The views and information discussed herein are as of the date of publication, are subject to change and may not reflect current views. The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.

Investment involves risk. Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. The information contained herein has been derived from sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews Asia and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information.

Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Fixed income investments are subject to additional risks, including, but not limited to, interest rate, credit and inflation risks. In addition, single-country and sector strategies may be subject to a higher degree of market risk than diversified strategies because of concentration in a specific industry, sector or geographic location. Investing in small companies is more risky and more volatile than investing in large companies.

Matthews Asia is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries.
Asia’s Global Relevance
Asia’s Global Relevance
More people, more wealth, more growth

More than 4.5 billion of the 7.7 billion people worldwide live within the circle, but it’s not just India and China that make up this population:

- **Indonesia**: 271 million
- **Pakistan**: 217 million
- **Bangladesh**: 163 million
- **Philippines**: 108 million
- **Vietnam**: 96 million

Average age: 27.7

Sources: United Nations, Department of Economic and Social Affairs, Population Division (2019), World Population Prospects 2019
Asia Continues to Lead Global Growth

**COMPOSITION OF GROWTH***

*2009 – 2019

ASIA: 56%

**EXPECTED COMPOSITION OF GROWTH***

*2018 – 2024

ASIA: 59%

*Based on GDP on Purchasing Power Parity (PPP) basis. There is no guarantee any estimates or projections will be realized.

Source: International Monetary Fund; World Economic Outlook Database, April 2019
Emerging Markets Are Not Created Equal
Many Asian countries have achieved “Economic Take Off”

Nominal GDP per capita, PPP, relative to the U.S. (2017)

Note: Data depicted shows 50 most populous countries in IMF database in 1980
Sources: IMF; Matthews Asia
Asia’s Growth Still Has a Long Way To Go…

Asia per capita GDP in historical context to the U.S.

GDP per capita (US$)
70,000

Sources: Maddison Historic GDP through 1987, International Monetary Fund (MF), World Economic Database October 2019

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Peeling the EM Onion—Asia Stands Out

Long-Term Performance of MSCI Emerging Market Regions as of December 31, 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI Emerging Markets Asia Index</td>
<td>13.3%</td>
<td>9.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>MSCI Emerging Markets Latin America Index</td>
<td>11.1%</td>
<td>4.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td>MSCI Emerging Markets Europe Index</td>
<td>12.9%</td>
<td>7.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>MSCI Emerging Markets EMEA Index</td>
<td>7.1%</td>
<td>6.1%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Past performance is no guarantee of future results. Indexes are unmanaged and it is not possible to invest directly in an index.

Sources: MSCI, FactSet Research Systems, Inc.; data as of December 31, 2019
Asia Leads Innovation in EM

% WEIGHT IN INNOVATIVE SECTORS

- MSCI AC Asia ex Japan Index: 28.2%
- MSCI EM Latin America Index: 9.9%
- MSCI Emerging Markets EMEA Index: 2.9%

Matthews Asia considers Innovative sectors to include Technology, Industrials and Health Care. Weights represent the cumulative % of health care, technology and industrials sectors. Indexes are unmanaged and it is not possible to invest directly in an index.

Rising Wages and Productivity Behind Asia’s Rising Share of Consumption
An estimated 2.3 billion people will enter the middle class—88% from Asia!

*Data represented are estimates only. Matthews Asia has not independently verified any of the figures and cannot confirm their accuracy. There is no guarantee that any estimates or projections will be realized. Middle class is defined as income range of $11 to $110 per person per day in 2011 PPP terms.

Current Economic Cycle
Asia Earnings Per Share and Economic Growth

US$; Indexed 12/31/2002=1

Note: Universe as defined by FactSet Aggregates
Source: FactSet Aggregates, MSCI, Matthews Asia; data as of December 31, 2019
When to Invest in Emerging Markets—Four Pillars

- Stable U.S. Growth and Inflation
- Stable or Rising Commodities
- Fairly Valued Currencies
- Fairly Valued Credit Spreads
Things to Consider—Asia Can Outperform Late Cycle
Performance measured during the previous FED hiking cycle—6/30/2005 through 12/31/2007

**CUMULATIVE PERFORMANCE IN %**

Past performance is no guarantee of future results. Indexes are unmanaged and it is not possible to invest directly in an index.

Source: Bloomberg
Asian Valuations
Asia ex Japan (December 2001 – December 2019)

Forward P/E Ratio

<table>
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<tr>
<td>20</td>
<td>4.0</td>
</tr>
<tr>
<td>18</td>
<td></td>
</tr>
<tr>
<td>16</td>
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<td>2</td>
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</table>

- Asia ex Japan Forward Price to Earnings
- Asia ex Japan Price to Book
- Linear (Asia ex Japan Forward Price to Earnings)

<table>
<thead>
<tr>
<th>Country</th>
<th>Forward P/E</th>
<th>Dividend Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>15.7x</td>
<td>1.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>12.0x</td>
<td>3.1</td>
</tr>
<tr>
<td>India</td>
<td>19.0x</td>
<td>1.5</td>
</tr>
<tr>
<td>Japan</td>
<td>15.1x</td>
<td>2.3</td>
</tr>
<tr>
<td>U.S.</td>
<td>19.2x</td>
<td>2.0</td>
</tr>
<tr>
<td>Europe</td>
<td>15.3x</td>
<td>3.4</td>
</tr>
<tr>
<td>Asia ex Japan</td>
<td>13.1x</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Note: Valuations chart data as of December 31, 2019

Trailing Dividend yield estimates for 2019 as of December 31, 2019 based on FactSet aggregates as defined by FactSet. The forward price per earnings ratio (“Forward P/E”) is calculated by dividing the market price per share by the expected earnings per share for 2020. Forward P/E was calculated as of December, 2019 and is forward looking. There is no guarantee that Forward P/E or any estimates or projections will be realized.

Source: FactSet Research Systems, Inc.
Environment and Outlook
As of December 31, 2019

- U.S. / China trade relations seem to be moderating, but much to be settled
- Earnings growth looks set to outpace the U.S. over the long term as the U.S. tax-cut effects fade
- Asia’s valuations are reasonable on cyclically depressed earnings; we believe they are cheap in a global context
- The International Monetary Fund (IMF) projects Asia’s nominal US$ GDP growth to outpace the developed world—Asia’s profits could follow
- Asia continues to pursue structural reform even as monetary policy appears to be loosening
- Most of Asia is living within its means with stable inflation and high savings—current accounts are improving, unlike other emerging markets
- We look for companies that can grow profits and cash flows sustainably and benefit from an evolving middle class culture

The statements above are based on the beliefs and assumptions of our portfolio management team and on the information currently available to our team at the time of such statements. Although we believe that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will prove to be correct.
Implementing Asia in Portfolios
Most Client Portfolios are Under-Allocated to Asia Compared to Current Measures

**MSCI ALL COUNTRY WORLD INDEX**

- Asia: 19%
- U.S.: 55%
- Europe: 20%
- Latin America: 2%
- Mid East/Africa: 1%
- Canada: 3%
- China/HK: 5%
- India: 1%
- Japan: 7%
- Other Asia: 6%

**WORLD STOCK MARKET VALUE**

- Asia: 32%
- U.S.: 41%
- Europe: 19%
- Latin America: 2%
- Mid East/Africa: 2%
- Other Asia: 8%
- China/HK: 14%
- India: 3%
- Japan: 7%

**GDP**

- Asia: 36%
- U.S.: 24%
- Europe: 26%
- Latin America: 6%
- Mid East/Africa: 6%
- Other Asia: 10%
- China/HK: 17%
- India: 3%
- Japan: 6%

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

Sources: MSCI, International Monetary Fund and World Federation of Exchange Members, IMF GDP data as of 4/30/19; Stock Market Value data as of 04/30/19; MSCI All Country World Index as of 06/30/2019. Figures in US$
Implementation—Get the Asia Part Right

<table>
<thead>
<tr>
<th>Region</th>
<th>Weight</th>
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</thead>
<tbody>
<tr>
<td>Asia</td>
<td>73.6%</td>
</tr>
<tr>
<td>Latin America</td>
<td>11.4%</td>
</tr>
<tr>
<td>ME/Africa</td>
<td>9.0%</td>
</tr>
<tr>
<td>Europe</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Note: EM equity refers to the MSCI Emerging Markets Equity Index. All regional weights are shown as of December 31, 2019. It is not possible to invest directly in an index. Sources: FactSet Research Systems, Inc., MSCI.
EM Equity Index—What Are You Buying?

