

An impressionistic painting of a sky and sea. The sky is filled with thick, expressive brushstrokes in various shades of blue, teal, and white, suggesting clouds. The sea below is painted in darker, more saturated blues and greens, with horizontal brushstrokes indicating waves. The overall style is painterly and textured.

WALTER SCOTT

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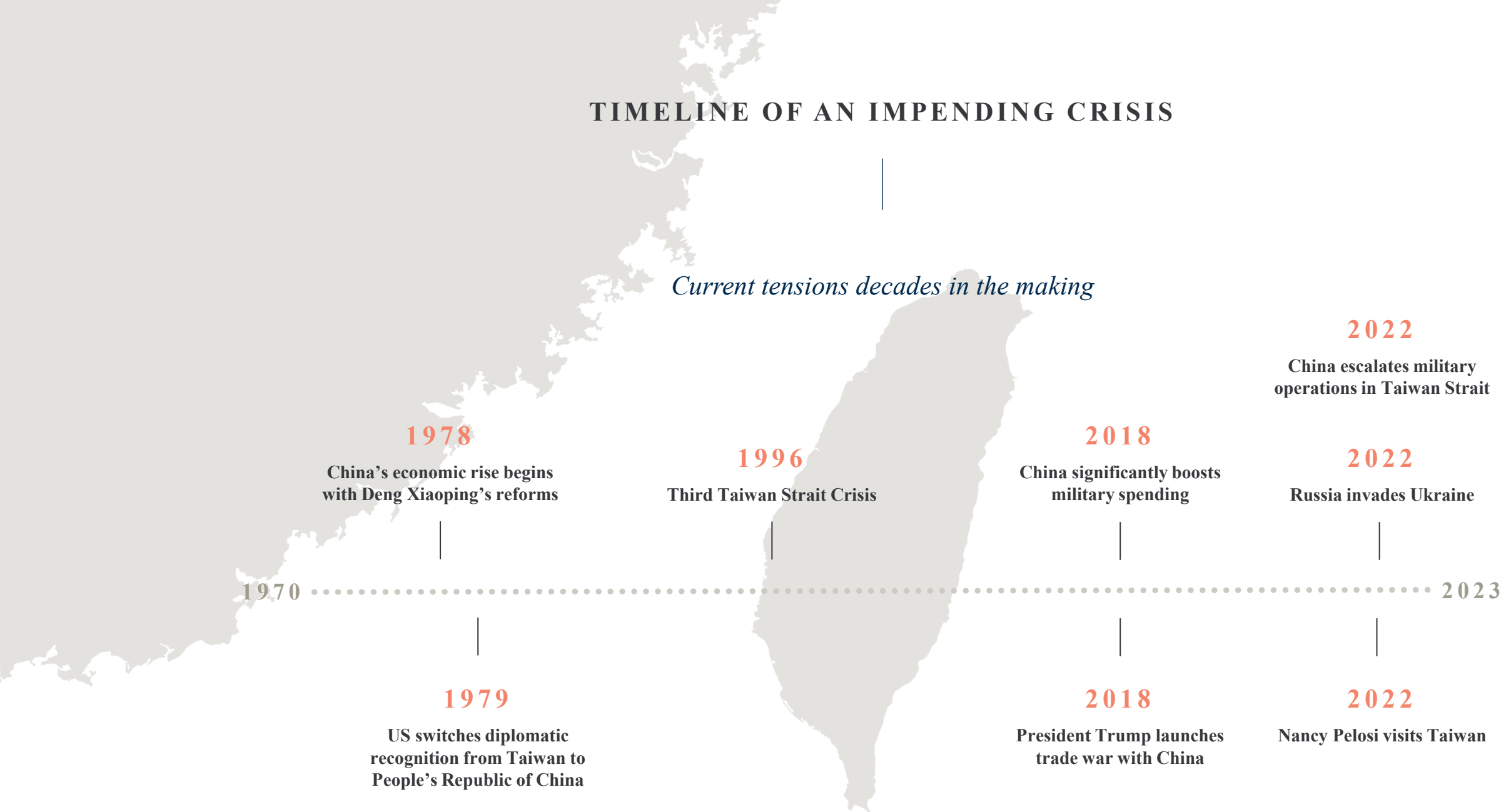
✦ BNY MELLON | INVESTMENT MANAGEMENT

