Matthews Asia Dividend Fund

Investor

Commentary

Period ended December 31, 2024

Market Environment

- Asia fared well in 2024 amid divergent trends between markets. Changing expectations for U.S. interest rates and a fluctuation in the U.S. dollar were big influencers as was the ongoing strength in the artificial intelligence (AI) space.
- After a strong start, India's market experienced a selloff when Prime Minister Modi failed to win a majority in the elections in June, but equities quickly recovered after Modi secured a ruling coalition with allies. Later in the year, the market experienced a small correction as economic expansion eased and there was a downgrade in earnings, particularly in the consumer space.
- Taiwan's market powered ahead through the year thanks to demand for its AI chips while South Korea was one of the biggest underperformers in emerging markets amid softening demand in the auto sector and a cyclical downturn in segments such as heavy industries. The market also experienced volatility after South Korea’s president briefly imposed martial law and then was impeached.
- Chinese equities had a volatile start to the year and then rallied through the spring helped by government initiatives to support the property sector. The market sagged through the summer before surging in September as the government unveiled a broad package of stimulus measures aimed at kickstarting a recovery in the real estate market and lifting consumer confidence.
- Japan's market performed well in the first half of the year, supported by capital efficiencies as companies increased dividends and stock buybacks, while the second was marked by volatility. In August, the central bank surprised markets by hiking interest rates into positive territory, triggering a selloff. In October, there was more market uncertainty as Japan’s coalition government failed to win a majority in the election and a runoff vote was needed to confirm Shigeru Ishiba as prime minister.

Contributors and Detractors

- For the year ended December 31, 2024, the Matthews Asia Dividend Fund returned 5.92%, (Investor Class) and 6.05% (Institutional Class) while its benchmark, the MSCI All Country Asia Pacific Index, returned 10.01% over the same period.
- On a country basis, the top three contributors to relative performance were Vietnam due to an off-benchmark allocation, and Japan and South Korea due to an underweight allocation. The top three detractors were China/ Hong Kong, Australia and Indonesia due to stock selection.
- On a sector basis, the top three contributors to relative performance were information technology (IT) due to stock selection, materials due to an underweight allocation and communication services due to stock selection. The top three detractors were financials, real estate and utilities due to stock selection.
- The top three contributors to absolute performance included Taiwan Semiconductor Manufacturing Co. (TSMC), a leading Taiwanese chipmaker, Tencent Holdings, a Chinese online gaming and social media conglomerate, and Tokio Marine Holdings, a Japanese insurance company. The largest detractors included Chailease Holding, a Taiwanese financial services provider, Samsung Electronics, a South Korean semiconductor and consumer electronics maker, and Nissin Foods Holdings, a Japanese producer of instant noodle and processed food products.

Outlook

- A key narrative for Asia in 2025 could be the scale of the impact of the new Trump administration. Its policies could support a higher dollar, U.S. Treasury yields and interest rates and it could also impose tariffs on countries including China. At the same time, a Trump administration could also stoke a stronger U.S. economy and that’s good for global growth and for risk assets.
- After the first quarter, provided there is more clarity on U.S. trade policy as well as from China on its fiscal plans to boost its lackluster economy and real estate sector, we think volatility may subside and the outlook for Asia will improve. Taiwan should continue to benefit from strong demand for AI-related chips while in India we are focused more on financials, large caps and companies with consistent earnings growth where expectations

aren't so high.

- In Japan, despite the changing macro backdrop, earnings have been resilient and companies are continuing to reform and generate value via buybacks and dividends. Looking ahead, we believe that Japanese equities are driven by earnings, and successful stock picking will be key.
- At the global macro level, we will likely continue to see Federal Reserve rate cuts. This may not be a clear tailwind for Asian markets but will be less of a headwind, in our view. At this juncture, we would say that a large component of returns from the region in 2025 will be backloaded into the second half of the year.

Top 10 holdings as of December 31, 2024. Current and future holdings are subject to change and risk. Dividends are not guaranteed and may fluctuate.

Average Annual Total Returns - MAPIX as of 12/31/2024

1YR	3YR	5YR	10YR	Since Inception	Inception Date
5.92%	-7.91%	-0.08%	3.48%	6.08%	10/31/2006

All performance quoted is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing market conditions so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have been lower if certain of the Fund's fees and expenses had not been waived. For the Fund's most recent month-end performance visit matthewsasia.com

Fees & Expenses

Gross Expense Ratio	1.10%

Yields as of 12/31/2024

30-Day SEC Yield	1.98%
30-Day SEC Yield(excluding expense waiver)	1.98%
Dividend Yield	2.97%

The 30-Day SEC Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/2024, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day SEC Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate. Source: BNY Mellon Investment Servicing (US) Inc.

Dividend Yield (trailing) is the weighted average sum of the dividends paid by each equity security held by the Fund over the last 12 months divided by the current price as of report date. The annualised dividend yield is for the equity-only portion of the Fund and does not reflect the actual yield an investor in the Fund would receive. There can be no guarantee that companies that the Fund invests in, and which have historically paid dividends, will continue to pay them or to pay them at the current rates in the future. A positive distribution yield does not imply positive return, and past yields are no guarantee of future yields.

Investments in Asian securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Investing in emerging and frontier markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets.There is no guarantee that the Fund or the companies in its portfolio will pay or continue to pay dividends.

There is no guarantee that a company will pay or continue to increase dividends. Past performance is no guarantee of future results.

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views. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. It should not be assumed that any investment will be profitable or will equal the performance of any securities or any sectors mentioned herein. The information does not constitute a recommendation to buy or sell any securities mentioned.

You should carefully consider the investment objectives, risks, charges and expenses of the Matthews Asia Funds before making an investment decision. A prospectus or summary prospectus with this and other information about the Funds may be obtained by visiting matthewsasia.com. Please read the prospectus carefully before investing.

Investments involve risks, including possible loss of principal. Investments in international, emerging and frontier markets involve risks such as economic, social and political instability, market illiquidity, currency fluctuations, high levels of volatility, and limited regulation, which may adversely affect the value of the Fund's assets. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors.

Investing in small- and mid-size companies is more risky than investing in larger companies as they may be more volatile and less liquid than large companies. In addition, single-country funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific industry, sector or geographic location. Pandemics and other public health emergencies can result in market volatility and disruption.

Fund holdings are subject to change and risk. For current holdings, please visit each Fund’s individual overview page.

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