

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of October 2019 up 4.89% in Taiwan Dollar terms, with the technology sector up 6.93%, non-technology up 2.38%, financial sector up 2.44% and over-the-counter ("OTC") stocks up 3.04%. The top three outperforming sectors were printed circuit board ("PCB") makers, integrated circuit ("IC") testing and solars. The bottom three underperforming sectors were dynamic random-access memory ("DRAM") makers, gaming and DVD players.

Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX total Return Index (the "benchmark") in October 2019 as stock selection and sector allocation were positive contributors. On the sector level, the Fund's overweight position in the semiconductor and tech hardware sectors and underweight in the material and telecommunications services sectors both helped. Stock selection in semiconductors and technology hardware helped the most. On the stock level, the best active contributors were RichWave Technology Corp. ("RichWave"), Global Lighting Technologies, Inc. and Wiwynn Corp.; the biggest detractors were Macronix International Co., Ltd., Hon Hai Precision Industry Co., Ltd. ("Hon Hai") and Realtek Semiconductor Corp. ("Realtek").

Key Transactions

The de-Americanization of China's supply chain and 5G themes continued to dominate the market this month. The Fund remained positioned for further upside in the 5G sector and the performance for some of the Fund's top picks again beat expectations. This time the picks were mostly semiconductor names (RichWave, Silergy Corp., Realtek). The Fund reduced exposure to the semiconductors space as a whole over October 2019 by trimming these positions. On the other hand, we identified good value in several Apple supply chain names (Kinsus Interconnect Technology Corp., Hon Hai, Epistar Corp.) which offered better risk-return characteristics in our view.

Outlook

In this report, we would like to take the time to explain a little about our approach to managing the cash position in the Fund. Sometimes, we are asked whether the magnitude of our cash allocation is a signal of our views on the mid or long term outlook for the Taiwan economy. This is not usually a major consideration in the process that drives larger or smaller cash positions.

There are two key considerations when looking at our cash allocation. The first is that the Fund houses a number of high conviction picks at any given time, each of which, other than Taiwan Semiconductor, will be sized at around 4%. If a price target is hit and we choose to exit a position that is fully valued, we may not have the opportunity to identify an equally attractive, yet underpriced, high conviction replacement. Even if we can, such a stock may require scaling into over days or weeks. Hence, in some cases, a larger cash position may be a short term artifact of exiting a particularly successful position.

Second, we do monitor shifts in thematic focus on the part of investors. The Taiwan market exhibits both strong trending and high volatility characteristics. This means that in general we have many opportunities to trade into and out of positions, unless we suspect a thematic change is about to occur. For example, if we were to be of the opinion that the 5G theme would soon be dominated by the Apple supply chain theme, we might have to sell out of stocks related to the 5G story and yet not be fully ready to commit to new high conviction names in the supply chain space. This again could create cash positions being held longer than usual during such a transition. Upon receiving confirmation of our view that a new story is beginning to drive the market, we will then be able to allocate to a new group of high conviction picks.

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)	\$182.2	
Median Market Cap (in billions)	\$1.6	
Distribution Frequency	Annual	
Management Firm	Allianz Global Investors U.S. LLC	
Portfolio Management	Corrina Xiao Lead Portfolio Manager	
Performance (US\$ Returns) (as of 10/31/2019) ¹		
	Fund	Benchmark ²
One Month	11.29%	6.92%
Three Month	17.71%	8.32%
One Year	37.31%	22.90%
Three Year	11.66%	12.69%
Net Asset Value / Market Price		
NAV / Market Price (as of 10/31/2019)	\$23.86 / \$20.32	
High / Low Ranges (52-Week)		
High / Low NAV	\$23.89 / \$17.20	
High / Low Market Price	\$20.50 / \$14.76	
Premium/Discount to NAV (as of 10/31/2019)	-14.84%	
Fund Data (Common Shares)		
Shares Outstanding	7,633,275	
Average Daily Volume	5,731	
Expense Ratio	1.73%	

