

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of August 2019 down 1.9% in Taiwan Dollar terms, with the technology sector down 0.3%, non-technology down 4.11%, financial sector down 2.94% and over-the-counter ("OTC") stocks down 1.92%. The top three outperforming sectors were light-emitting diode ("LED") & components, thin-film-transistor liquid-crystal display ("TFT LCD") and integrated circuit ("IC") design. The bottom three underperforming sectors were IC testing, insurance and networking.

Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed its benchmark, the Taiwan TAIEX Total Return Index, in August as both stock selection and sector allocation were positive contributors. On the sector level, the Fund's overweight to the semiconductor and technology hardware sectors and underweight to the material and energy sectors both helped. Stock selection in semiconductors and tech hardware helped the most. On the stock level, the best active contributors were Accton Technology Co., Egis Technology, Inc. and RichWave Technology Corp.; the worst active detractors were Kingpak Technology, Inc., Genius Fastener Solutions Co., Ltd. and Gourmet Master Co., Ltd.

The Fund focuses on long term growth trends and tries to enhance performance by adding stocks with the opportunity to gain market share, 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 US ban on Huawei in the technology sector. The Fund is also interested in such themes as E-bikes, real estate and cement stocks in the non-technology sector.

Key Transactions

In August 2019, the Fund further reduced its exposure to the financial and textile 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

We uncovered some disconnect between prevailing sentiment which is mostly driven by weakening macro numbers, and fundamentals which suggest a rather different scenario in our view. On the macro side, investors have been spooked by underwhelming Purchasing Managers' Index ("PMI") numbers and recent retail sales weakness which many see as heralding a bleak winter for the American consumer. However, the US Federal Reserve's expected path of loosening will likely provide sufficient liquidity to financial markets to offset the gloom. Since early in 2019, we have taken a positive stance towards Taiwan's technology sector, primarily because we anticipate Taiwan's supply chain will be a compelling alternative for Chinese manufacturers as they focus on securing themselves from external threats. Predicated on this reasoning, we have positioned over 75% of the portfolio across technology plays. Two major themes will dominate the tech sector going forward: the de-Americanization of China's supply chain and the evolving 5G story.

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)	\$159.7	
Median Market Cap (in billions)	\$1.0	
Distribution Frequency	Annual	
Management Firm	Allianz Global Investors U.S. LLC	
Portfolio Management	Corrina Xiao Lead Portfolio Manager	
Performance (US\$ Returns) (as of 8/31/2019) ¹		
	Fund	Benchmark ²
One Month	2.61%	-2.11%
Three Month	12.98%	5.93%
One Year	0.49%	-2.22%
Three Year	6.43%	10.16%
Net Asset Value / Market Price		
NAV / Market Price (as of 8/31/2019)	\$20.80 / \$17.84	
High / Low Ranges (52-Week)		
High / Low NAV	\$23.05 / \$17.20	
High / Low Market Price	\$19.85 / \$14.76	
Premium/Discount to NAV (as of 8/31/2019)	-14.23%	
Fund Data (Common Shares)		
Shares Outstanding	7,679,198	
Average Daily Volume	4,486	
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	2.61%	12.98%	17.45%	0.49%	6.43%	4.40%	7.74%	8.28%
Market Price	0.06%	11.57%	17.68%	0.08%	6.48%	3.37%	7.50%	6.67%
Taiwan TAIEX Total Return Index	-2.11%	5.93%	11.16%	-2.22%	10.16%	5.50%	8.97%	—
MSCI Taiwan Total Return Index (Net)	-2.23%	6.18%	10.94%	-3.94%	9.04%	4.98%	8.22%	—
Taiwan TAIEX Price Index	-2.88%	1.79%	6.82%	-6.15%	5.75%	1.38%	5.01%	—

Calendar Year Returns¹

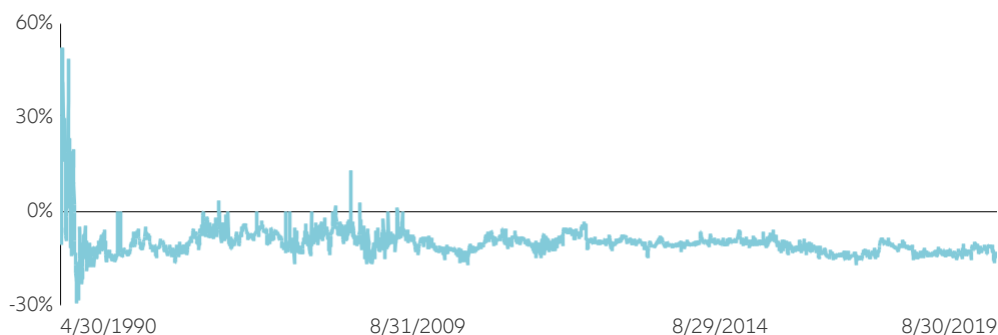
	2011	2012	2013	2014	2015	2016	2017	2018
NAV	-20.58%	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%
Market Price	-21.80%	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%
Taiwan TAIEX Total Return Index	-21.02%	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%
MSCI Taiwan Total Return Index (Net)	-20.89%	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 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 ²
Information Technology	74.09%	48.36%
Consumer Discretionary	5.89%	7.26%
Consumer Staples	2.66%	3.45%
Real Estate	1.67%	1.53%
Industrials	1.35%	5.60%
Financials	1.29%	14.88%
Health Care	1.28%	0.46%
Materials	1.02%	10.58%
Communication Services	0.00%	4.81%
Energy	0.00%	2.92%
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)	17.43%
MEDIATEK INC (Taiwan)	5.20%
EGIS TECHNOLOGY INC (Taiwan)	4.47%
ACCTON TECHNOLOGY CORP (Taiwan)	4.00%
RICHWAVE TECHNOLOGY CORP (Taiwan)	3.50%
SILERGY CORP (Taiwan)	3.43%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	3.42%
GLOBAL LIGHTING TECHNOLOGIES (China)	3.35%
GENIUS ELECTRONIC OPTICAL CO LTD (Taiwan)	3.12%
WIWYNN CORP (Taiwan)	2.86%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	18.21	15.35
P/B Ratio	2.99	1.63
Issues in Portfolio	41	905
Foreign Holdings (%)	89.24	100.00
Cash (%)	10.76	0.00
Yield (%)	2.90	4.12

