Matthews Emerging Markets Equity Fund

**Investment Objective**
The Matthews Emerging Markets Equity Fund seeks to generate long-term capital appreciation.

**Investment Approach**
The Fund seeks to achieve its investment objective by investing at least 80% of its total net assets in emerging market companies. Emerging market countries generally include every country in the world except the United States, Australia, Canada, Hong Kong, Israel, Japan, New Zealand, Singapore and most of the countries in Western Europe.

**Investment Rationale for Matthews Emerging Markets Equity Fund**
- Asian countries in emerging markets are expected to lead the global emerging markets in terms of growth, innovation, market size, liquidity and demographics
- With Asia serving as the engine of growth in emerging markets, the need to get Asia right has never been more important
- We believe our insight into Asia is an advantage in identifying, analyzing and investing in other markets that may share similar characteristics

**Asia Plays an Outsized Role in Emerging Markets**
- 75% of the MSCI Emerging Markets Index is comprised of companies domiciled in Asia 1
- An estimated 2.3 billion people will enter the middle class by 2030—over 85% from Asia 2
- More than 50% of global middle-class spending is projected to come from Asia by 2030 2

**A Core, Quality Growth Emerging Markets Equity Strategy**
Approaching emerging markets through a bottom-up lens, the Fund offers a core, quality-growth orientation. We believe our deep expertise in Asia provides us a competitive advantage to construct an emerging markets portfolio built for sustainable growth. We typically look for companies that have higher growth metrics, as well as higher quality metrics, than the broader market. The Fund also tends to focus on companies that generally can serve the growing needs of domestic consumers within their market. We tend look for companies that exhibit less cyclicality and have structural growth potential. Employing an all-cap approach, we believe that small companies may offer attractive potential for generating alpha. Our investment team spends considerable time on the ground researching ideas and uncovering what makes good companies tick. We believe that the Fund’s quality growth orientation can help long-term investors meet their objectives for sustainable growth within emerging markets.

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**PORTFOLIO MANAGEMENT**

**John Paul Lech**
Lead Manager

John Paul Lech is a Portfolio Manager at Matthews Asia. Prior to joining the firm in 2018, he spent most of his 10 years at OppenheimerFunds (subsequently acquired by Invesco) as an Analyst and Portfolio Manager on a diversified emerging market equity strategy. John Paul started his career as an Analyst and Associate at Citigroup Global Markets, Inc. John Paul earned both an M.A. and a B.S.F.S from the Walsh School of Foreign Service at Georgetown University. He is fluent in Portuguese, Spanish and French.

**Beini Zhou**
Lead Manager

Beini Zhou is a Portfolio Manager at Matthews Asia. Prior to joining Matthews Asia in 2013, he was a Research Analyst with Artisan Partners on the Global Value Team, responsible for covering pan-Asia stocks across all industries. Before joining Artisan in 2005, Beini spent three years as a senior product analyst at Oracle Corp. He received an M.S. in Computer Science from the University of California, Berkeley and a B.A. in Applied Mathematics from Harvard College. He is fluent in Mandarin.
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Investment Process

The Matthews Emerging Markets Equity Fund takes a company-first investment approach that emphasizes fundamental analysis over top-down country or sector allocation. The investment process centers on the fundamental analysis of a company, an assessment of the industry and competitive landscape and a determination of the valuations of the business.

In our security selection process, we start with some basic questions: Do we want to be involved with this company as a partial owner? Is management working for us as a non-controlling shareholder? How much are we paying for implied growth opportunity and is the price fair?

We consider five traits that we believe good companies worldwide share.

<table>
<thead>
<tr>
<th>Competitive Position</th>
<th>Capital Allocation</th>
<th>Capital Structure</th>
<th>Cash Flow</th>
<th>Character</th>
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<tbody>
<tr>
<td>Analyze the strength or weakness of a company's competitive position</td>
<td>Identify businesses that demonstrate good capital—provides strong signal for the future of the business</td>
<td>Prefer businesses that run with a somewhat suboptimal balance sheet</td>
<td>Seek companies that are able to produce cash from operations and fund its growth organically from the cash it generates</td>
<td>Seek companies with robust corporate governance that fairly considers the needs of non-control minority investors</td>
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<td>Review depth of a company's competitive moat and how likely is a company to sustain it or expand it?</td>
<td>Look for businesses that can strengthen competitive position during hard times, or times of volatility</td>
<td>Seek companies that can generate big profits and small assets</td>
<td>Strive to take a holistic look at a company's character—from management quality to how a company treats its customers, employees and vendors</td>
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Parameters set by Matthews Asia are subject to change and may differ from the Fundamental policy of the Fund.

Why Matthews Asia?

- As an Asia investment specialist, we have significant experience investing in the complex and diverse range of countries and economies that comprise the largest segment of emerging markets
- For almost 30 years, we have managed and performed through cycles and volatility, staying true to our investment ethos and focused on our process in various market environments
- We are able to leverage our Asia expertise in other emerging markets and apply the same established fundamental investment process to evaluate a company, its management team, corporate governance and valuation
- China represents approximately one-third of the EM benchmark and may increase in prominence. Matthews Asia offers dedicated China strategies, has multiple Mandarin speakers and in-country resources that the Fund can access when considering investments in the largest market in the index

1. Source: MSCI, data as of March 31, 2020
2. Source: Brookings, Global Economy and Development Working Paper, February 2017, “The Unprecedented Expansion of the Global Middle Class.” Data represented are estimates only. Matthews Asia has not independently verified any of the figures and cannot confirm their accuracy. There is no guarantee that any estimates or projections will be realized. Middle class is defined as income range of $11 to $110 per person per day in 2011 PPP terms.