**MSCI EM EQUITY EXPOSURES**

- **Large and Mega Caps**: 74.3%
- **Mid Caps**: 22.4%
- **Small Caps**: 3.4%
- **Cyclicals**: 63.0%
- **Less-Cyclical**: 37.0%

Note: EM equity refers to the MSCI EM Equity Index as of December 31, 2019. Cyclical sectors for this purpose refer to financials, materials, energy, real estate and information technology. Less-Cyclical sectors for this purpose include consumer staples, health care, consumer discretionary, telecom and utilities.

Sources: MSCI, FactSet Research Systems, Inc.
Implementation—Consumer Staples has Outperformed more Cyclical Sectors

EM SECTOR PERFORMANCE + VOLATILITY (January 2001– December 2019)

- EM Materials: 427.7%, Avg. Volatility 25.5%
- EM Energy: 610.6%, Avg. Volatility 26.9%
- EM Consumer Staples: 595.7%, Avg. Volatility 16.9%

Past performance is no guarantee of future results. Volatility is the standard deviation of returns. Indexes are unmanaged and it is not possible to invest directly in an index.

Note: Universe represented by the MSCI EM Equity Index. Volatility calculation are using average daily returns from the January 31, 2001 to December 31, 2019 time period. The sector returns shown are cumulative for the dates listed above.

Sources: MSCI, FactSet Research Systems, Inc.
Which are the Next Drivers of EM Growth?

Asia per capita GDP in historical context to the U.S.

GDP per capita (US$)

70,000

Traditional GEMs

Next GEMs

U.S.  Asia Countries

GEM=Global Emerging Markets

Sources: Maddison Historic GDP through 1987, International Monetary Fund (MF), World Economic Database October 2019
Implementation—Achieving Better Balance

- Matthews Emerging Asia
- Matthews Asia Growth
- Matthews Asia Innovators
- Matthews Pacific Tiger
- Matthews Asia ESG
- Matthews Asia Dividend

- MSCI EM INDEX

- Matthews Asian Growth and Income
- Matthews Asia Value
Matthews Asia Overview

About Matthews Asia

✩ Specialist asset management firm largely focused on Asia

✩ Established in 1991—managed assets through 28 years of diverse market environments

✩ Independent, privately owned firm with significant employee ownership

✩ 48-person experienced investment team focused on identifying opportunities in Asia

✩ Clients include global institutional investors, family offices, private banks, professional and high net worth investors

✩ Largest dedicated Asia investment specialist in the United States

KEY FACTS
As of December 31, 2019

Total assets under management* $27.3 billion

Regional strategies $21.5 billion

Single-country strategies $5.8 billion

Investment team members† 48

Office Locations San Francisco, London, Hong Kong, Shanghai, Singapore


*Assets under management may rise or fall due to market conditions and other factors. Please refer to MatthewsAsia.com for most recent month-end AUM data.

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Matthews Asia History

Matthews Asia has chosen to launch new strategies when there are compelling investment opportunities

1991
G. Paul Matthews founds Matthews International Capital Management

1994
Matthews Asia introduces Asia ex-Japan and Asian Growth & Income Strategy

1995
Korea Strategy inception

1998
China Strategy inception

1999
Asia Innovators Strategy inception

2000
India Strategy inception

2003
Asia Growth Strategy inception

2004
China Dividend Strategy inception

2005
Asia Small Companies Strategy inception

2006
Asia Dividend Strategy inception

2008
Asia Small Companies Strategy inception

2009
China Small Companies Strategy inception

2010
Matthews Asia introduces off-shore funds for non-U.S. investors

2011
China Small Companies Strategy inception

2012
Matthews Asia introduces on-shore funds for U.S. investors

2013
Emerging Asia Strategy inception

2014
Asia ESG Strategy inception

2015
Asia Credit Opportunities Strategy inception

2016
Asia Total Return Bond * Strategy inception

*The Strategy’s name changed from the Matthews Asia Strategic Income to the Matthews Asia Total Return Bond on January 31, 2020.
Investment Philosophy and Approach
The foundation of Matthews Asia’s investment philosophy is our belief in the long-term economic growth and development of the countries in Asia.

ACTIVE MANAGEMENT

BOTTOM-UP RESEARCH

LONG-TERM FOCUS ON ASIA

RANGE OF ASIA INVESTMENT STRATEGIES
Three Pillars of ESG Integration
Committed to incorporating ESG considerations within the very fabric of our investment process

Alignment of Mission, Culture and Talent to Support Performance Goals:

- **Mission**: Champion Asia investment solutions that build wealth for our global clients over the long term
- **Culture**: Diverse teams create better outcomes for clients. Culture Committee, Diversity & Inclusion Committee and Sustainability Committee
- **Commitment**: UNPRI Signatory

COMMUNITY AND ENVIRONMENT
- Matthews Asia Charitable Giving
- Annual employee volunteer day
- LEED certified HQ since 2014
- Carbon offsets for firm-wide travel emissions

INVESTMENT TEAM

Foundations for ESG Integration:

- **Company Engagement**
- **Emphasis on Governance**: Deep understanding of corporate governance across markets, strong focus across all strategies
- **Risk Monitoring**: ESG and reputational risk monitoring via multiple ESG research providers, complemented by our proprietary research
- **Oversight Structures**: Corporate Governance & Stewardship Sub-Committee
- **Industry Collaboration and Memberships**: Asian Corporate Governance Association, International Corporate Governance Network, CDP

INVESTMENT STRATEGIES

Tailored ESG Integration by Strategy:

- **Active Security Selection**: Fundamental and bottom-up investment process
- **Materiality**: ESG issues are considered where material for industry or sector
- **Context Matters**: Each strategy draws on ESG inputs in a way that reflects:
  - Objectives and philosophy
  - Availability of ESG data within the strategy’s universe
  - Market cap of securities the strategy invests in
  - Region or country and stage of development

ESG considerations are not a specific requirement for all portfolios at Matthews Asia. ESG factors can vary over different periods and can evolve over time. They may also be difficult to apply consistently across regions, countries or sectors. There can be no guarantee that a company deemed to meet ESG standards will actually conduct its affairs in a manner that is less destructive to the environment, or promote positive social and economic developments. Parameters set by Matthews Asia are subject to change.