CHINA-TAIWAN

*January 2023*



## TIMELINE OF AN IMPENDING CRISIS

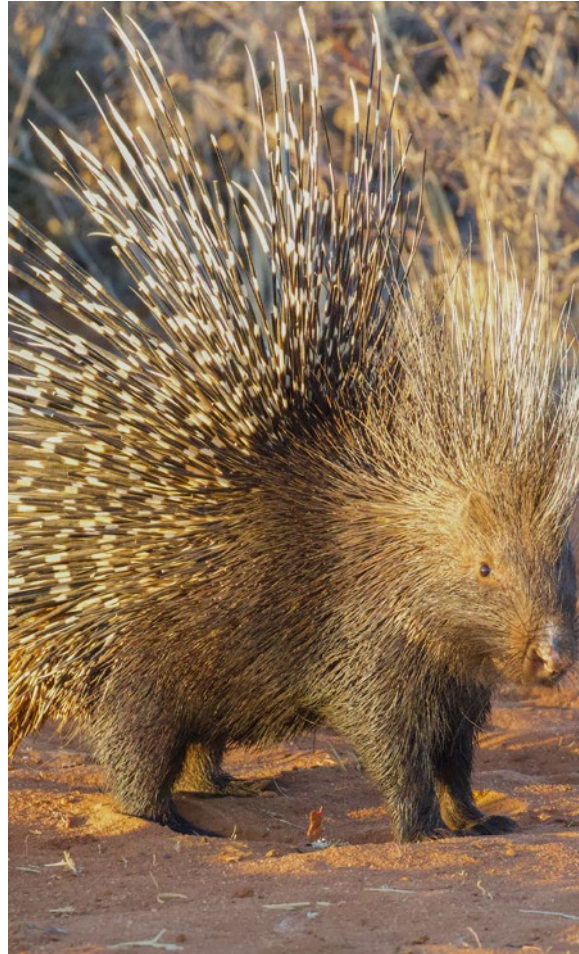


# HOW SAFE IS TAIWAN?

**STRATEGIC AMBIGUITY**



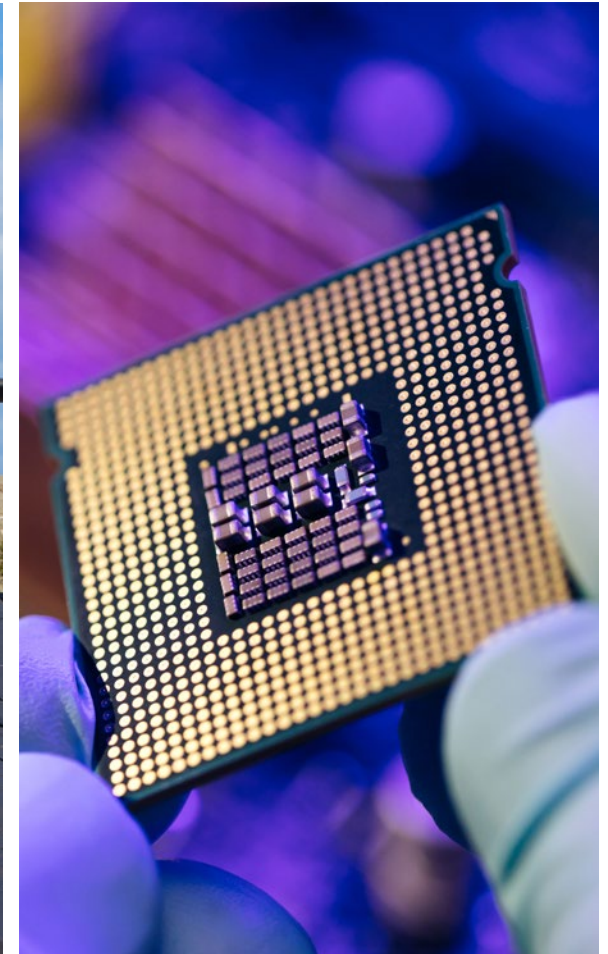
**PORCUPINE STRATEGY**



**WESTERN ALLIANCES**



**SEMICONDUCTORS**





# TAIWAN SEMICONDUCTOR – THE WORLD’S MOST IMPORTANT COMPANY?

Established in 1987, TSMC is the world’s largest and most technologically advanced semiconductor foundry. Nine of the company’s 12 manufacturing facilities are located in Taiwan.

Semiconductors are an essential component of electronic devices, enabling advances in communications, computing, healthcare, military systems, transportation, clean energy, and countless other applications.

