Matthews Asia

# Matthews China Dividend Fund

Investor

## Commentary

### Period ended December 31, 2024

## Market Environment

- China was one of the best-performing emerging markets in 2024. 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 when the government unveiled a broad and aggressive package of stimulus measures aimed at kickstarting the real estate market, ramping up growth and boosting stock market liquidity.
- During the year, companies listed in China's offshore markets, typically in technology, consumer and ecommerce segments, delivered improvements in earnings growth as they contained costs and bolstered margins rather than chasing revenue and market share. In many cases they were also shrewd managers of capital, buying back shares and increasing dividends.
- The performance of the mainland or A- share market, including consumer staples, real estate, industrials and manufacturing, lagged offshore equities, being more directly impacted by weak demand and the struggling property sector. Manufacturing and industrials- related stocks performed slightly better but they were also affected by a sluggish domestic economy.

## Contributors and Detractors

- For the year ended December 31, 2024, the Matthews China Dividend Fund returned 14.94%, (Investor Class) and 15.07% (Institutional Class) while its benchmark, the MSCI China Index, returned 19.68% over the same period.
- On a sector basis, the top three contributors to relative performance were industrials, consumer discretionary and consumer staples due to stock selection. The top three detractors were financials, communication services and utilities due to stock selection.
- The top three contributors to absolute performance included Tencent Holdings, an online gaming and social media conglomerate, Yangzijiang Shipbuilding Holdings, one of China's largest privately owned shipbuilding company, and Meituan, China's largest food delivery service and internet platform company. The largest detractors included CITIC Telecom International Holdings, a telecommunication connectivity services provider, Guangdong Investment, an infrastructure company, and Tam Jai International, a restaurant operator.

## Outlook

- It was reassuring to see China's leadership introduce measures to encourage economic growth, particularly in easing monetary policy and implementing steps to address weak demand and oversupply in the property sector. More stimulus is anticipated at the National People's Congress in March.
- The key to China's recovery will be how effectively it executes new stimulus initiatives and policies. Meanwhile, the economy will likely face headwinds from a toughening trade posture and an increase in tariffs from the new Trump administration in the U.S. While exports are a small contributor to GDP, a ratcheting up of U.S. tariffs will undoubtedly hurt China's economy.
- Amid negative sentiment over potential U.S. tariffs and uncertainty over the economy's growth prospects, valuations in China's equity market are generally very cheap. We think there is potential for companies in the ecommerce and financials space to continue to improve cost structures, revenue and profitability. For more domestic-focused businesses, the eventual impact of China's ongoing stimulus measures will be more critical—if successful they could provide a meaningful tailwind.

View the Fund's Top 10 holdings as of December 31, 2024. Current and future holdings are subject to change and risk.

## Average Annual Total Returns - MCDFX as of 12/31/2024

| 1YR | 3YR | 5YR | 10YR | Since Inception | Inception Date |
|---|---|---|---|---|---|
| 14.94% | -8.78% | -1.26% | 4.47% | 6.03% | 11/30/2009 |

*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 | 1.17% |

## Yields as of 12/31/2024

| | |
|---|---|
| 30-Day SEC Yield | 1.81% |
| 30-Day SEC Yield(excluding expense waiver) | 1.81% |
| Dividend Yield | 3.43% |

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 markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets. In addition, investments in a single-country fund, which is considered a non-diversified fund, may be subject to a higher degree of market risk than diversified funds because of concentration in a specific country.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.



**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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