5,186,924	3.35
	CHROMA ATE INC	2360	147.00	1,083,000	5,119,744	3.30
	RICHWAVE TECHNOLOGY CORP	4968	124.00	1,216,000	4,849,062	3.13
	GLOBAL LIGHTING TECHNOLOGIES	4935	62.00	2,282,000	4,549,983	2.94
	WIWYNN CORP	6669	382.00	343,000	4,213,664	2.72
	REALTEK SEMICONDUCTOR CORP	2379	209.50	559,000	3,766,156	2.43
	UNIMICRON TECHNOLOGY CORP	3037	38.00	2,959,000	3,616,022	2.33
	KINGPAK TECHNOLOGY INC	6238	150.00	619,000	2,985,963	1.93
	ADVANCED WIRELESS SEMICONDUCTOR CO	8086	71.00	1,232,000	2,813,012	1.82
	ALCHIP TECHNOLOGIES LTD	3661	101.00	763,000	2,478,269	1.60
	PHOENIX SILICON INTERNATIONAL CORP	8028	70.90	868,000	1,979,103	1.28
	RADIANT OPTO-ELECTRONICS CORP	6176	123.00	499,000	1,973,823	1.27
	ASMEDIA TECHNOLOGY INC	5269	535.00	114,000	1,961,377	1.27
	WISTRON NEWEB CORP	6285	78.30	751,440	1,892,163	1.22
	KING YUAN ELECTRONICS CO LTD	2449	32.55	1,473,000	1,541,900	1.00
	FLEXIUM INTERCONNECT INC	6269	95.70	419,000	1,289,521	0.83
	LARGAN PRECISION CO LTD	3008	4,250.00	8,000	1,093,406	0.71
	TAIWAN UNION TECHNOLOGY CORP	6274	128.50	35,000	144,635	0.09
Financials					7.31	
	FUBON FINANCIAL HOLDING CO LTD	2881	43.20	3,725,000	5,175,025	3.34
	CHAILEASE HOLDING CO LTD	5871	131.50	952,647	4,028,656	2.60
	CHINA LIFE INSURANCE CO LTD, TAIWAN	2823	25.75	2,560,000	2,119,921	1.37
Consumer Discretionary					6.85	
	NIEN MADE ENTERPRISE CO LTD	8464	240.50	378,000	2,923,542	1.89
	GIANT MANUFACTURING CO LTD	9921	238.50	266,000	2,040,199	1.32
	GOURMET MASTER CO LTD	2723	185.50	306,000	1,825,441	1.18
	POYA INTERNATIONAL CO LTD	5904	430.00	126,000	1,742,374	1.12
	GLOBAL PMX CO LTD	4551	118.50	349,000	1,329,983	0.86
	MAKALOT INDUSTRIAL CO LTD	1477	182.50	127,050	745,659	0.48
Consumer Staples					4.74	
	UNI-PRESIDENT ENTERPRISES CORP	1216	80.80	1,037,995	2,697,175	1.74
	CHAROEN POKPHAND ENTERPRISE	1215	74.00	793,000	1,887,154	1.22
	PRESIDENT CHAIN STORE CORP	2912	300.00	175,000	1,688,347	1.09
	GREAT WALL ENTERPRISE CO LTD	1210	40.80	814,000	1,068,039	0.69
Industrials					3.28	
	BIZLINK HOLDING INC	3665	239.00	379,000	2,912,994	1.88
	HIWIN TECHNOLOGIES CORP	2049	280.00	202,476	1,823,199	1.18
	SHIN ZU SHING CO LTD	3376	126.00	83,000	336,319	0.22
Health Care					1.73	
	GINKO INTERNATIONAL CO LTD	8406	202.50	411,000	2,676,513	1.73
Materials					1.19	
	TAIWAN CEMENT CORP	1101	44.70	1,280,100	1,840,153	1.19

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.

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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. The measures of alpha and beta are most relevant when there is a close correlation between the two, as indicated by a high R-Squared value. 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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