

**MATTHEWS ASIA FUNDS**

**SUPPLEMENT DATED AUGUST 24, 2020  
TO THE STATEMENT OF ADDITIONAL INFORMATION  
DATED APRIL 29, 2020, AS SUPPLEMENTED (THE “SAI”)**

***For all existing and prospective shareholders of Matthews Asia Funds:***

Effective as of August 31, 2020, Tiffany Hsiao, CFA, YuanYuan Ji and Beini Zhou, CFA, will no longer act as Portfolio Managers of the Trust. All references to Mses. Hsiao and Ji and Mr. Zhou are removed in their entirety as of the same date.

***For all existing and prospective shareholders of Matthews China Small Companies Fund:***

Effective as of August 31, 2020, Winnie Chwang and Andrew Mattock, CFA, will act as Lead Managers of the Matthews China Small Companies Fund. Therefore, effective as of the same date, the following disclosure is added to the table under the heading “*Management of the Funds – Trustees and Officers*” on page 41 of the SAI:

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>
<b>OFFICERS WHO ARE NOT TRUSTEES<sup>1</sup></b>			
Winnie Chwang Born 1982	Vice President	Since 2020	Portfolio Manager (since 2014), Matthews (investment management).

<sup>1</sup> Each officer serves at the pleasure of the Board of Trustees. Each officer is considered an “interested person” of the Trust as defined under the 1940 Act because of an ownership interest in Matthews and/or an office held with the Trust or Matthews.

In addition, effective August 31, 2020, the following disclosure is added to the table under the heading “*Management of the Funds – Portfolio Managers*” on page 68 of the SAI:

<u>Name of Portfolio Manager</u>	<u>Account Category</u>	<u>Number of Accounts</u>	<u>Total Assets in Accounts</u>	<u>Number of Accounts Where Advisory Fee is Based on Account Performance</u>	<u>Total Assets in Accounts Where Advisory Fee is Based on Account Performance</u>
Winnie Chwang*	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews China Small Companies Fund; Co-Manager of the Matthews Asia ESG and Matthews China Funds	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0

\* Information for Ms. Chwang is provided as of July 31, 2020.

In addition, effective August 31, 2020, the following disclosure is added to the table under the heading “*Management of the Funds – Portfolio Managers*” on page 71 of the SAI:

<u>Name of Portfolio Manager</u>	<u>Dollar Range of Equity Securities in Each Fund</u>
Winnie Chwang†	<ul style="list-style-type: none"> <li>• Matthews Asia Dividend Fund* \$1-\$10,000</li> <li>• Matthews Asia Growth Fund* \$10,001-\$50,000</li> </ul>
	<ul style="list-style-type: none"> <li>• Matthews China Fund* \$50,001-\$100,000</li> <li>• Matthews India Fund* \$1-10,000</li> </ul>
	<ul style="list-style-type: none"> <li>• Matthews Asia Small Companies Fund* \$1-10,000</li> <li>• Matthews China Small Companies Fund \$50,001-\$100,000</li> </ul>

\* The Portfolio Manager does not have responsibility for the day-to-day management of this Fund’s portfolio.

† Information regarding equity securities beneficially owned by Ms. Chwang is provided as of July 31, 2020.

