

# The Taiwan Fund, Inc.

## Manager's Commentary

### Market Review

The Taiwan Stock Exchange closed the month of November 2019 up 1.15% in Taiwan Dollar terms, with the technology sector up 2.02%, non-technology down 0.39%, financial sector up 1.03% and over-the-counter ("OTC") stocks up 0.14%. The top three outperforming sectors were panel makers, automotive and telecommunications. The bottom three underperforming sectors were surveillance, rubber and motherboards.

### Fund Review

The Taiwan Fund, Inc. (the "Fund") slightly underperformed the Taiwan TAIEX total Return Index (the "benchmark") in November 2019 as sector allocation was a positive contributor, but stock selection was a negative contributor. On the sector level, the Fund's overweight position in the semiconductor and technology hardware sectors and underweight in the material and banks sectors helped. Stock selection in semiconductors and technology hardware helped the most. On the stock level, the best active contributors were Global Lighting Technologies, Inc., Epistar Corp. and Kingpak Technology, Inc.; the worst active contributors were RichWave Technology Corp., Accton Technology Corp. and Wiyynn Corp.

### Key Transactions

In addition to the de-Americanization of China's supply chain and the 5G theme, we also see the iPhone supply chain as another pillar of support for the Taiwan equity market. We believe that Apple's medium term strategy will be based on expanding iPhone sales volume via launching more affordable models. This in turn will bring more users to iOS, opening a new and timely front in the war for mobile OS users against Android. Historically, Apple has only launched new phones in the second half but going forward, they will be launching their new, affordable phones in first half as well. This will help to balance the supply chain inventory adjustment cycle and sales momentum. As a result, the operating environment for Taiwan-listed suppliers will benefit significantly. Therefore, we added more iPhone plays (Evermore Chemical Industry Co., Ltd., Kinsus Interconnect Technology Corp., Flexium Interconnect, Inc. and others).

### Outlook

As we head into the final month of 2019, the usual seasonal effects can be expected. Indeed, we saw a lot of profit taking over the course of November 2019 as market players repositioned themselves for the year-end. In general, some investors have concerns about stretched valuations and the recent uncertainties surrounding the trade war, others point to the limited potential for positive shocks in newsflow or even a potential inventory backlog in the Huawei supply chain. However, we still believe that the inevitable requirements of the China insourcing trend will continue to drive demand regardless of wider market dynamics. Chinese companies are continuing to establish their own ecosystems and Taiwanese companies are well placed to be a part of these. We know from our channel checks that capacity in fact looks very tight, for example in 8-inch foundry, NOR Flash (memory), and even in some of the passive components. Given this backdrop, the tendency should be for prices to increase. In short, although the first quarter is traditionally slow our research suggests this will not be the case this year. Furthermore, any short term price volatility around the Presidential election in Taiwan would represent a high conviction buying opportunity, since we believe that the outcome of the vote will not materially effect the positive fundamentals carrying us into the first quarter of 2020.

## 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)	\$182.9	
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 11/30/2019) <sup>1</sup>		
	Fund	Benchmark <sup>2</sup>
One Month	0.75%	0.93%
Three Month	15.58%	11.69%
One Year	35.13%	22.40%
Three Year	13.42%	13.61%
Net Asset Value / Market Price		
NAV / Market Price (as of 11/30/2019)	\$24.04 / \$20.52	
High / Low Ranges (52-Week)		
High / Low NAV	\$24.33 / \$17.20	
High / Low Market Price	\$20.95 / \$14.76	
Premium/Discount to NAV (as of 11/30/2019)	-14.64%	
Fund Data (Common Shares)		
Shares Outstanding	7,610,181	
Average Daily Volume	5,674	
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 Returns<sup>1</sup>