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Matthews Asia Investment Team*

Diverse team in a highly collaborative environment

Chief Investment Officer
Robert J. Horrocks, PhD

Portfolio Managers
Winnie Chwang
Raymond Z. Deng
Rahul Gupta
Robert Harvey, CFA
Robert J. Horrocks, PhD
Tiffany Hsiao, CFA
Taizo Ishida
YuanYuan Ji
Teresa Kong, CFA
John Paul Lech
Elli Lee
S. Joyce Li, CFA
Kenneth Lowe, CFA
Andrew Mattock, CFA
Peeyush Mittal, CFA
Michael J. Oh, CFA
Satya Patel
Sharat Shroff, CFA
Lydia So, CFA
Inbok Song
Shuntaro Takeuchi
Vivek Tanneuru
Sherwood Zhang, CFA
Yu Zhang, CFA
Wei Zhang
Beini Zhou, CFA

Research Principal, China
Richard Gao

Analysts
Siddharth Bhargava
Kathlyn Collins
Donghoon Han
Grace Ma
Bo Ning
Sojung Park
Ryan Rutkowski
Yinyan Ibanez, CFA
Jeremy Sutch, CFA
Haopeng Yang, PhD
Hardy Zhu
Julia Zhu

Macro Investment Strategists
Andy Rothman, China

Portfolio Strategists
David Dali
Jeremy Murden
Nick Walker, CFA, CAIA
Tiffany Shi, CFA, CAIA

Open Communication and Exchange of Ideas

🌟 Formal

- Weekly all-hands meeting to discuss macro, stock ideas, trip debriefs and ad-hoc topics
- Bi-weekly portfolio review meeting to review trades, macro, risk
- Monthly portfolio compliance meeting to discuss potential compliance matters
- Weekly strategy-specific team meeting to discuss specific portfolio construction issues or individual stocks
- Committee meetings: Trade Management Oversight, Investment Risk, other

🌟 Informal

- Sit together—open floor plan
- Daily ad-hoc meetings around trip debriefs, fixed income insights, macro strategy, team structure and process, new product ideas, etc.


Note: Traders not referenced above but are included in overall investment team count.
## Senior Investment Team Members* — Redefining “Local”

<table>
<thead>
<tr>
<th>Name</th>
<th>Investment Focus</th>
<th>Years of Experience</th>
<th>Asia</th>
<th>Industry</th>
<th>Firm</th>
<th>Home Country</th>
<th>Asia Countries Lived In</th>
<th>Asian Languages &amp; Dialects Spoken</th>
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</thead>
<tbody>
<tr>
<td>Robert Horrocks, PhD</td>
<td>Asia Regional</td>
<td>26</td>
<td>26</td>
<td>12</td>
<td>U.K.</td>
<td>China, Hong Kong, Taiwan, Korea</td>
<td>Mandarin</td>
<td></td>
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<tr>
<td>Winnie Chwag</td>
<td>China, Asia ESG</td>
<td>16</td>
<td>16</td>
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<td>Singapore</td>
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<td>Mandarin, Cantonese</td>
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<td>David Dali</td>
<td>Broad EM</td>
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<td>Richard Gao</td>
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<td>Teresa Kong, CFA</td>
<td>Asia Debt</td>
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<td>Peeyush Mittal, CFA</td>
<td>India</td>
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<td>Jeremy Murden</td>
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<td>Michael Oh, CFA</td>
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<td>Satya Patel</td>
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<td>Andy Rothman</td>
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<td>China, Indonesia</td>
<td>Mandarin</td>
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<td>Tiffany Shi, CFA</td>
<td>China, Asia Regional</td>
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<tr>
<td>Sharat Shroff, CFA</td>
<td>India, Asia Regional</td>
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<td>Lydia So, CFA</td>
<td>Small Cap, Asia Regional</td>
<td>16</td>
<td>21</td>
<td>16</td>
<td>Hong Kong</td>
<td>Hong Kong</td>
<td>Cantonese, Mandarin</td>
<td></td>
</tr>
<tr>
<td>Inbok Song</td>
<td>Asia Regional</td>
<td>15</td>
<td>15</td>
<td>9</td>
<td>Korea</td>
<td>Korea</td>
<td>Korean</td>
<td></td>
</tr>
<tr>
<td>Jeremy Sutch, CFA</td>
<td>Small Cap, Asia Regional</td>
<td>25</td>
<td>25</td>
<td>5</td>
<td>Hong Kong</td>
<td>China, Hong Kong</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Shuntaro Takeuchi</td>
<td>Japan</td>
<td>15</td>
<td>19</td>
<td>4</td>
<td>Japan</td>
<td>Japan</td>
<td>Japanese</td>
<td></td>
</tr>
<tr>
<td>Vivek Tanneeru</td>
<td>Asia ESG, Asia Regional</td>
<td>15</td>
<td>15</td>
<td>9</td>
<td>India</td>
<td>India</td>
<td>Telegu, Hindi</td>
<td></td>
</tr>
<tr>
<td>Sherwood Zhang, CFA</td>
<td>China, Asia Regional</td>
<td>12</td>
<td>17</td>
<td>9</td>
<td>China</td>
<td>China, Hong Kong</td>
<td>Mandarin, Cantonese</td>
<td></td>
</tr>
<tr>
<td>Yu Zhang, CFA</td>
<td>China, Asia Regional</td>
<td>16</td>
<td>16</td>
<td>13</td>
<td>China</td>
<td>China, Japan</td>
<td>Mandarin</td>
<td></td>
</tr>
<tr>
<td>Beini Zhou, CFA</td>
<td>Asia Small Cap, Asia Value</td>
<td>15</td>
<td>15</td>
<td>7</td>
<td>China</td>
<td>China</td>
<td>Mandarin</td>
<td></td>
</tr>
<tr>
<td>Julia Zhu</td>
<td>China</td>
<td>23</td>
<td>18</td>
<td>3</td>
<td>China</td>
<td>China, Hong Kong</td>
<td>Mandarin</td>
<td></td>
</tr>
</tbody>
</table>

*Note: List of team members as of January 31, 2020
Years of experience as of January 1, 2020
Matthews Asia—“Boots on-the-Ground”
Fundamental, bottom-up investment process

3,800+ On-Site Meetings in Asia Since 2016*

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

* Over 2,600 company meetings in 2019
* Half of the meetings are on-site visits in Asia in locations ranging from Asian financial centers to remote island outposts

*From 1/1/2016 to 12/31/2018
## Strategies for Investing in Asia

Matthews Asia offers a range of strategies across the risk-reward spectrum

### ASIA FIXED INCOME
- Asia Total Return Bond*
- Asia Credit Opportunities

### ASIA GROWTH AND INCOME
- Asian Growth and Income
- Asia Dividend
- China Dividend

### ASIA GROWTH
- Asia Growth
- Pacific Tiger
- Asia ESG
- Emerging Asia
- Asia Innovators
- China
- India
- Japan
- Korea

### ASIA VALUE
- Asia Value

### ASIA SMALL COMPANY
- Asia Small Companies
- China Small Companies

---

*The Fund’s name changed from Matthews Asia Strategic Income Fund to the Matthews Asia Total Return Bond Fund on January 31, 2020.
**FUND FACTS**

**Inception Date**
- Investor Class: 5/31/11
- Institutional Class: 11/30/17

**Ticker**
- Investor Class: MCSMX
- Institutional Class: MICHX

**Number of Holdings**
- 40 to 60

**Turnover Range**
- 30% to 50%

**Benchmark**
- MSCI China Small Cap Index

---

**Investment Objective**

Long-term capital appreciation

**Approach**

Invest in small companies located in China that are capable of sustainable growth based on the fundamental characteristics of those companies. China includes its administrative and other districts, such as Hong Kong.

**Small Companies**

Market capitalization no higher than the greater of US$5 billion or the market capitalization of the largest company included in the Fund’s benchmark.