**Please retain this Supplement with your records.**

**MATTHEWS INTERNATIONAL FUNDS**

**(d/b/a MATTHEWS ASIA FUNDS)**

**MATTHEWSASIA.COM**

**MATTHEWS EMERGING MARKETS EQUITY FUND – INVESTOR CLASS (MEGMX)**  
**MATTHEWS EMERGING MARKETS EQUITY FUND– INSTITUTIONAL CLASS (MIEFX)**  
**MATTHEWS ASIAN GROWTH AND INCOME FUND – INVESTOR CLASS (MACSX)**  
**MATTHEWS ASIAN GROWTH AND INCOME FUND – INSTITUTIONAL CLASS (MICSX)**  
**MATTHEWS ASIA DIVIDEND FUND – INVESTOR CLASS (MAPIX)**  
**MATTHEWS ASIA DIVIDEND FUND – INSTITUTIONAL CLASS (MIPIX)**  
**MATTHEWS CHINA DIVIDEND FUND – INVESTOR CLASS (MCDFX)**  
**MATTHEWS CHINA DIVIDEND FUND – INSTITUTIONAL CLASS (MICDX)**  
**MATTHEWS ASIA VALUE FUND – INVESTOR CLASS (MAVRX)**  
**MATTHEWS ASIA VALUE FUND – INSTITUTIONAL CLASS (MAVAX)**  
**MATTHEWS ASIA GROWTH FUND – INVESTOR CLASS (MPACX)**  
**MATTHEWS ASIA GROWTH FUND – INSTITUTIONAL CLASS (MIAPX)**  
**MATTHEWS PACIFIC TIGER FUND – INVESTOR CLASS (MAPTX)**  
**MATTHEWS PACIFIC TIGER FUND – INSTITUTIONAL CLASS (MIPTX)**  
**MATTHEWS ASIA ESG FUND – INVESTOR CLASS (MASGX)**  
**MATTHEWS ASIA ESG FUND – INSTITUTIONAL CLASS (MISFX)**  
**MATTHEWS EMERGING ASIA FUND – INVESTOR CLASS (MEASX)**  
**MATTHEWS EMERGING ASIA FUND – INSTITUTIONAL CLASS (MIASX)**  
**MATTHEWS ASIA INNOVATORS FUND – INVESTOR CLASS (MATFX)**  
**MATTHEWS ASIA INNOVATORS FUND – INSTITUTIONAL CLASS (MITEX)**  
**MATTHEWS CHINA FUND – INVESTOR CLASS (MCHFX)**  
**MATTHEWS CHINA FUND – INSTITUTIONAL CLASS (MICFX)**  
**MATTHEWS INDIA FUND – INVESTOR CLASS (MINDX)**  
**MATTHEWS INDIA FUND – INSTITUTIONAL CLASS (MIDNX)**  
**MATTHEWS JAPAN FUND – INVESTOR CLASS (MJFOX)**  
**MATTHEWS JAPAN FUND – INSTITUTIONAL CLASS (MIJFX)**  
**MATTHEWS KOREA FUND – INVESTOR CLASS (MAKOX)**  
**MATTHEWS KOREA FUND – INSTITUTIONAL CLASS (MIKOX)**  
**MATTHEWS ASIA SMALL COMPANIES FUND – INVESTOR CLASS (MSMLX)**  
**MATTHEWS ASIA SMALL COMPANIES FUND – INSTITUTIONAL CLASS (MISMX)**  
**MATTHEWS CHINA SMALL COMPANIES FUND – INVESTOR CLASS (MCSMX)**  
**MATTHEWS CHINA SMALL COMPANIES FUND – INSTITUTIONAL CLASS (MICHX)**  
**MATTHEWS ASIA TOTAL RETURN BOND FUND\* – INVESTOR CLASS (MAINX)**  
**MATTHEWS ASIA TOTAL RETURN BOND FUND\* – INSTITUTIONAL CLASS (MINCX)**  
**MATTHEWS ASIA CREDIT OPPORTUNITIES FUND – INVESTOR CLASS (MCRDX)**  
**MATTHEWS ASIA CREDIT OPPORTUNITIES FUND – INSTITUTIONAL CLASS (MICPX)**

**STATEMENT OF ADDITIONAL INFORMATION**

**April 29, 2020**

This Statement of Additional Information (this “SAI”) is not a prospectus and should be read in conjunction with the current prospectuses of the Investor Class and the Institutional Class of the Matthews Asia Funds (the “Funds”) dated April 29, 2020, other than the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, and with the separate current prospectus of the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund dated April 29, 2020 (the foregoing prospectuses, collectively, the “Prospectus”).

\* Formerly known as “Matthews Asia Strategic Income Fund”

The Prospectus and the financial statements contained in the Funds' Annual Report for the fiscal year ended December 31, 2019, are incorporated herein by reference. You can obtain a free copy of the current Prospectus and Annual Report on the Funds' website at **MATTHEWSASIA.COM** or by contacting a Matthews Asia Funds representative at:

Matthews Asia Funds  
P.O. Box 9791  
Providence, RI 02940

800.789.ASIA (2742)

No person has been authorized to give any information or to make any representations not contained in this SAI or in the Prospectus in connection with the offering made by the Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized by the Funds or their underwriters. The Prospectus does not constitute an offering by the Funds or by their underwriters in any jurisdiction in which such offering may not lawfully be made.