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Inception
NAV	0.75%	15.58%	35.74%	35.13%	13.42%	9.10%	8.10%	8.69%
Market Price	0.98%	15.02%	35.36%	33.16%	13.66%	7.71%	7.73%	7.07%
Taiwan TAIEX Total Return Index	0.93%	11.69%	24.16%	22.40%	13.61%	9.17%	8.78%	—
MSCI Taiwan Total Return Index (Net)	1.53%	14.43%	26.95%	25.18%	13.33%	8.58%	8.43%	—
Taiwan TAIEX Price Index	0.92%	11.40%	18.99%	17.30%	9.11%	4.87%	4.80%	—

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

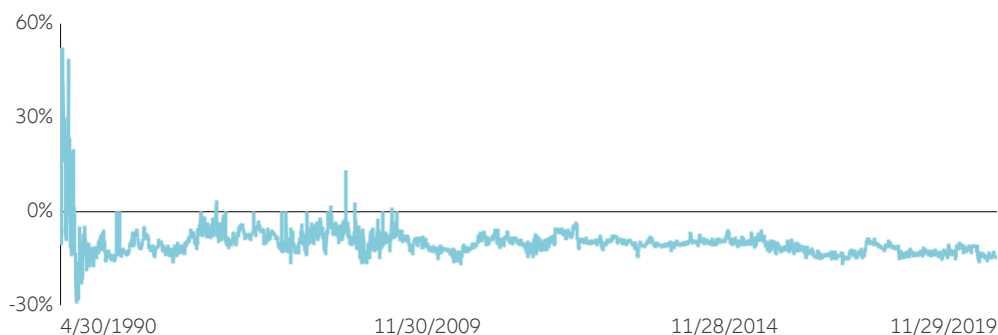
	2011	2012	2013	2014	2015	2016	2017	2018
NAV	-20.58%	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%
Market Price	-21.80%	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%
Taiwan TAIEX Total Return Index	-21.02%	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%
MSCI Taiwan Total Return Index (Net)	-20.89%	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 <sup>2</sup>	
Information Technology	74.58%	50.63%
Consumer Discretionary	6.43%	6.92%
Industrials	1.94%	5.33%
Real Estate	1.65%	1.48%
Consumer Staples	1.16%	3.18%
Financials	0.00%	14.64%
Materials	0.00%	9.97%
Communication Services	0.00%	4.60%
Energy	0.00%	2.66%
Health Care	0.00%	0.45%
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)	20.85%
GLOBAL LIGHTING TECHNOLOGIES (Taiwan)	5.44%
UNIMICRON TECHNOLOGY CORP (Taiwan)	4.01%
MACRONIX INTERNATIONAL (Taiwan)	3.84%
ACCTON TECHNOLOGY CORP (Taiwan)	3.76%
ASE TECHNOLOGY HOLDING CO LTD (Taiwan)	3.41%
EPISTAR CORP (Taiwan)	3.27%
MEDIATEK INC (Taiwan)	3.01%
LARGAN PRECISION CO LTD (Taiwan)	2.75%
SILERGY CORP (Taiwan)	2.36%

### Portfolio Characteristics

	Fund Benchmark <sup>2</sup>	
P/E Ratio	21.86	16.67
P/B Ratio	2.59	1.77
Issues in Portfolio	41	900
Foreign Holdings (%)	85.76	100.00
Cash (%)	14.24	0.00
Yield (%)	2.49	3.82

### Risk Statistics (3 Year)

Beta	1.08
R <sup>2</sup>	0.84
Standard Deviation of NAV	15.20
Standard Deviation of Market Price	16.40