---

**Lead Manager**

TIFFANY HSIAO, CFA

**Co-Managers**

LYDIA SO, CFA

YUANYUAN JI

---


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Implementation—Get the Asia Part Right

**EM EQUITY REGIONAL WEIGHTS**

<table>
<thead>
<tr>
<th>Region</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>73.6%</td>
</tr>
<tr>
<td>Latin America</td>
<td>11.4%</td>
</tr>
<tr>
<td>ME/Africa</td>
<td>9.0%</td>
</tr>
<tr>
<td>Europe</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Note: EM equity refers to the MSCI Emerging Markets Equity Index. All regional weights are shown as of December 31, 2019. It is not possible to invest directly in an index.

Sources: FactSet Research Systems, Inc., MSCI
Rebalancing of the Chinese Economy Well Underway

Services & consumption bigger than manufacturing & construction for the eighth consecutive year in 2019

SHARE OF GDP BY PRODUCTION APPROACH

Primary industry refers to agriculture, forestry, animal husbandry and fishery and services in support of these industries

Secondary industry refers to mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction

Tertiary industry refers to all other economic activities not included in the primary or secondary industries, including real estate, finance, wholesale and retail, transportation and other service industries

Source: CEIC
Small Businesses Play an Important Role in China’s Economy

Source: Ambassador Cheng Jingye’s Speech at China SME Global Development Forum, June 2012

SME: Small and medium enterprise
Valuation of Chinese Small Caps Remain Reasonable

Valuation re-rating has not yet happened despite improving sales and profits

**PRICE EARNINGS RATIO**

Dec-09  Dec-10  Dec-11  Dec-12  Dec-13  Dec-14  Dec-15  Dec-16  Dec-17  Dec-18  Dec-19

5x  7x  9x  11x  13x  15x

**PRICE TO BOOK RATIO**

Dec-09  Dec-10  Dec-11  Dec-12  Dec-13  Dec-14  Dec-15  Dec-16  Dec-17  Dec-18  Dec-19

0.5  0.7  0.9  1.1  1.3  1.5

Note: MSCI China Small Cap Index as of December 31, 2019. Indexes are unmanaged and it is not possible to invest directly in an index.

Source: FactSet Research Systems
Chinese Small Caps Are Priced Attractively Against Global Small Caps
As of December 31, 2019

GROWTH (EARNINGS)*

<table>
<thead>
<tr>
<th>Index</th>
<th>2019 EPS Growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI China Small Cap</td>
<td>15%</td>
</tr>
<tr>
<td>MSCI USA Small Cap</td>
<td>15%</td>
</tr>
<tr>
<td>MSCI Europe Small Cap</td>
<td>12%</td>
</tr>
<tr>
<td>MSCI India Small Cap</td>
<td>11%</td>
</tr>
</tbody>
</table>

VALUATION (P/E)

<table>
<thead>
<tr>
<th>Index</th>
<th>Price-to-Earnings Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI China Small Cap</td>
<td>8.3x</td>
</tr>
<tr>
<td>MSCI USA Small Cap</td>
<td>18.0x</td>
</tr>
<tr>
<td>MSCI Europe Small Cap</td>
<td>16.9x</td>
</tr>
<tr>
<td>MSCI India Small Cap</td>
<td>18.3x</td>
</tr>
<tr>
<td>MSCI China</td>
<td>13.3x</td>
</tr>
</tbody>
</table>

*EPS estimates from Bloomberg as of January 17, 2020, for companies that provided forward looking EPS. There is no guarantee that estimated EPS growth will be achieved. Indexes are unmanaged and it is not possible to invest directly in an index.

Sources: Bloomberg, FactSet Research Systems; Valuations data as of December 31, 2019
Common Investor Fears When Investing in China

- Image of a person with hands raised
- Image of the People's Bank of China
- Image of a handcuff with the word "fraud"
- Image of a road sign with "VOLATILITY AHEAD"
China Small Companies Do Not Depend on Leverage for Returns
As of December 31, 2019

### RETURN ON ASSETS

- MSCI China Small Cap: 2.5%
- MSCI USA Small Cap: 1.7%
- MSCI Europe Small Cap: 1.2%
- MSCI India Small Cap: 0.6%
- MSCI China: 1.9%

### TOTAL DEBT TO TOTAL EQUITY

- MSCI China Small Cap: 108%
- MSCI USA Small Cap: 119%
- MSCI Europe Small Cap: 117%
- MSCI India Small Cap: 125%
- MSCI China: 91%

Indexes are unmanaged and it is not possible to invest directly in an index. Sources: ROA data from Bloomberg; Total Debt/Equity data from FactSet Research Systems; data as of December 31, 2019.
China Small Companies Fund Net Debt/Equity Profile

We prefer asset light businesses with low leverage—79% of the portfolio companies in net cash

Note: Each bar represents a holding in the Matthews China Small Companies Fund portfolio as of December 31, 2019. This information is solely to illustrate Matthews Asia’s investment process. This process is subject to change. It should not be considered a recommendation of any security listed, nor a representation as to whether a security is currently held by the Fund. Such information should not be relied upon as investment advice regarding a particular investment, sector, industry or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles.

Source: FactSet Research Systems; data as of December 31, 2019
Small Caps in China Have Historically Been Less Volatile Over the Long Run

100-day historical volatility

Volatility

MSCI China Index 100 Day Volatility
MSCI China Small Cap Index 100 Day Volatility

Volatility is the standard deviation of returns. Indexes are unmanaged and it is not possible to invest directly in an index.
China Small Caps Volatility Similar to U.S. Small Caps

100-day historical volatility

Volatility (%)

MSCI China Small Cap Index 100 Day Volatility
Russell 200 Index 100 Volatility

Note: U.S. Small Cap (Russell 2000 Index)
Volatility is the standard deviation of returns. Indexes are unmanaged and it is not possible to invest directly in an index.

**Matthews China Small Companies Fund Investment Process**

1. **Actionable Research Universe**
   - Approximately 300-500 companies
   - Market cap US$100 million to US$5 billion
   - Positive 3-year average revenue growth history
   - Positive 3-year average operating income growth
   - >10% Return on Invested Capital
   - <50% Net debt to equity

2. **Idea Generation**
   - Research trips to Asia
   - Intelligence from broad Matthews Asia team
   - Fundamental screens

3. **Business Assessment**
   - Positive capital spread
   - Above industry average revenue and earnings growth potential over 3-5 years
   - Consistent cash flow generation and organic financing
   - Margin sustainability—barriers to entry; pricing power
   - Disciplined capital utilization track record

4. **Management Assessment**
   - Multiple company visits and channel checks
   - Sensibility of capital budgeting and allocation
   - Management team incentives and corporate governance oversight
   - Execution track record

5. **Valuation Assessment**
   - P/E, P/B, and EV/EBITDA relative to history and peers
   - Cash flow yield and dividend yield
   - Never sacrifice business quality for valuation
   - Valuation guides position sizing

6. **Portfolio Construction and Monitoring**
   - Regular company visits to monitor progress
   - Intelligence from broad Matthews Asia team
   - Watchlist maintenance
   - Redeploy capital from “graduates”
   - Relative attractiveness of existing holdings versus watchlist candidate

Parameters set by Matthews Asia are subject to change and may differ from the fundamental policy of the Fund.
Equity Selection Framework

Three pillar framework

GOOD BUSINESS (GB)
- Industry structure conducive to sustained profitability
- Secular growth
- Recurring demand
- Barriers to entry
- Self-financing, low leverage

APPROPRIATE VALUATION (AV)
- Sanity check
- Less about market timing
- Try not to overpay
- Appropriate discount for small cap

GOOD MANAGEMENT (GM)
- Transparency, integrity, professionalism
- Alignment with minority shareholders
- Execution track record
- Deployment of capital

Parameters set by Matthews Asia are subject to change and may not reflect the fundamental policy of the Fund.
## Resulting Portfolio has Favorable Characteristics