Risk Statistics (3 Year)

Beta	1.08
R ²	0.86
Standard Deviation of NAV	14.32
Standard Deviation of Market Price	15.98

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
12/19/2009	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					74.11	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	259.00	3,474,000	28,645,845	17.43
	MEDIATEK INC	2454	367.50	730,000	8,541,070	5.20
	EGIS TECHNOLOGY INC	6462	266.50	865,000	7,339,144	4.47
	ACCTON TECHNOLOGY CORP	2345	165.50	1,247,000	6,570,471	4.00
	RICHWAVE TECHNOLOGY CORP	4968	148.50	1,216,000	5,748,997	3.50
	SILERGY CORP	6415	698.00	254,000	5,644,444	3.43
	ASE TECHNOLOGY HOLDING CO LTD	3711	71.40	2,475,000	5,626,075	3.42
	GLOBAL LIGHTING TECHNOLOGIES	4935	72.70	2,378,000	5,503,999	3.35
	GENIUS ELECTRONIC OPTICAL CO LTD	3406	414.00	389,000	5,127,221	3.12
	WIWYNN CORP	6669	430.00	343,000	4,695,638	2.86
	NOVATEK MICROELECTRONICS CORP	3034	186.00	779,000	4,612,989	2.81
	UNIMICRON TECHNOLOGY CORP	3037	39.05	3,329,000	4,138,728	2.52
	REALTEK SEMICONDUCTOR CORP	2379	215.00	559,000	3,826,329	2.33
	ELAN MICROELECTRONICS CORP	2458	85.20	1,300,000	3,526,266	2.15
	UNITECH PRINTED CIRCUIT BOARD CORP	2367	29.90	3,526,000	3,356,492	2.04
	ALCHIP TECHNOLOGIES LTD	3661	137.00	763,000	3,327,953	2.02
	KINGPAK TECHNOLOGY INC	6238	130.00	672,220	2,782,190	1.69
	PHOENIX SILICON INTERNATIONAL CORP	8028	72.00	968,000	2,218,911	1.35
	RADIANT OPTO-ELECTRONICS CORP	6176	113.50	499,000	1,803,136	1.10
	ASMEDIA TECHNOLOGY INC	5269	505.00	106,000	1,704,234	1.04
	ZHEN DING TECHNOLOGY HOLDING LTD	4958	116.00	404,000	1,492,009	0.91
	CHROMA ATE INC	2360	152.00	307,000	1,485,642	0.90
	AMAZING MICROELECTRONIC CORP	6411	112.50	401,000	1,436,246	0.87
	M31 TECHNOLOGY CORP	6643	322.00	102,000	1,045,654	0.64
	LOTES CO LTD	3533	250.00	97,000	772,047	0.47
	SPEED TECH CORP	5457	66.50	240,000	508,118	0.31
	CHUNGHWA PRECISION TEST TECH CO LTD	6510	760.00	12,000	290,353	0.18
Consumer Discretionary					5.89	
	NIEN MADE ENTERPRISE CO LTD	8464	275.00	378,000	3,309,456	2.01
	GIANT MANUFACTURING CO LTD	9921	218.50	266,000	1,850,398	1.13
	GLOBAL PMX CO LTD	4551	155.50	349,000	1,727,778	1.05
	GOURMET MASTER CO LTD	2723	150.00	306,000	1,461,318	0.89
	POYA INTERNATIONAL CO LTD	5904	416.00	100,000	1,324,419	0.81
Consumer Staples					2.66	
	UNI-PRESIDENT ENTERPRISES CORP	1216	76.60	1,037,995	2,531,373	1.54
	GREAT WALL ENTERPRISE CO LTD	1210	36.90	854,700	1,004,089	0.61
	CHAROEN POKPHAND ENTERPRISE	1215	69.10	380,000	835,976	0.51
Real Estate					1.67	
	KINDOM CONSTRUCTION CORP	2520	29.40	2,926,000	2,738,758	1.67
Industrials					1.35	
	SHIN ZU SHING CO LTD	3376	120.00	582,000	2,223,496	1.35
Financials					1.29	
	CHINA LIFE INSURANCE CO LTD, TAIWAN	2823	24.60	2,560,000	2,004,967	1.22
	CHAILEASE HOLDING CO LTD	5871	124.50	28,647	113,548	0.07
Health Care					1.28	
	GINKO INTERNATIONAL CO LTD	8406	175.50	377,000	2,106,447	1.28
Materials					1.02	
	TAIWAN CEMENT CORP	1101	38.45	1,369,846	1,676,873	1.02

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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