Matthews Asia

Matthews Pacific Tiger Fund

Investor

Commentary

Period ended December 31, 2024

Market Environment

- The Asia region 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 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.
- In Southeast Asia, domestic demand showed signs of recovery. Several economies including the Philippines benefited from domestic infrastructure agendas while some markets gained from specific trends, such as demand for AI related-date centers in Malaysia. In the second half of the year, the region's performance was impacted by signs that the Federal Reserve may cut rates more slowly than anticipated and by a strengthening dollar.

Contributors and Detractors

- For the year ended December 31, 2024, the Matthews Pacific Tiger Fund returned 3.41%, (Investor Class) and 3.56% (Institutional Class) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 12.51% over the same period.
- On a country basis, the top three contributors to relative performance were India and South Korea due to stock selection and Vietnam due to an off-benchmark allocation. The top three detractors were China/Hong Kong and Taiwan due to stock selection and Thailand due to an underweight allocation.
- On a sector basis, the top three contributors to relative performance were industrials due to stock selection, materials due to an underweight allocation and consumer discretionary due to an overweight allocation. The top three detractors were financials, information technology (IT) and real estate 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 Trip.com, a Chinese travel agency. The largest detractors included Samsung Electronics, a South Korean semiconductor and consumer electronics maker, Pinduoduo (PDD), one of China's largest e-commerce platforms that started its businesses with a focus on lower-tier city, price sensitive consumers, and HDFC Bank, a leading Indian bank and financial services company.

Outlook

- A key narrative for the region 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 the region 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 Fed rate cuts. This may not be a clear tailwind for Asian 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 the region in 2025 will be backloaded into the second half of the year.

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 - MAPTX as of 12/31/2024

1YR	3YR	5YR	10YR	Since Inception	Inception Date
3.41%	-7.96%	-0.81%	2.69%	6.89%	09/12/1994

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	1.12%

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.

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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