<table>
<thead>
<tr>
<th>As of December 31, 2019</th>
<th>Sharpe Ratio (1-Year)</th>
<th>Sharpe Ratio (5-Year)</th>
<th>Correlation (5-Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Small Companies Fund</td>
<td>2.29</td>
<td>0.52</td>
<td>1.00</td>
</tr>
<tr>
<td>MSCI China Small Cap Index</td>
<td>0.27</td>
<td>-0.01</td>
<td>0.88</td>
</tr>
<tr>
<td>MSCI Asia ex Japan Index</td>
<td>1.00</td>
<td>0.37</td>
<td>0.80</td>
</tr>
<tr>
<td>MSCI Emerging Markets Index</td>
<td>1.01</td>
<td>0.31</td>
<td>0.72</td>
</tr>
<tr>
<td>MSCI European Small Cap Index</td>
<td>1.80</td>
<td>0.55</td>
<td>0.59</td>
</tr>
<tr>
<td>MSCI U.S. Small Cap Index</td>
<td>1.47</td>
<td>0.55</td>
<td>0.50</td>
</tr>
</tbody>
</table>


Source: FactSet Research Systems
China Small Companies Invests in Structural Growth Sectors

Key themes: Technology upgrade, healthy living, services upgrade and consumer goods upgrade

3-YEAR REVENUE CAGR*

Each bubble represents a portfolio theme as defined by Matthews Asia. Each bubble represents a plotting of the weighted averages for the noted data for the portfolio companies as grouped by the noted theme. The 3 year CAGR and forward P/E ratio data are for all securities held in the portfolio. Bubble sizes are in proportion to the theme weight percentage. There is no guarantee that the composition of the portfolio will remain unchanged. The forward price per earnings ratio ("Forward P/E") is calculated by dividing the market price per share by the forecasted earnings per share for the next 12 months. There is no guarantee any estimates or projections will be realized.

Sources: FactSet Research Systems, Matthews Asia; Data as of December 31, 2019
Risk Mitigation
Kissing frogs and kicking tires—no shortcuts

Risk Minimization Techniques

- Investigate management background and incentives
- Always validate the product
- Avoid related party transactions
- Avoid serial acquirers
- Check with upstream suppliers and downstream customers
- Check corporate governance activist sites
- Understand the short seller’s side of the story
China Will be the World’s Next Biotech Powerhouse by Necessity
Chinese biotech industry advanced by flood of returning talents and brave attitude towards innovation

CANCER INCIDENCE RATES DIFFERENT BETWEEN CHINA AND THE WEST

Less Incidence
More Incidence

Prostate
Multiple Myeloma
Liver
Stomach

The Future of the Connected World is Built on Analog Semiconductor

China has an accelerated plan to build its own semiconductor ecosystem

Source: Analog Devices
Case Study | Silergy Corp
China’s largest analog semiconductor company

<table>
<thead>
<tr>
<th>BARRIERS TO ENTRY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Design</td>
</tr>
<tr>
<td>Long Sales Cycle</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INNOVATIVE SOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry leading process technology with outsource manufacturing</td>
</tr>
<tr>
<td>Proprietary software design tool to debottleneck R&amp;D personnel shortage</td>
</tr>
<tr>
<td>Design innovative first to market system solutions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product flexibility with minimal capital investment</td>
</tr>
<tr>
<td>Fastest time to market with rapid addressable mkt expansion</td>
</tr>
<tr>
<td>Rapid market share expansion</td>
</tr>
</tbody>
</table>

The information in this case study is presented solely to illustrate Matthews Asia’s investment process. It should not be considered a recommendation of the security discussed (the “Security”), nor a representation as to whether the Security is currently held by the Fund. The results of any possible investment in the Security are not representative of the results of other investments by the Fund. Performance of the Fund and a list of current holdings as of a recent date are available at matthewsasia.com. Past performance is no guarantee of future results. The statements above are based on the beliefs and assumptions of our portfolio management team and on the information currently available to our team at the time of such statements. Although we believe that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will prove to be correct.

Source: Semiconductor industry association

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Software is Critical to Enhance Labor Productivity Going Forward

China has over 40 million small businesses, and employee turnover rate is 20.8%

SHARE OF GDP BY PRODUCTION APPROACH

Sources:
Small and Medium Enterprises In China, July 4th 2017 (https://ecovis-beijing.com/investment/smes-china/);
Employer Turnover Rate: (http://www.newpointdeview.com/pro-en/intercultural-competence/high-employee-turnover-in-china-not-matter-of-money/; turnover as of 2016);
Share of GDP: CEIC
As of December 31, 2019

AVERAGE ANNUAL TOTAL RETURNS

<table>
<thead>
<tr>
<th>Period</th>
<th>Matthews China Small Companies Fund (Investor Class)</th>
<th>MSCI China Small Cap Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months</td>
<td>11.16%</td>
<td>7.19%</td>
</tr>
<tr>
<td>1 Year</td>
<td>35.41%</td>
<td>6.63%</td>
</tr>
<tr>
<td>3 Years</td>
<td>19.71%</td>
<td>2.26%</td>
</tr>
<tr>
<td>5 Years</td>
<td>11.76%</td>
<td>0.80%</td>
</tr>
<tr>
<td>Since Inception (05/31/2011)</td>
<td>6.31%</td>
<td>-0.19%</td>
</tr>
</tbody>
</table>

Assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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. Indexes are unmanaged and it is not possible to invest directly in an index.

Index since inception value calculated from 5/31/2011

Sources: BNY Mellon Investment Servicing, Bloomberg, Matthews Asia
## Competitive Returns | Matthews China Small Companies Fund

As of December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Year to Date</th>
<th>1 Year</th>
<th>3 Years</th>
<th>5 Years</th>
<th>10 Years</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor Class (MCSMX)</td>
<td>35.41%</td>
<td>35.41%</td>
<td>19.71%</td>
<td>11.76%</td>
<td>n.a</td>
<td>6.31%</td>
<td>5/31/11</td>
</tr>
<tr>
<td>Institutional Class (MICHX)</td>
<td>35.68%</td>
<td>35.68%</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>8.66%</td>
<td>11/30/17</td>
</tr>
<tr>
<td>MSCI China Small Cap Index</td>
<td>6.63%</td>
<td>6.63%</td>
<td>2.26%</td>
<td>0.80%</td>
<td>n.a</td>
<td>-0.19%</td>
<td></td>
</tr>
<tr>
<td>Lipper China Region Funds Category Average</td>
<td>26.82%</td>
<td>26.82%</td>
<td>13.70%</td>
<td>7.13%</td>
<td>n.a</td>
<td>4.59%</td>
<td></td>
</tr>
</tbody>
</table>

### AVERAGE ANNUAL TOTAL RETURNS

Assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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. Indexes are unmanaged and it is not possible to invest directly in an index. Please refer to disclosures for index definition.

1As of 5/31/2011
## Portfolio Characteristics | Matthews China Small Companies Fund

As of December 31, 2019

### SECTOR BREAKDOWN (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fund</th>
<th>Benchmark</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>18.2</td>
<td>11.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Health Care</td>
<td>17.4</td>
<td>11.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Industrials</td>
<td>16.7</td>
<td>11.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>15.0</td>
<td>19.9</td>
<td>-4.9</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>10.0</td>
<td>2.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Real Estate</td>
<td>7.3</td>
<td>19.1</td>
<td>-11.8</td>
</tr>
<tr>
<td>Materials</td>
<td>3.1</td>
<td>9.4</td>
<td>-6.3</td>
</tr>
<tr>
<td>Energy</td>
<td>1.2</td>
<td>1.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>Communication Services</td>
<td>0.5</td>
<td>4.9</td>
<td>-4.4</td>
</tr>
<tr>
<td>Financials</td>
<td>0.0</td>
<td>3.9</td>
<td>-3.9</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.0</td>
<td>3.6</td>
<td>-3.6</td>
</tr>
<tr>
<td>Cash and Other Assets, Less Liabilities</td>
<td>10.6</td>
<td>0.0</td>
<td>10.6</td>
</tr>
</tbody>
</table>

*Benchmark: MSCI China Small Cap Index*

The information contained in this presentation does not, in any way, constitute investment advice. Portfolio characteristics for the Fund may vary from time to time from what is shown.

