



Matthews Asia

# A Singular Focus on Investing in Asia



Since 1991, the year Matthews Asia was founded, Asia's economic growth has outpaced that of the rest of the world. A singular focus on Asia—and helping investors share in that growth—is what distinguishes us among investment managers.



## Our mission is to deliver solutions for global investors to participate in the Asian opportunity.

Consider a few eye-opening statistics:

- In 2009, China surpassed the U.S. in auto sales, and by 2011 had 100 million passenger cars
- South Korea leads the world in broadband access, with more than 80% of households having a connection
- Asia has the largest community of people online by total number of Internet users
- In 1990, there were just two nationally broadcast television channels in India. Today, there are several hundred

These surprising facts are mere glimpses into a much larger story: Asia's extraordinary pace of change, modernization and economic growth over the past 20 years. Rising personal wealth and consumption, combined with gradual economic liberalization and the spread of technology, have transformed Asia's markets. Today, Asia stands poised to become the dominant engine of global economic growth.

Matthews has watched this story unfold firsthand. Since 1991, we have provided investors with strategies for tapping into the region's exceptional growth. Today, our Asia investment solutions are available to investors around the world.

Below: Pudong District, Shanghai, China





Matthews was founded on the conviction that Asia's growth would outpace the rest of the world, and that a specialized focus was the best way to participate.

When Paul Matthews first visited Asia in 1978, most countries were closed to foreign investment. And, with the exceptions of Hong Kong, Singapore and Japan, most were poor. However, working in the region over several years and witnessing its transformation, Paul developed the conviction that Asia's growth was likely to outpace that of the rest of the world.

In 1991, Paul founded Matthews and, over time, the firm attracted a team of people who shared his conviction. Notwithstanding the occasional setback—and a full-blown currency crisis in 1997—history has largely borne that conviction out.

Asia is an intricate and evolving region, requiring careful analysis and specialized knowledge to identify the companies and issues that stand to benefit from the changes taking place. We believe that by focusing entirely on opportunities in Asia, and adhering to an investment philosophy that has been tested over 20 years, we offer investors a proven pathway into this dynamic market.

Above: The Taj Mahal, India





## Our Belief: Capitalizing on the Asian opportunity requires a long-term perspective.

To capitalize on Asia's potential, Matthews takes a long-term approach. Rather than seeking results from hot trends or opportunistic trading, our portfolio teams adopt a multi-year view that requires patience and confidence, grounded in relentless research.

We believe that a long-term outlook helps investors better understand and withstand the region's inherent volatility. Most Asian countries are subject to the political, social and economic uncertainties that characterize emerging markets. In many places, the institutions required for orderly, efficient and transparent markets are still developing. With our long experience in navigating this changing landscape, we believe that investors who can remain invested through the inevitable difficult markets are likely to benefit from Asia's growth over the long term.

Above: Peacock alcove at the Taj Mahal, India





## Identifying investment opportunities that stand to prosper from Asia's transformation calls for in-depth, on-the-ground, bottom-up research and active management.

Investing in Asia is about looking forward. However, we believe that many of the indices commonly used as proxies for Asian exposure are backward-looking, reflecting a bias toward companies or sectors that have performed well in the past. With respect to the region's debt indices, we believe they are representative of the most indebted countries as opposed to the most creditworthy.

Identifying investment opportunities whose potential has yet to be fully recognized by the market requires a research-driven, bottom-up approach, meaning one that puts individual companies and issuers and their fundamentals ahead of regional or country trends in the decision-making process. And realizing their potential calls for active portfolio management, rather than a passive index-based approach.

Above: Tokyo skyline framing Mount Fuji



## Take a closer look at Matthews' equity investment process.

### Idea Generation

Investment ideas begin with our collective experience in Asia and knowledge of emerging developments that will have a structural impact on Asia's economies, including:

- The growth of personal income and its impact on domestic spending power
- The evolution of financial markets, including credit and banking
- Improving standards of corporate governance and transparency
- The adoption of technology, leading to further innovation and productivity
- Demographic changes throughout the region
- Political reforms and economic deregulation

Against the backdrop of these and other macro developments, we are able to narrow in on businesses that stand to benefit from the region's evolution.

Above: Shinjuku District, Tokyo, Japan

## Fundamental Research & Due Diligence

In evaluating a prospective portfolio company, we look for strong indicators of survivability and sustainability. We seek solid companies with sound fundamentals, strong balance sheets, viable business models and the ability to maintain reasonable growth rates over the long term.

