Matthews Asia

Matthews Emerging Markets Equity Fund

Investor

Commentary

Period ended December 31, 2024

Market Environment

- Emerging markets fared pretty well in 2024 but there were divergent trends within regions and 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 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 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, lifting consumer confidence and improving liquidity in the stock market.
- Latin America was a significant underperformer. Mexico experienced negative sentiment through most of the year in anticipation of, and then in response to, the election of Claudia Sheinbaum as president in June, and the potential impact her reform agenda may have on the private sector. In Brazil, equities underperformed and the Brazilian real declined as the central bank battled inflation and worries mounted over the government's spending and fiscal management.

Contributors and Detractors

- For the year ended December 31, 2024, the Matthews Emerging Markets Equity Fund returned 11.13%, (Investor Class) and 11.38% (Institutional Class) while its benchmark, the MSCI Emerging Markets Index, returned 8.05% over the same period.
- On a country basis, the top three contributors to relative performance were China/ Hong Kong due to stock selection, Vietnam due to an off- benchmark allocation and Taiwan due to stock selection. The top three detractors were Mexico, Philippines and Indonesia due to stock selection.
- On a sector basis, the top three contributors to relative performance were consumer discretionary, communication services and information technology (IT) due to stock selection. The top three detractors were financials, energy and industrials due to stock selection.
- The top three contributors to absolute performance included Taiwan Semiconductor Manufacturing Company (TSMC), a leading Taiwanese chipmaker, Tencent Holdings, a Chinese online gaming and social media conglomerate, and Meituan, China's largest food delivery service and internet platform company. The largest detractors included Samsung Electronics, a South Korean semiconductor and consumer electronics maker, Globant, an Argentinian IT and software development company, and Prologis Property Mexico, a Mexican real estate developer.

Outlook

- A key narrative for emerging markets 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 and Mexico. 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 of 2025, 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 emerging markets 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.
- At the global macro level, we will likely continue to see Federal Reserve rate cuts. This may not be a clear tailwind for emerging markets but will be less of a headwind, in our view. At this juncture, we would say that a large component of returns from emerging markets 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.

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

1YR	3YR	5YR	10YR	Since Inception	Inception Date
11.13%	-1.61%	N.A.	N.A.	9.48%	04/30/2020

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	1.70%
Net Expense Ratio	1.12%

Matthews has contractually agreed to waive fees and reimburse expenses to limit the Total Annual Fund Operating Expenses until April 30, 2025. Please see the Fund's prospectus for additional details.

Investments in emerging and frontier securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Additionally, investing in emerging and frontier markets countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets.

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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