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## **Fund History**

Matthews International Funds (d/b/a Matthews Asia Funds) (the “Trust”), Four Embarcadero Center, Suite 550, San Francisco, California 94111, is a family of mutual funds currently offering seventeen separate series of shares (each individually, a “Fund,” and collectively, the “Funds”):

Global Emerging Markets Strategy:

Matthews Emerging Markets Equity Fund

Asia Growth and Income Strategies:

Matthews Asian Growth and Income Fund

Matthews Asia Dividend Fund

Matthews China Dividend Fund

Asia Value Strategy:

Matthews Asia Value Fund

Asia Growth Strategies:

Matthews Asia Growth Fund

Matthews Pacific Tiger Fund

Matthews Asia ESG Fund

Matthews Emerging Asia Fund

Matthews Asia Innovators Fund

Matthews China Fund

Matthews India Fund

Matthews Japan Fund

Matthews Korea Fund

Asia Small Companies Strategies:

Matthews Asia Small Companies Fund

Matthews China Small Companies Fund

Asia Fixed Income Strategies:

Matthews Asia Total Return Bond Fund\*

Matthews Asia Credit Opportunities Fund

\* Formerly known as “Matthews Asia Strategic Income Fund”

Each Fund has both an Investor Class and an Institutional Class of beneficial interests.

## **Description of the Funds**

Please read the following information together with the information contained in the current prospectuses of the Investor Class and the Institutional Class of the Funds dated April 29, 2020, other than the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, and with the information contained in the separate current prospectus of the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund dated April 29, 2020, concerning the investment strategies, risks and policies of the Funds. The information in this SAI supplements the information in the Prospectus.

The Trust is an open-end management investment company registered under the U.S. Investment Company Act of 1940, as amended (the “1940 Act”). The Trust was organized as a Delaware statutory (business) trust on April 13, 1994 and commenced operations on September 12, 1994. It has never been engaged in any other business. Each Fund is “diversified” except for the Matthews Asia Total

Return Bond Fund and Matthews Asia Credit Opportunities Fund, which are non-diversified. Diversified means that at least 75% of the value of a fund's total assets must be comprised of (i) cash and cash items, (ii) securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, (iii) securities of other investment companies, or (iv) other securities, provided that no more than 5% of the value of the fund's total assets are invested in the securities of a single issuer and the fund does not own more than 10% of the outstanding voting securities of a single issuer. The remaining 25% of the value of a fund's total assets may be invested in a single issuer, or in multiple issuers, not subject to the above limitations.

A "non-diversified" fund may invest a larger portion of its assets in the securities of a single issuer compared with that of a diversified fund. An investment in one of the non-diversified Funds entails greater risk than an investment in a diversified fund because of its greater exposure to the risks associated with individual issuers: a higher percentage of investments among fewer issuers may result in greater volatility of the total market value of the Fund's portfolio; and economic, political or regulatory developments may have a greater impact on the value of the Fund's portfolio than would be the case if the portfolio were diversified among more issuers.

Each Fund has elected and intends to continue to qualify to be treated as a "regulated investment company" under Subchapter M of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Such qualification relieves a Fund of liability for federal income taxes to the extent the Fund's earnings are distributed in accordance with the Code. To so qualify, among other requirements, each Fund will limit its investments so that, at the close of each quarter of its taxable year, (i) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer, and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer, and it will not own more than 10% of the outstanding voting securities of a single issuer.

### **Investment Objective**

The investment objective of each of the Funds, except for the Matthews Asia Dividend Fund, Matthews China Dividend Fund, Matthews Asian Growth and Income Fund, Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, is to seek long-term capital appreciation.

The investment objective of the Matthews Asia Dividend Fund and Matthews China Dividend Fund is to seek total return with an emphasis on providing current income. The investment objective of the Matthews Asian Growth and Income Fund is to seek long-term capital appreciation with some current income. The investment objective of the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund is to seek total return over the long term and, for the Matthews Asia Total Return Bond Fund, with an emphasis on income.

### **Investment Process**

Matthews International Capital Management, LLC ("Matthews") is the investment advisor to each of the Funds. Matthews invests primarily in the Asia Pacific region based on its assessment of the future development and economic prospects of companies located in that region. Matthews also invests in emerging market countries outside the Asia Pacific region on behalf of the Matthews Emerging Markets Equity Fund. Matthews believes that the countries in these regions are on paths toward economic development and, in general, deregulation and greater openness to market forces. Matthews believes in the potential for these economies, and believes that the intersection of development and deregulation will create opportunities for further growth. Matthews attempts to capitalize on its beliefs by investing in companies it considers to be well-positioned to participate in the economic evolution in these regions. Matthews uses a range of approaches to participate in the growth of the Asia Pacific and other regions to suit clients' differing needs and investment objectives.

Matthews researches the fundamental characteristics of individual companies to help to understand the foundation of a company's long-term development, and to assess whether it is generally consistent with Matthews' expectations for a region's economic evolution. Matthews evaluates potential portfolio holdings on the basis of their individual merits, and invests in those companies that it believes are positioned to help a Fund achieve its investment objectives.