Sources: FactSet Research Systems, Inc., Matthews Asia
## Portfolio Characteristics  |  Matthews China Small Companies Fund

**As of December 31, 2019**

### MARKET CAP EXPOSURE (%)

<table>
<thead>
<tr>
<th></th>
<th>Fund</th>
<th>Benchmark</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mega Cap (over $25B)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Large Cap ($10B-$25B)</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Mid Cap ($3B-$10B)</td>
<td>18.9</td>
<td>1.6</td>
<td>17.3</td>
</tr>
<tr>
<td>Small Cap (under $3B)</td>
<td>70.5</td>
<td>98.4</td>
<td>-27.9</td>
</tr>
<tr>
<td>Cash and Other Assets, Less Liabilities</td>
<td>10.6</td>
<td>0.0</td>
<td>10.6</td>
</tr>
</tbody>
</table>

### PORTFOLIO CHARACTERISTICS

<table>
<thead>
<tr>
<th></th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$95.8 million</td>
</tr>
<tr>
<td>Weighted Average Market Cap</td>
<td>$2.3 billion</td>
</tr>
<tr>
<td>P/E using FY1 Estimates*</td>
<td>16.2x</td>
</tr>
<tr>
<td>P/E using FY2 Estimates*</td>
<td>14.2x</td>
</tr>
</tbody>
</table>

*Benchmark: MSCI China Small Cap Index

*The P/E Ratio is the share price of a stock as of the report date, divided by the forecasted earnings per share for a 12-month period (FY1) and 24 month period (FY2). For the Fund, this is the weighted harmonic average estimated P/E ratio of all the underlying stocks in the Fund, excluding negative earners. There is no guarantee that the composition of the Fund will remain unchanged, or that forecasted earnings of a stock will be realized. Information provided is for illustrative purposes only.

The information contained in this presentation does not, in any way, constitute investment advice. Portfolio characteristics for the Fund may vary from time to time from what is shown.

Sources: FactSet Research Systems, Inc., Bloomberg, Matthews Asia
## Top Ten Holdings | Matthews China Small Companies Fund

As of December 31, 2019

<table>
<thead>
<tr>
<th>Company</th>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silergy Corp.</td>
<td>Information Technology</td>
<td>8.8</td>
</tr>
<tr>
<td>SITC International Holdings Co., Ltd.</td>
<td>Industrials</td>
<td>5.1</td>
</tr>
<tr>
<td>China Meidong Auto Holdings, Ltd.</td>
<td>Consumer Discretionary</td>
<td>3.8</td>
</tr>
<tr>
<td>Asia Cement China Holdings Corp.</td>
<td>Materials</td>
<td>3.1</td>
</tr>
<tr>
<td>China Overseas Property Holdings, Ltd.</td>
<td>Real Estate</td>
<td>2.7</td>
</tr>
<tr>
<td>China Youzan, Ltd.</td>
<td>Information Technology</td>
<td>2.6</td>
</tr>
<tr>
<td>Zai Lab, Ltd.</td>
<td>Health Care</td>
<td>2.5</td>
</tr>
<tr>
<td>Greentown Service Group Co., Ltd.</td>
<td>Industrials</td>
<td>2.4</td>
</tr>
<tr>
<td>Alphamab Oncology</td>
<td>Health Care</td>
<td>2.3</td>
</tr>
<tr>
<td>Venus MedTech Hangzhou, Inc.</td>
<td>Health Care</td>
<td>2.1</td>
</tr>
</tbody>
</table>

**Total for Top 10**  
35.4%

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Sources: BNY Mellon Investment Servicing, Matthews Asia

For institutional use only. Do not give, show or quote to any other person. Not to be used with retail investors. Do not duplicate or reproduce.
## Attribution by Sector | Matthews China Small Companies Fund

### Fourth Quarter 2019

<table>
<thead>
<tr>
<th></th>
<th>Average Portfolio Wt</th>
<th>Average Benchmark Wt</th>
<th>Allocation Effect</th>
<th>Selection + Interaction Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>100.00</td>
<td>100.00</td>
<td>0.08</td>
<td>3.82</td>
<td>3.90</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>15.06</td>
<td>20.01</td>
<td>-0.03</td>
<td>1.84</td>
<td>1.81</td>
</tr>
<tr>
<td>Health Care</td>
<td>15.72</td>
<td>9.80</td>
<td>0.47</td>
<td>0.55</td>
<td>1.02</td>
</tr>
<tr>
<td>Information Technology</td>
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<td>10.97</td>
<td>0.12</td>
<td>0.73</td>
<td>0.85</td>
</tr>
<tr>
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<td>0.43</td>
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<tr>
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<td>0.00</td>
<td>0.41</td>
</tr>
<tr>
<td>Real Estate</td>
<td>7.56</td>
<td>19.66</td>
<td>-0.38</td>
<td>0.64</td>
<td>0.25</td>
</tr>
<tr>
<td>Materials</td>
<td>2.82</td>
<td>8.94</td>
<td>-0.12</td>
<td>0.34</td>
<td>0.22</td>
</tr>
<tr>
<td>Energy</td>
<td>1.27</td>
<td>1.90</td>
<td>0.04</td>
<td>0.01</td>
<td>0.04</td>
</tr>
<tr>
<td>Communication Services</td>
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<td>4.92</td>
<td>0.36</td>
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</tr>
<tr>
<td>Consumer Staples</td>
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<td>-0.58</td>
</tr>
<tr>
<td>Cash</td>
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<td>-0.61</td>
<td>0.00</td>
<td>-0.61</td>
</tr>
<tr>
<td>Unassigned</td>
<td>-0.16</td>
<td>0.55</td>
<td>-0.06</td>
<td>-0.26</td>
<td>-0.32</td>
</tr>
</tbody>
</table>

1. Published portfolio return represents that of the Investor Share Class.
2. The published relative return is calculated as the difference of the published benchmark return from the published portfolio return.

**Benchmark: MSCI China Small Cap Index**

The attribution report shows the extent to which the portfolio manager’s strategies affect a fund’s performance relative to the performance of the fund’s benchmark index. Allocation Effect shows the effect on fund performance of either over- or under-weighting a market (a sector, country or region, depending on the type of fund) relative to its benchmark. Selection + Interaction Effect shows how the decision to hold individual securities within the particular sector, country or region performed relative to the benchmark.

Attributed performance is calculated using FactSet Research Systems, Inc. The methodology of calculation is different from the published NAV and will not match performance based on the published NAV. Performance shown is historical and no guarantee of future results. Current performance may be lower or higher. Returns current to the most recent month-end are available at matthewsasia.com. Investment returns and principal value will fluctuate so that when redeemed, shares may be worth more or less than their original cost. Benchmark performance is unaudited.

