



Matthews China 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 Fund returned 17.87%, (Investor Class) and 17.95% (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 consumer discretionary due to stock selection, financials due to an overweight allocation and industrials due to stock selection. The top three detractors were information technology (IT) due to stock selection, consumer staples due to an overweight allocation and materials due to stock selection.
- The top three contributors to absolute performance during the year included Meituan, China's largest food delivery service and internet platform company, Tencent Holdings, an online gaming and social media conglomerate, and China Construction Bank, a banking services provider. The largest detractors included Pinduoduo (PDD), one of China's largest e-commerce platforms that started its businesses with a focus on lower-tier city, price sensitive consumers, Wuxi Biologics, a pharmaceutical company, and JD Health International, an online healthcare platform.

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 - MCHFX as of 12/31/2024

1YR	3YR	5YR	10YR	Since Inception	Inception Date
17.87%	-10.38%	-2.01%	3.99%	7.60%	02/19/1998

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 matthewsasiasia.com

Fees & Expenses

Gross Expense Ratio	1.15%
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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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