We also seek competent management with a credible strategy and the ability to execute. Consistent with our multi-year orientation, we assess the value of the business as a whole, looking through the lens of future growth potential. Attractive valuations grounded in realistic future expectations are a must.

Each of our investment professionals travels regularly in Asia for research. A typical visit might entail meeting with up to 50 companies over a two-week stretch, and take us beyond the big cities to remote inland reaches. We also host representatives from Asian companies regularly at our offices in San Francisco. This adds up to more than 1,800 company visits annually. Face-to-face meetings are critical not only in the evaluation of individual companies, but in keeping a finger on the pulse of the market as a whole.

Below: Grand Palace, Bangkok, Thailand





## Conviction

Once we make an investment decision, we will often initiate a small position, buying more as we grow increasingly convinced of management's ability to meet business targets and milestones. Because survivability is critical to our long-term approach, we continually revisit our thesis, debating the merits of continued ownership in weekly team meetings, and maintaining positions only when our conviction level remains high.

## Portfolio Construction

In constructing our portfolios, we look across a broad universe for companies that meet our stringent criteria. We are particularly focused on uncovering smaller-cap and smaller-market opportunities for diversification and growth potential. As a result of our bottom-up stock selection and active management style, the composition of our portfolios tends to be very different than that of the region's benchmarks.

## Portfolio Risk Management & Sell Discipline

We continually monitor a variety of risks within each portfolio, at both the security and macro levels. Business risk is the most important risk meriting attention throughout our investment process. If significant concerns arise, we will re-examine the affected holdings. And we will revisit a current position when a new idea offers a more compelling risk/return trade-off.

Below: Golden garudas at the Grand Palace, Bangkok, Thailand



## Matthews' open work environment reflects our firm culture: collaborative, diverse and well-informed.

We have assembled a deep and diverse team with a range of perspectives and expertise. Each of our professionals contributes a unique viewpoint drawn from personal experience, yet together we are united by our shared belief in Asia's long-term growth potential.

Most of our professionals have lived, studied or traveled extensively throughout Asia Pacific. They are conversant in local languages and dialects, including Mandarin and Cantonese, Japanese, Korean, Vietnamese, Hindi, Punjabi, Bengali and Sinhalese.

We made a strategic decision to base our headquarters and investment team in San Francisco rather than in Asia. Our Pacific Coast location allows us to follow Asia closely while maintaining objectivity and a global perspective.

We have chosen to remain an independent firm with significant employee ownership, which we believe best aligns our interests with those of our clients. We have also placed our clients' needs at the forefront by continuously scaling our resources to levels that align with the firm's growth.

Below: Green tea fields, Boseong, Korea



For investors who seek diversification, growth potential and income opportunities, we offer a range of options across the risk/return spectrum.

Serving both individual and institutional investors globally, our strategies range from country-specific to pan-regional solutions that provide diverse exposure across sectors, themes and market capitalization. They include both growth- and income-oriented portfolios. Though investors often associate Asia with growth investing, we recognized early that market forces in the region were becoming more supportive of dividends, and were among the first to launch dividend-focused Asia strategies.

We are careful to introduce new strategies only when we see a compelling, long-term investment opportunity, not merely when conditions seem ripe for asset gathering.

Below: Bamboo forest and green tea garden, Damyang, Korea





## We aim to be investors' most valuable resource for information on investing in Asia.

At Matthews, we strive to educate and inform investors with frequent insights and perspectives on investing in Asia, market updates and special reports.

The business community frequently turns to us for our views on the region. Whether the topic is currency controls, rising inflation or ongoing wage hikes in China, we are prepared to provide thoughtful analysis based on in-depth knowledge and experience.

Above: Hong Kong skyline





## Matthews Asia: Staying the course in Asia for 20 years.

Over the years, through all types of market environments, we have stayed committed to our distinct philosophy for harnessing Asia's growth. The firm's steady growth has mirrored the evolution of Asia's markets. And, while volatility is a way of life in developing markets, we maintain our fundamental faith in Asia's long-term potential. Our unwavering focus is what makes Matthews unique.

Change creates opportunity, and nowhere has change been so profound in the past 20 years as in Asia. No one can forecast Asia's future with certainty, but with our knowledge, experience and insights, we will continue to seek out sustainable opportunities for investors created by Asia's ongoing transformation.

Above: Pavillion of Absolute Perfection in the Nan Lian Garden, Hong Kong





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