Please refer to the disclosures for index definition. Unassigned may include fees, expense accruals, offsets, warrants and rights.
## Attribution by Sector | Matthews China Small Companies Fund

### One Year December 31, 2018 to December 31, 2019

<table>
<thead>
<tr>
<th>Published Portfolio Return</th>
<th>35.41%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published Benchmark Return</td>
<td>6.63%</td>
</tr>
<tr>
<td>Published Relative Return</td>
<td>28.78%</td>
</tr>
<tr>
<td>Attributable Portfolio Return</td>
<td>35.55%</td>
</tr>
<tr>
<td>Attributable Relative Return</td>
<td>28.92%</td>
</tr>
</tbody>
</table>

1 Published portfolio return represents that of the Investor Share Class.
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### Benchmark: MSCI China Small Cap Index

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### Attribution by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average Portfolio Wt</th>
<th>Average Benchmark Wt</th>
<th>Allocation Effect</th>
<th>Selection + Interaction Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Portfolio</td>
<td>100.00</td>
<td>100.00</td>
<td>0.65</td>
<td>28.27</td>
<td>28.92</td>
</tr>
<tr>
<td>Information Technology</td>
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<td>11.78</td>
<td>10.80</td>
</tr>
<tr>
<td>Industrials</td>
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<td>0.37</td>
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</tr>
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<td>3.98</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>7.98</td>
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<td>-0.52</td>
<td>4.20</td>
<td>3.68</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>13.72</td>
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<td>-0.38</td>
<td>3.98</td>
<td>3.61</td>
</tr>
<tr>
<td>Communication Services</td>
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<td>1.53</td>
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<td>0.00</td>
<td>1.34</td>
</tr>
<tr>
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<td>1.18</td>
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<tr>
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<td>0.62</td>
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<tr>
<td>Real Estate</td>
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<td>0.09</td>
</tr>
<tr>
<td>Cash</td>
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<td>0.00</td>
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<td>-1.29</td>
</tr>
<tr>
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<td>0.81</td>
<td>-0.21</td>
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<td>-1.78</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Published Portfolio Return</th>
<th>35.41%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published Benchmark Return</td>
<td>6.63%</td>
</tr>
<tr>
<td>Published Relative Return</td>
<td>28.78%</td>
</tr>
<tr>
<td>Attributable Portfolio Return</td>
<td>35.55%</td>
</tr>
<tr>
<td>Attributable Relative Return</td>
<td>28.92%</td>
</tr>
</tbody>
</table>

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2 The published relative return is calculated as the difference of the published benchmark return from the published portfolio return.

Benchmark: MSCI China Small Cap Index

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Attrition by Sector | Matthews China Small Companies Fund
Three Years December 31, 2016 to December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Average Portfolio Wt</th>
<th>Average Benchmark Wt</th>
<th>Allocation Effect</th>
<th>Selection + Interaction Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Portfolio</td>
<td>100.00</td>
<td>100.00</td>
<td>-0.77</td>
<td>18.05</td>
<td>17.27</td>
</tr>
<tr>
<td>Industrials</td>
<td>20.40</td>
<td>13.00</td>
<td>-0.23</td>
<td>5.56</td>
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</tr>
<tr>
<td>Information Technology</td>
<td>19.12</td>
<td>11.65</td>
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<td>3.52</td>
</tr>
<tr>
<td>Health Care</td>
<td>13.16</td>
<td>8.93</td>
<td>0.64</td>
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<td>2.99</td>
</tr>
<tr>
<td>Consumer Staples</td>
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<td>2.19</td>
</tr>
<tr>
<td>Materials</td>
<td>6.10</td>
<td>8.33</td>
<td>-0.14</td>
<td>1.27</td>
<td>1.13</td>
</tr>
<tr>
<td>Communication Services</td>
<td>1.78</td>
<td>5.48</td>
<td>1.25</td>
<td>-0.21</td>
<td>1.04</td>
</tr>
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<tr>
<td>Energy</td>
<td>3.83</td>
<td>2.19</td>
<td>-0.24</td>
<td>0.40</td>
<td>0.16</td>
</tr>
<tr>
<td>Real Estate</td>
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<td>-0.33</td>
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<td>Cash</td>
<td>5.59</td>
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<td>0.00</td>
<td>-0.36</td>
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<td>-1.69</td>
</tr>
</tbody>
</table>

Benchmark: MSCI China Small Cap Index

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<table>
<thead>
<tr>
<th>Benchmark: MSCI China Small Cap Index</th>
<th>Matthews China Small Companies Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Attribution by Sector</strong></td>
<td><strong>Five Years December 31, 2014 to December 31, 2019</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Average Portfolio Wt</th>
<th>Average Benchmark Wt</th>
<th>Allocation Effect</th>
<th>Selection + Interaction Effect</th>
<th>Total Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Portfolio</strong></td>
<td>100.00</td>
<td>100.00</td>
<td>-0.56</td>
<td>11.41</td>
<td>10.85</td>
</tr>
<tr>
<td><strong>Industrials</strong></td>
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<td>3.83</td>
<td>3.56</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
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</tr>
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<td>2.69</td>
<td>2.05</td>
</tr>
<tr>
<td><strong>Consumer Discretionary</strong></td>
<td>17.07</td>
<td>20.30</td>
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<td>1.77</td>
</tr>
<tr>
<td><strong>Consumer Staples</strong></td>
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<td>4.16</td>
<td>0.08</td>
<td>1.41</td>
<td>1.49</td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>3.79</td>
<td>8.62</td>
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<td>0.70</td>
<td>0.91</td>
</tr>
<tr>
<td><strong>Communication Services</strong></td>
<td>2.29</td>
<td>5.06</td>
<td>0.72</td>
<td>-0.38</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td>2.46</td>
<td>2.15</td>
<td>-0.02</td>
<td>0.21</td>
<td>0.19</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
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<td>4.17</td>
<td>0.42</td>
<td>-0.26</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Financials</strong></td>
<td>2.56</td>
<td>3.14</td>
<td>0.32</td>
<td>-0.64</td>
<td>-0.31</td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>6.97</td>
<td>16.44</td>
<td>-1.01</td>
<td>0.56</td>
<td>-0.45</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>4.84</td>
<td>0.00</td>
<td>-0.08</td>
<td>0.00</td>
<td>-0.08</td>
</tr>
<tr>
<td><strong>Unassigned</strong></td>
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<td>0.59</td>
<td>-0.02</td>
<td>-1.47</td>
<td>-1.50</td>
</tr>
</tbody>
</table>

1. Published portfolio return represents that of the Investor Share Class.
2. The published relative return is calculated as the difference of the published benchmark return from the published portfolio return.
Strategy | Matthews China Small Companies Fund
As of December 31, 2019

Portfolio Positioning

— Seek the most innovative, competitive and capital-efficient small companies as these are the traits needed in China among the smaller-cap firms, which lack access to capital and the privileges afforded to state-owned companies
— Seek to invest in industries that are leveraged to China’s domestic demand and also seek investments in companies whose profiles indicate stable return on capital
— As the Chinese economy continues to transition to higher value-added growth, we find sectors such as automation, health care and services to be the most interesting as they are critical in this move up the value chain. These also happen to be sectors with high levels of innovation and capital efficiency
— Maintain an underweight to the real estate sector where the business model is based on capital intensity

Outlook

— U.S.-China trade tensions eased in the fourth quarter of 2019, improving investor sentiment. Any lingering market concerns over trade tensions should, in our view, have little impact on China's smaller companies given their domestic focus and lower dependence on financial leverage
— China appears to be on a path toward greater technological independence. New supply chain formations are creating opportunities for small, entrepreneurial companies
— From a macro perspective, we continue to believe China has the ability to stabilize its economy through fiscal spending, interest rate adjustments and currency management
— Drivers of China’s growth have gradually shifted from manufacturing and fixed asset investment to consumption and services. As business models become less capital intensive, this may create opportunities for private enterprises and small companies

The statements above are based on the beliefs and assumptions of our portfolio management team and on the information currently available to our team at the time of such statements. Although we believe that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will prove to be correct. Please see the Prospectus for the Funds for additional information and the risks of investing in the Funds.
Summary

- Small companies must be more:
  - competitive
  - innovative
  - capital efficient than their larger peers to survive and thrive

- Small companies have historically been less volatile than the market

- Small companies are “undiscovered”—allows active managers to “uncover” opportunities to high quality companies with good corporate governance at cheaper valuations

The statements above are based on the beliefs and assumptions of our portfolio management team and on the information currently available to our team at the time of such statements. Although we believe that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will prove to be correct. Please see the Prospectus for the Funds for additional information and the risks of investing in the Funds.