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	11.29%	17.71%	34.73%	37.31%	11.66%	9.18%	8.50%	8.69%
Market Price	10.02%	13.97%	34.04%	35.01%	11.27%	7.88%	8.14%	7.06%
Taiwan TAIEX Total Return Index	6.92%	8.32%	23.02%	22.90%	12.69%	9.10%	9.15%	—
MSCI Taiwan Total Return Index (Net)	8.14%	10.19%	25.04%	22.38%	11.88%	8.56%	8.68%	—
Taiwan TAIEX Price Index	6.90%	7.20%	17.91%	17.79%	8.22%	4.81%	5.16%	—

Calendar Year Returns¹

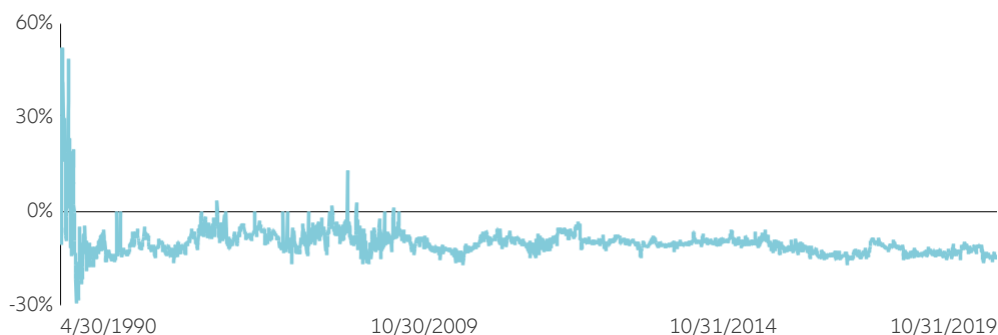
	2011	2012	2013	2014	2015	2016	2017	2018
NAV	-20.58%	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%
Market Price	-21.80%	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%
Taiwan TAIEX Total Return Index	-21.02%	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%
MSCI Taiwan Total Return Index (Net)	-20.89%	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	78.63%	50.11%
Consumer Discretionary	7.83%	7.01%
Consumer Staples	2.34%	3.24%
Industrials	2.08%	5.38%
Real Estate	1.73%	1.50%
Financials	0.23%	14.70%
Materials	0.00%	10.16%
Communication Services	0.00%	4.60%
Energy	0.00%	2.72%
Health Care	0.00%	0.43%
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)	20.87%
RICHWAVE TECHNOLOGY CORP (Taiwan)	4.32%
GLOBAL LIGHTING TECHNOLOGIES (Taiwan)	4.19%
ACCTON TECHNOLOGY CORP (Taiwan)	4.07%
UNIMICRON TECHNOLOGY CORP (Taiwan)	3.68%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	3.67%
MACRONIX INTERNATIONAL (Taiwan)	3.21%
WIWYNN CORP (Taiwan)	3.05%
CATCHER TECHNOLOGY CO LTD (Taiwan)	2.94%
EPISTAR CORP (Taiwan)	2.90%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	21.96	16.47
P/B Ratio	2.65	1.75
Issues in Portfolio	42	896
Foreign Holdings (%)	92.85	100.00
Cash (%)	7.15	0.00
Yield (%)	2.61	3.87

Risk Statistics (3 Year)

Beta	1.10
R ²	0.84
Standard Deviation of NAV	15.46
Standard Deviation of Market Price	16.80

