

The Taiwan Fund, Inc.

Manager's Commentary

Market Review

The Taiwan Stock Exchange closed the month of November 2020 up 9.37% in Taiwan Dollar terms, with the technology sector up 10.31%, non-technology up 8.68%, financial sector up 5.78% and over-the-counter ("OTC") stocks up 9.07%. The top three outperforming sectors were glass & ceramic, dynamic random-access memory manufacturers, and integrated circuit manufacturers. The bottom three underperforming sectors were uninterruptible power systems, golf, and department stores.

Fund Review

The Taiwan Fund, Inc. (the "Fund") outperformed the Taiwan TAIEX Total Return Index (the "benchmark"), as both sector allocation and stock selection were positive contributors. On the sector level, the Fund's overweight position in the semiconductors and underweight position in the banks, telecommunication services and capital goods all helped. Stock selection in technology hardware & equipment, semiconductors, capital goods, and materials helped the most. The best active contributors were Silergy Corp., Unimicron Technology Corp. ("Unimicron"), and Nan Ya Printed Circuit Board Corp. ("Nan Ya PCB"); the worst active detractors were Poya International Co., Ltd., United Microelectronics Corp., and Flexium Interconnect, Inc.

Key Transactions

Last month, we mentioned that the fire at Unimicron caused a significant correction in their share price, which in turn led the Fund to underperform. Nonetheless, we indicated our continuing support for the strength of the underlying investment thesis and so retained the position. Indeed, tightness in ABF (ajinomoto build-up film) and BT (Bismaleimide-Triazine) substrates has persisted and if anything, the situation is now even more acute. With the recent ramp up in demand for Bitcoin mining, Nvidia Corp. and Advanced Micro Devices, Inc. simply cannot get enough ABF substrate. As a result, major suppliers such as Unimicron, Nan Ya PCB and Kinsus Interconnect Technology Corp. ("Kinsus") have seen their share prices rally; the latter two even reached record highs in the month. As at month end, we still hold positive views on Unimicron and Nan Ya PCB; however we exited Kinsus, at what we considered a very full valuation.

Another change in the portfolio this month resulted from our view that demand for WFH (work from home) names is weakening. In line with this, we exited related names, including Paraden Technologies, Ltd., Realtek Semiconductor Corp., Zhen Ding Technology, Elite Material Co., etc.

Outlook

According to our 2021 earnings forecasts, all three of the major industry groups (Tech, Non-Tech and Financials) will see their growth rates turn positive next year. Given this outlook, we intend to take a more balanced approach to our portfolio into 2021. We have started to take some profit off the table in the technology sector, where valuation for more growth-oriented names are now stretched. At the same time, we have begun to allocate more into cyclical names, within both technology and non-tech sectors.

Why do we like cyclical? First, since the recent string of announcements regarding successful vaccine candidate, the market has started to price in a fuller recovery in global demand. This raises the outlook for oil prices, on the back of increased demand for transportation. Therefore, we have made some small additions in the petrochemical sector. Second, since a cyclical recovery should be broad-based, we have also added to memory, panels, passive components, machinery, tires and steel segments, all of which will benefit. Lastly, demand for several consumer products is coming off a low base in 2020. We expect that the demand for products, including smartphones, electric vehicles ("EVs") and shoes, will return to 2019 levels or perhaps even better.

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)	\$235.3
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 11/30/2020)¹

	Fund	Benchmark ²
One Month	11.26%	9.77%
Three Month	9.45%	12.49%
One Year	41.69%	32.39%
Three Year	18.04%	15.44%

Net Asset Value / Market Price

NAV / Market Price (as of 11/30/2020)	\$31.51 / \$27.19
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High / Low Ranges (52-Week)

High / Low NAV	\$31.67 / \$16.96
High / Low Market Price	\$27.31 / \$13.80
Premium/Discount to NAV (as of 11/30/2020)	-13.70%

Fund Data (Common Shares)

Shares Outstanding	7,466,650
Average Daily Volume	10,419
Expense Ratio	1.70%

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	11.26%	9.45%	30.75%	41.69%	18.04%	18.42%	9.67%	9.55%
Market Price	16.20%	14.97%	32.12%	43.24%	16.82%	17.77%	9.29%	8.00%
Taiwan TAIEX Total Return Index	9.77%	12.49%	24.35%	32.39%	15.44%	18.13%	9.78%	—
MSCI Taiwan Total Return Index	10.03%	13.73%	27.61%	37.07%	17.04%	18.91%	10.11%	—
Taiwan TAIEX Price Index	9.77%	12.19%	20.30%	27.85%	11.00%	13.56%	5.77%	—