TSMC has a 56% share of the global foundry market, more than four times that of its nearest competitor and manufactures ~90% of the most sophisticated leading-edge chips.<sup>1</sup>

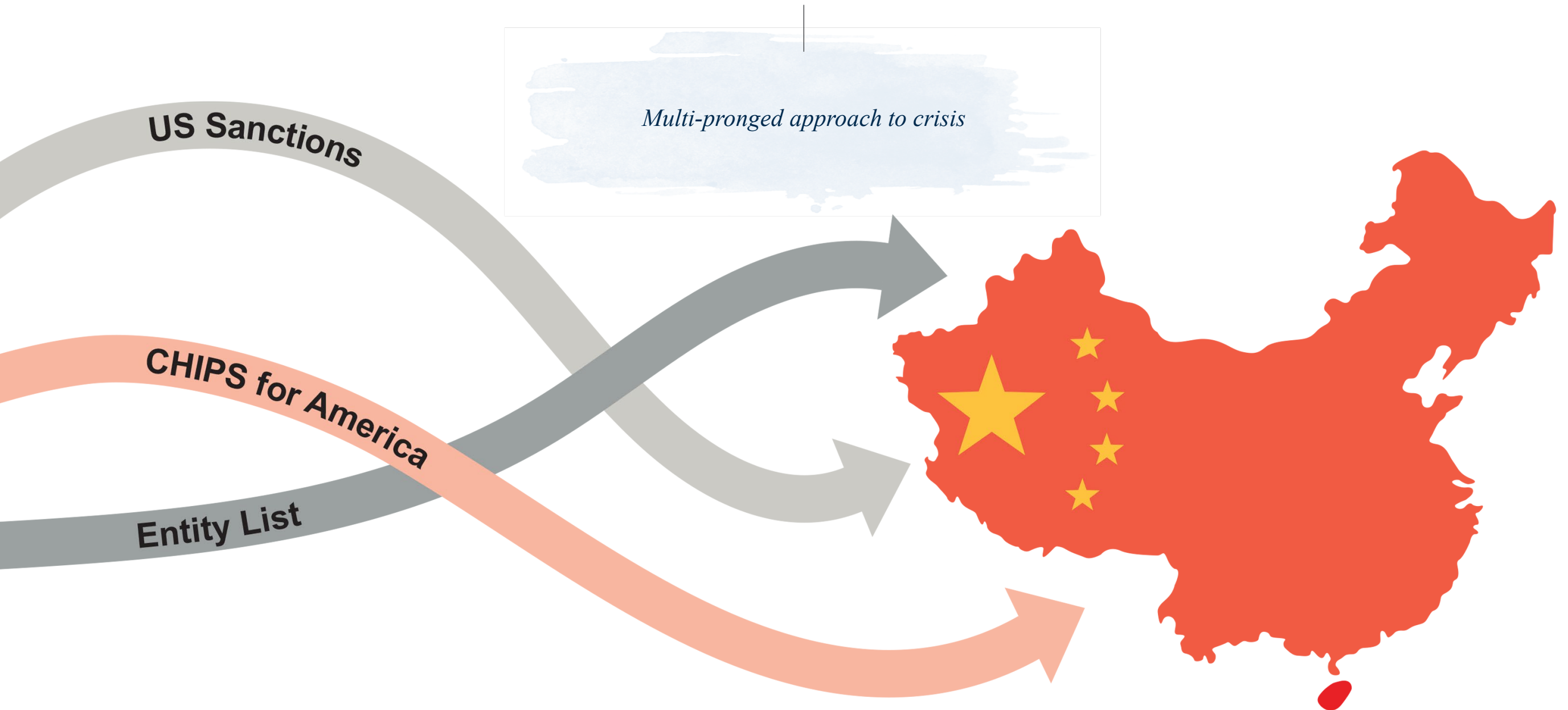
TSMC’s leadership would be incredibly hard to replicate. The company produced more than 12,000 different products using 291 distinct technologies for over 500 different customers in 2021.<sup>2</sup>

1. Source: Counterpoint Research Q2 2022

2. Source: TSMC [https://www.tsmc.com/english/aboutTSMC/company\\_profile](https://www.tsmc.com/english/aboutTSMC/company_profile)



## COMBATING RECENT CHINESE ENCROACHMENT



## DISRUPTION ACROSS THE ECONOMY

*Tensions are impacting multiple industries and companies*



**WAFER FAB  
EQUIPMENT**



**DEFENCE**



**WESTERN BRANDS**



**LOGISTICS**



**CONSUMER  
ELECTRONICS**

## WHAT'S AN ASSET MANAGER TO DO?



*Acknowledge, analyse, understand*

- Acknowledge the uncertainty but try to understand the situation as best we can.
- Consult with companies frequently, industry experts, geopolitical experts, academics, boots on the ground.
- Factor our understanding into our overall stock analysis and internal discussions.
- Portfolio diversification mitigates the risk of a left field event.
- Invest in best-in-class companies that will be more resilient in a worst-case scenario.



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*On behalf of us all,*

**THANK YOU**



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