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The Lipper China Region Funds Category includes Funds that concentrate their investments in equity securities whose primary trading markets or operations are concentrated in the China region or in a single country within this region.

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Index Definitions

The Bloomberg European 500 Index is a free float capitalization-weighted index of the 500 most highly capitalized European companies.

The iShares MSCI Emerging Markets ETF (EEM) is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the MSCI TR Emerging Markets Index. The ETF holds emerging market stocks that can predominantly be classified as large and mid-cap.

The iShares MSCI Europe Small-Cap ETF seeks to track the investment results of an index composed of small-capitalization developed market equities in Europe.

The iShares MSCI Frontier 100 ETF seeks to track the investment results of an index composed of frontier market equities.

The MSCI All Country Asia ex Japan Index is a free float–adjusted market capitalization–weighted index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country Asia ex Japan Small Cap Index is a free float–adjusted market capitalization–weighted index of small cap index of the stock markets of China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country Asia Pacific Index is a free float–adjusted market capitalization–weighted index of the stock markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country World Index (ACWI) captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,489 constituents, the index covers approximately 85% of the global investable equity opportunity set.

The MSCI Australia Index is a free float–adjusted, market capitalization–weighted index of equity market performance in Australia.

The MSCI China Index is a free float–adjusted market capitalization–weighted index of Chinese equities that includes H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, Hong Kong-listed securities known as Red chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (e.g. ADRs).

The MSCI China Small Cap Index is a free float–adjusted market capitalization–weighted small cap index of the Chinese equity securities markets, including H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, Hong Kong-listed securities known as Red Chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (e.g., ADRs).

The MSCI EAFE Index is a free float–adjusted market capitalization–weighted index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI Emerging Markets (EM) Asia Index captures large and mid cap representation across 9 Emerging Markets countries. With 567 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Index is a float-adjusted market capitalization index that consists of indices in 23 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

The MSCI Emerging Markets Equity Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 829 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Latin America Index captures large and mid-cap representation across 5 Emerging Markets (EM) countries in Latin America. With 110 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets EMEA Index captures large and mid cap representation across 10 Emerging Markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 163 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.
Index Definitions

The MSCI Europe Small Cap Index captures small cap representation across the 15 Developed Markets (DM) countries in Europe. With 985 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in the European equity universe.

The MSCI Frontier Markets Index captures large and mid cap representation across 29 Frontier Markets (FM) countries. The index includes 110 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The MSCI India Index is a free float–adjusted market capitalization index that is designed to measure the performance of the large and mid-cap segments of the Indian market.

The MSCI India Small Cap Index is designed to measure the performance of the small cap segment of the Indian market. With 253 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the India equity universe.

The MSCI Japan Small Cap Index is designed to measure the performance of the small cap segment of the Japanese market. With 9 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Japan equity universe.

The MSCI Japan Index is a free float–adjusted market capitalization–weighted index of Japanese equities listed in Japan. The MSCI Japan Value Index captures large and mid cap Japanese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 173 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI Japan Index.

The MSCI Japan Growth Index is a free-float weighted equity index.

The MSCI Japan Small Cap Index is designed to measure the performance of the small cap segment of the Japanese market. With 926 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Japan equity universe.

The MSCI Japan Value Index captures large and mid cap Japanese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 176 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI Japan Index.

The Korea Composite Stock Price Index (KOSPI) is a capitalization-weighted index of all common stocks listed on the Korea Stock Exchange.

The MSCI United Kingdom Index is a free float–adjusted market capitalization index designed to measure the performance of the large and mid-cap segments of the UK market.

The MSCI USA Index is a free float adjusted market capitalization index that is designed to measure large and mid cap US equity market performance.

The MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the US equity market. With 1,782 constituents, the index represents approximately 14% of the free float-adjusted market capitalization in the US.

The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. The weighted average market capitalization for companies in the Russell 2000 is about US$1.3 billion and the index itself is frequently used as a benchmark for small-cap mutual funds.

The S&P 500 Index is a broad market-weighted index dominated by blue-chip stocks in the U.S.

The S&P Bombay Stock Exchange 100 (S&P BSE 100) Index is a free float–adjusted market capitalization–weighted index of 100 stocks listed on the Bombay Stock Exchange.

The SSE Composite Index also known as SSE Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Tokyo Stock Price Index (TOPIX) is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

The TOPIX Small Index is a capitalization-weighted index designed to measure the performance of the stocks listed on the First Section of the Tokyo Stock Exchange, excluding the TOPIX 500 stocks and non-eligible stocks.

Indexes are unmanaged and it is not possible to invest directly in an index.
Glossary

CAGR (Compound Annual Growth Rate) is the year-over-year growth rate of an investment over a specified period of time.

DCF (Discounted Cash Flow) is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them to arrive at a present value estimate, which is used to evaluate the potential for investment.

EBIT Margin (Earnings Before Interest and Taxation Margin) is a profitability measure equal to EBIT divided by net revenue. This value is useful when comparing multiple companies, especially within a given industry, and also helps evaluate how a company has grown over time.

EBITDA (Earnings Before Interest and Taxation, Depreciation and Amortization) is a measure of a company’s earnings before considering the financing of that company (the share of equity capital and debt employed), and disregarding potential depreciation and amortization policies, which can be very different. EBITDA allows like-for-like comparisons between different companies’ performance.

EPS (Earnings per Share) is the amount of annual profit (after tax and all other expenses) attributable to each share in a company. EPS is calculated by dividing profit by the average number of shares on issue.

EVA (Economic Value Added) is a measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit (adjusted for taxes on a cash basis).

EV/EBITDA (Enterprise Multiple) is a ratio used to determine the value of a company. The enterprise multiple looks at a firm as a potential acquirer would, because it takes debt into account - an item which other multiples like the P/E ratio do not include.

EV (Enterprise Value) is a measure of a company’s value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

FCF (Free Cash Flow) is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

Forward P/E (Forward Price to Earnings) is a measure of the price-to-earnings ratio (P/E) using forecasted earnings for the P/E calculation. While the earnings used are just an estimate and are not as reliable as current earnings data, there still may be benefit in estimated P/E analysis. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

Gross Margin is a company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage. The gross margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company.

Net Margin is the ratio of net profits to revenues for a company or business segment—typically expressed as a percentage—that shows how much of each dollar earned by the company is translated into profits. It is calculated by dividing net profit by revenue.

Operating Margin is a ratio used to measure a company's pricing strategy and operating efficiency. Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production.

P/E Ratio (Price-to-Earnings Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings, calculated as marketing value per share divided by earnings per share (EPS).

P/B Ratio (Price-to-Book Ratio) is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. A lower P/B ratio could mean that the stock is undervalued.

PPP (Purchasing Power Parity) is an economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency’s purchasing power.

ROE (Return on Equity) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested, and is calculated as net income divided by shareholder’s equity.

ROIC (Return on Invested Capital) is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. The return on invested capital measure gives a sense of how well a company is using its money to generate returns.