Calendar Year Returns¹

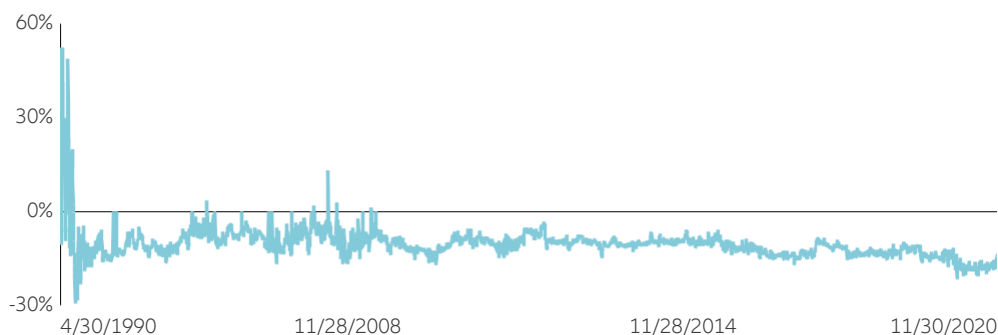
	2012	2013	2014	2015	2016	2017	2018	2019
NAV	12.23%	19.34%	-2.25%	-6.43%	11.17%	28.44%	-14.96%	47.11%
Market Price	12.77%	18.24%	-1.28%	-10.52%	10.05%	33.61%	-19.11%	46.75%
Taiwan TAIEX Total Return Index	17.76%	12.19%	5.05%	-10.40%	17.81%	29.45%	-7.86%	32.19%
MSCI Taiwan Total Return Index	16.68%	9.06%	9.36%	-11.72%	18.54%	27.53%	-8.94%	36.37%
Taiwan TAIEX Price Index	13.52%	8.98%	1.93%	-13.81%	13.11%	24.56%	-11.51%	26.46%

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	75.48%	58.56%
Consumer Discretionary	8.72%	6.20%
Materials	5.58%	8.30%
Industrials	2.03%	5.21%
Financials	1.36%	11.67%
Communication Services	0.77%	3.49%
Consumer Staples	0.00%	2.48%
Energy	0.00%	2.09%
Real Estate	0.00%	1.39%
Health Care	0.00%	0.47%
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)	23.30%
SILERGY CORP (Taiwan)	4.11%
MACRONIX INTERNATIONAL (Taiwan)	3.96%
UNIMICRON TECHNOLOGY CORP (Taiwan)	3.75%
ACCTON TECHNOLOGY CORP (Taiwan)	3.17%
ITEQ CORP (Taiwan)	2.59%
SPEED TECH CORP (Taiwan)	2.42%
MEDIATEK INC (Taiwan)	2.36%
NAN YA PRINTED CIRCUIT BOARD CORP (Taiwan)	2.12%
YAGEO CORP (Taiwan)	2.07%

Portfolio Characteristics

	Fund	Benchmark ²
P/E Ratio	21.38	18.35
P/B Ratio	3.08	2.06
Issues in Portfolio	46	909
Foreign Holdings (%)	93.94	100.00
Cash (%)	6.06	0.00
Yield (%)	2.35	3.03

Risk Statistics (3 Year)

Beta	1.09
R ²	0.89
Standard Deviation of NAV	22.64
Standard Deviation of Market Price	22.99

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
12/16/2010	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	—
12/17/2019	12/27/2019	12/30/2019	1/10/2020	\$1.69910	\$1.46950	\$0.16450	\$0.06510

Distribution/Share includes Income, Long-term Capital gains and Short-term Capital gains.