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					78.62	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	298.50	3,752,000	36,792,168	20.87
	RICHWAVE TECHNOLOGY CORP	4968	240.00	965,000	7,608,285	4.32
	GLOBAL LIGHTING TECHNOLOGIES	4935	94.50	2,378,000	7,382,303	4.19
	ACCTON TECHNOLOGY CORP	2345	181.50	1,202,000	7,166,867	4.07
	UNIMICRON TECHNOLOGY CORP	3037	47.15	4,193,000	6,494,635	3.68
	ASE TECHNOLOGY HOLDING CO LTD	3711	79.50	2,475,000	6,463,839	3.67
	MACRONIX INTERNATIONAL	2337	31.10	5,542,000	5,662,069	3.21
	WIWYNN CORP	6669	579.00	283,000	5,382,862	3.05
	CATCHER TECHNOLOGY CO LTD	2474	258.00	611,000	5,178,561	2.94
	EPISTAR CORP	2448	29.60	5,262,000	5,116,710	2.90
	MEDIATEK INC	2454	408.00	327,000	4,382,845	2.49
	GENIUS ELECTRONIC OPTICAL CO LTD	3406	440.00	301,000	4,350,783	2.47
	SILERGY CORP	6415	858.00	154,000	4,340,665	2.46
	LARGAN PRECISION CO LTD	3008	4,470.00	28,000	4,111,628	2.33
	ELAN MICROELECTRONICS CORP	2458	94.30	1,300,000	4,027,201	2.28
	KINGPAK TECHNOLOGY INC	6238	148.50	672,220	3,279,337	1.86
	NOVATEK MICROELECTRONICS CORP	3034	196.00	494,000	3,180,762	1.80
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	48.25	1,726,000	2,735,812	1.55
	HON HAI PRECISION INDUSTRY CO LTD	2317	80.60	987,000	2,613,367	1.48
	GLOBAL UNICHIP CORP	3443	267.50	242,000	2,126,608	1.21
	NAN YA PRINTED CIRCUIT BOARD CORP	8046	55.40	1,025,000	1,865,442	1.06
	DELTA ELECTRONICS INC	2308	134.00	407,000	1,791,626	1.02
	ASMEDIA TECHNOLOGY INC	5269	490.00	105,000	1,690,182	0.96
	CHROMA ATE INC	2360	152.50	307,000	1,538,000	0.87
	CHUNGHWA PRECISION TEST TECH CO LTD	6510	978.00	32,000	1,028,104	0.58
	FLEXIUM INTERCONNECT INC	6269	110.00	246,000	888,947	0.50
	COMPEQ MANUFACTURING CO LTD	2313	42.75	607,000	852,458	0.48
	SPEED TECH CORP	5457	70.60	240,000	556,627	0.32
Consumer Discretionary					7.83	
	NIEN MADE ENTERPRISE CO LTD	8464	276.50	284,000	2,579,655	1.46
	GIANT MANUFACTURING CO LTD	9921	226.00	325,000	2,412,904	1.37
	GLOBAL PMX CO LTD	4551	170.00	425,000	2,373,483	1.35
	TAIWAN PAIHO LTD	9938	79.60	720,000	1,882,755	1.07
	HOTA INDUSTRIAL MANUFACTURING CO LTD	1536	113.00	494,000	1,833,807	1.04
	POYA INTERNATIONAL CO LTD	5904	418.50	100,000	1,374,813	0.78
	ECLAT TEXTILE CO LTD	1476	409.50	100,000	1,345,247	0.76
Consumer Staples					2.33	
	UNI-PRESIDENT ENTERPRISES CORP	1216	75.20	1,037,995	2,564,256	1.45
	CHAROEN POKPHAND ENTERPRISE	1215	65.50	380,000	817,661	0.46
	GREAT WALL ENTERPRISE CO LTD	1210	37.70	598,700	741,479	0.42
Industrials					2.08	
	AIRTAC INTERNATIONAL GROUP	1590	417.50	176,000	2,413,889	1.37
	SHIN ZU SHING CO LTD	3376	121.00	317,000	1,260,065	0.71
Real Estate					1.73	
	KINDOM DEVELOPMENT CO LTD	2520	31.70	2,926,000	3,047,066	1.73
Financials					0.23	
	CHINA LIFE INSURANCE CO LTD, TAIWAN	2823	25.10	500,000	412,280	0.23

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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