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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	
<b>Information Technology</b>					<b>74.56</b>	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	305.00	3,752,000	37,507,088	20.85
	GLOBAL LIGHTING TECHNOLOGIES	4935	125.50	2,378,000	9,781,518	5.44
	UNIMICRON TECHNOLOGY CORP	3037	46.15	4,771,000	7,216,586	4.01
	MACRONIX INTERNATIONAL	2337	33.05	6,384,000	6,915,364	3.84
	ACCTON TECHNOLOGY CORP	2345	159.00	1,299,000	6,769,506	3.76
	ASE TECHNOLOGY HOLDING CO LTD	3711	75.60	2,475,000	6,132,643	3.41
	EPISTAR CORP	2448	32.80	5,477,000	5,887,993	3.27
	MEDIATEK INC	2454	421.50	392,000	5,415,447	3.01
	LARGAN PRECISION CO LTD	3008	4,435.00	34,000	4,942,233	2.75
	SILERGY CORP	6415	888.00	146,000	4,249,291	2.36
	KINSUS INTERCONNECT TECHNOLOGY CORP	3189	53.10	2,268,000	3,947,192	2.19
	DELTA ELECTRONICS INC	2308	140.00	803,000	3,684,633	2.05
	KINGPAK TECHNOLOGY INC	6238	164.50	672,220	3,624,332	2.01
	WIWYNN CORP	6669	553.00	188,000	3,407,483	1.89
	HON HAI PRECISION INDUSTRY CO LTD	2317	88.50	987,000	2,862,932	1.59
	FLEXIUM INTERCONNECT INC	6269	113.00	726,000	2,688,845	1.49
	RICHWAVE TECHNOLOGY CORP	4968	168.00	485,000	2,670,556	1.48
	SPEED TECH CORP	5457	76.20	866,000	2,162,836	1.20
	GLOBAL UNICHIP CORP	3443	266.50	242,000	2,113,797	1.17
	WISTRON CORP	3231	27.70	2,197,000	1,994,622	1.11
	ASMEDIA TECHNOLOGY INC	5269	567.00	105,000	1,951,295	1.08
	CHROMA ATE INC	2360	139.50	307,000	1,403,664	0.78
	ELAN MICROELECTRONICS CORP	2458	89.40	459,000	1,344,934	0.75
	GENIUS ELECTRONIC OPTICAL CO LTD	3406	408.00	92,867	1,241,859	0.69
	SIMPLO TECHNOLOGY CO LTD	6121	305.00	99,000	989,659	0.55
	COMPEQ MANUFACTURING CO LTD	2313	48.95	607,000	973,850	0.54
	ELITE MATERIAL CO LTD	2383	122.00	230,000	919,683	0.51
	CHIPBOND TECHNOLOGY CORP	6147	62.80	400,000	823,323	0.46
	CHUNGHWA PRECISION TEST TECH CO LTD	6510	882.00	20,000	578,162	0.32
<b>Consumer Discretionary</b>					<b>6.44</b>	
	GLOBAL PMX CO LTD	4551	181.00	425,000	2,521,263	1.40
	GIANT MANUFACTURING CO LTD	9921	221.00	325,000	2,354,108	1.31
	HOTA INDUSTRIAL MANUFACTURING CO LTD	1536	114.00	494,000	1,845,791	1.03
	TAIWAN PAIHO LTD	9938	77.50	720,000	1,828,879	1.02
	POYA INTERNATIONAL CO LTD	5904	432.00	100,000	1,415,906	0.79
	ECLAT TEXTILE CO LTD	1476	396.00	100,000	1,297,914	0.72
	ACTRON TECHNOLOGY CORP	8255	92.10	100,000	301,863	0.17
<b>Industrials</b>					<b>1.93</b>	
	AIRTAC INTERNATIONAL GROUP	1590	441.00	176,000	2,543,911	1.41
	HIWIN TECHNOLOGIES CORP	2049	260.50	110,000	939,185	0.52
<b>Real Estate</b>					<b>1.65</b>	
	KINDOM DEVELOPMENT CO LTD	2520	30.95	2,926,000	2,968,149	1.65
<b>Consumer Staples</b>					<b>1.16</b>	
	UNI-PRESIDENT ENTERPRISES CORP	1216	72.50	537,995	1,278,400	0.71
	CHAROEN POKPHAND ENTERPRISE	1215	65.10	380,000	810,803	0.45

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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