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

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					75.47	
	TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2330	480.50	3,224,000	54,350,741	23.30
	SILERGY CORP	6415	2,220.00	123,000	9,580,212	4.11
	MACRONIX INTERNATIONAL	2337	38.50	6,832,000	9,228,383	3.96
	UNIMICRON TECHNOLOGY CORP	3037	89.90	2,771,000	8,740,037	3.75
	ACCTON TECHNOLOGY CORP	2345	239.00	883,000	7,404,158	3.17
	ITEQ CORP	6213	137.00	1,255,000	6,032,278	2.59
	SPEED TECH CORP	5457	106.50	1,510,000	5,642,137	2.42
	MEDIATEK INC	2454	704.00	223,000	5,508,008	2.36
	NAN YA PRINTED CIRCUIT BOARD CORP	8046	181.00	777,000	4,934,199	2.12
	YAGEO CORP	2327	442.00	312,000	4,838,312	2.07
	MPI CORP	6223	115.50	1,170,000	4,741,163	2.03
	SENSORTEK TECHNOLOGY CORP	6732	762.00	170,000	4,544,864	1.95
	HON HAI PRECISION INDUSTRY CO LTD	2317	82.30	1,544,000	4,458,248	1.91
	ASIA VITAL COMPONENTS CO LTD	3017	73.90	1,605,000	4,161,372	1.78
	NANYA TECHNOLOGY CORP	2408	72.40	1,615,000	4,102,307	1.76
	MERRY ELECTRONICS CO LTD	2439	141.50	814,000	4,041,084	1.73
	CHILISIN ELECTRONICS CORP	2456	132.00	782,000	3,621,577	1.55
	TONG HSING ELECTRONIC INDUSTRIES LTD	6271	198.50	490,762	3,417,814	1.47
	FITTECH CO LTD	6706	166.50	549,000	3,207,034	1.38
	GRAND PLASTIC TECHNOLOGY CORP	3131	371.50	241,000	3,141,181	1.35
	GOLD CIRCUIT ELECTRONICS LTD	2368	51.60	1,664,000	3,012,452	1.29
	AURAS TECHNOLOGY CO LTD	3324	233.00	327,000	2,673,134	1.15
	TAIFLEX SCIENTIFIC CO LTD	8039	55.30	1,313,000	2,547,457	1.09
	NOVATEK MICROELECTRONICS CORP	3034	299.00	239,000	2,507,184	1.07
	TXC CORP	3042	80.00	775,000	2,175,248	0.93
	FLEXIUM INTERCONNECT INC	6269	120.00	472,000	1,987,194	0.85
	ASPEED TECHNOLOGY INC	5274	1,410.00	37,000	1,830,366	0.78
	AU OPTRONICS CORP	2409	12.20	3,874,000	1,658,198	0.71
	LOTES CO LTD	3533	445.00	98,000	1,530,041	0.66
	EMEMORY TECHNOLOGY INC	3529	573.00	21,000	422,173	0.18
Consumer Discretionary					8.72	
	POYA INTERNATIONAL CO LTD	5904	598.00	218,000	4,573,774	1.96
	FULGENT SUN INTERNATIONAL HOLDING CO LTD	9802	121.00	929,877	3,947,553	1.69
	GLOBAL PMX CO LTD	4551	192.50	565,000	3,815,893	1.64
	POU CHEN CORP	9904	31.25	3,168,000	3,473,380	1.49
	MAKALOT INDUSTRIAL CO LTD	1477	184.50	446,000	2,887,010	1.24
	KENDA RUBBER INDUSTRIAL CO LTD	2106	37.00	585,000	759,407	0.33
	GIANT MANUFACTURING CO LTD	9921	282.50	75,000	743,356	0.32
	KMC KUEI MENG INTERNATIONAL	5306	190.00	19,000	126,656	0.05
Materials					5.59	
	TA CHEN STAINLESS PIPE	2027	28.10	3,796,000	3,742,395	1.60
	FORMOSA CHEMICALS & FIBRE CORP	1326	77.00	1,360,000	3,674,064	1.58
	ASIA CEMENT CORP	1102	43.30	2,148,000	3,263,166	1.40
	CENTURY IRON & STEEL INDUSTRIAL CO LTD	9958	130.50	512,000	2,344,215	1.01
Industrials					2.03	
	HIWIN TECHNOLOGIES CORP	2049	305.50	442,000	4,737,514	2.03
Financials					1.35	
	CATHAY FINANCIAL HOLDING CO LTD	2882	40.40	1,455,000	2,062,345	0.88
	CTBC FINANCIAL HOLDING CO LTD	2891	19.15	1,641,000	1,102,540	0.47
Communication Services					0.77	
	CHIEF TELECOM INC	6561	380.00	135,000	1,799,842	0.77

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. Yield% displayed is the "indicative dividend yield". This is calculated by taking the last paid dividend and multiplying it by the dividend frequency divided by the current price as of the date shown. 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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