Matthews Asia

Matthews India Fund

Investor

Commentary

Period ended December 31, 2024

Market Environment

- India’s equity market performed well in the first few months of the year until it was hit by volatility in early June when Prime Minister Modi’s political bloc unexpectedly failed to win a majority in the elections. The market quickly stabilized after Modi secured the support of allies to form a coalition government.
- Investors generally saw the episode as a positive development, illustrating India to be a functioning democracy. The new coalition has also facilitated a shift to a more balanced economic policy with a less singular focus on infrastructure spend and more attention directed to the consumer, and this was seen as a positive by investors.
- In the last months of the year, the market experienced a small correction as economic expansion eased as consumers experienced higher inflation and there was a downgrade in earnings, particularly in the consumer space.

Contributors and Detractors

- For the year ended December 31, 2024, the Matthews India Fund returned 10.29%, (Investor Class) and 10.43% (Institutional Class) while its benchmark, the MSCI India Index, returned 12.41% over the same period.
- On a sector basis, the top three contributors to relative performance were health care and industrials due to stock selection and materials due to an underweight allocation. The top three detractors were consumer discretionary and consumer staples due to stock selection and financials due to an overweight allocation.
- The top three contributors to absolute performance included Neuland Laboratories, a pharmaceutical firm, Shriram Finance, a financial services provider, and PB Fintech, an online financial services platform. The largest detractors included IndusInd Bank, a banking and financial services company, HDFC Bank, a leading bank and financial services company, and Honasa Consumer, a skin-care e-commerce platform.

Outlook

- In its prior two terms, the Modi government focused most of its efforts on infrastructure and trying to get the supply side of the economy working. However, general speaking, economic growth is not trickling down to the average person in the street. Demand in the economy still needs to be improved. To increase consumption there needs to be more job creation and with the new coalition we expect more balanced oversight and we believe we'll start to see the consumer in a better place.

- Indian equities remain expensive market but fundamentally we still favor areas that are producing good earnings. We have been focusing on financials and large caps, and companies with consistent earnings growth where expectations aren’t so high. We also think there are ongoing opportunities in manufacturing growth and in structural areas like power and renewable energy.

Top 10 holdings as of December 31, 2024. Current and future holdings are subject to change and risk.

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

1YR	3YR	5YR	10YR	Since Inception	Inception Date
10.29%	6.94%	10.96%	7.33%	10.28%	10/31/2005

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	1.14%

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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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