Matthews has long-term investment goals and its process aims to identify potential portfolio investments that can be held over an indefinite time horizon. Matthews regularly tests its beliefs and adjusts portfolio holdings in light of prevailing market conditions and other factors, including, among other things, economic, political or market events (*e.g.*, changes in credit conditions or military action), changes in relative valuations (to both a company's financial prospects and to other issuers), liquidity requirements and management malfeasance or other unethical conduct.



Matthews uses a fundamentals-based investment process to manage the fixed-income portfolios of investments for the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, with a focus on risk-adjusted return. Matthews' fixed-income investment process includes six steps, with risk management embedded into each step of the process in order to identify and capitalize on credit (including counterparty), interest rate (duration), and currency opportunities and risks.

The Funds, other than the Matthews Asia Value Fund, Matthews Asia Total Return Bond Fund, Matthews Asia Credit Opportunities Fund, Matthews Asia Dividend Fund, Matthews China Dividend Fund and Matthews Asia ESG Fund, invest where Matthews believes the potential for capital growth exists and in companies that it believes have demonstrated the ability to anticipate and adapt to changing markets. With respect to the Matthews Asia Value Fund, Matthews seeks to invest in companies whose share price trades at a substantial discount to its estimate of the company's intrinsic value. With respect to the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, Matthews seeks to invest in debt and debt-related instruments issued by governments, quasi-governmental entities, supra-national institutions, and companies in Asia. With respect to the Matthews Asia Dividend Fund and Matthews China Dividend Fund, Matthews seeks to invest in companies that have in the past paid high dividends relative to their share prices, or which it believes are well-positioned to grow future dividends, or both. Accordingly, each of the Matthews Asia Dividend Fund and Matthews China Dividend Fund expects that its portfolio will primarily consist of companies with established dividend-paying records. With respect to the Matthews Asia ESG Fund, Matthews seeks to invest in Asian companies that have the potential to profit from the long-term opportunities presented by the global environmental and social challenges as well as those Asian companies that proactively manage long-term risks presented by these challenges, after taking into consideration environmental, social and governance ("ESG") factors in addition to traditional financial data.

Equity securities in which the Funds, other than the Matthews Asia Dividend Fund, the Matthews China Dividend Fund, the Matthews Korea Fund, the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, may invest include common stocks, preferred stocks, warrants, and securities convertible into common or preferred stocks, such as convertible bonds and debentures. The Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund may invest in these types of equity securities to a limited extent. Equity securities in which the Matthews Asia Dividend Fund and the Matthews China Dividend Fund may invest include common stocks, preferred stocks, convertible preferred stocks, and other equity-related instruments (including, for example, investment trusts and other financial instruments). Equity securities in which the Matthews Korea Fund may invest include common stocks, preferred stocks, warrants, and securities convertible into common or preferred stocks, such as convertible bonds and debentures, warrants and rights, equity interests in trusts, partnerships, joint ventures or similar enterprises and depositary receipts of issuers located in South Korea.

Debt securities in which the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund may invest include bonds, debentures, bills, securitized instruments (which are vehicles backed by pools of assets such as mortgages, loans, or other receivables), notes, certificates of deposit and other bank obligations, bank loans, senior secured bank debt, convertible debt securities, credit-linked notes, inflation-linked instruments, repurchase agreements, dividend paying equity securities, preferred equities, warrants, payment-in-kind securities and derivative instruments with fixed-income characteristics.

Each of the Funds, other than the Matthews Asia Total Return Bond Fund, the Matthews Asia Credit Opportunities Fund and the Matthews Asian Growth and Income Fund, may invest no more than 20% of its total assets in debt securities, including securities issued by government entities and their political subdivisions. The Matthews Asia Total Return Bond Fund, the Matthews Asia Credit Opportunities Fund and the Matthews Asian Growth and Income Fund are permitted to invest in debt securities of any quality, including high yield debt securities rated below investment grade (commonly referred to as "junk bonds") and unrated debt securities. The Matthews Asia Total Return Bond Fund may invest up to 50% of its total assets in securities of issuers from a single country (including the government of that country, its agencies, instrumentalities and political subdivisions), and up to 25% of its total assets may be invested in the securities issued by any one Asian government (including its agencies, instrumentalities and political subdivisions). The Matthews Asia Credit Opportunities Fund may invest 25% or more of its total assets in securities of issuers from a single country (including the government of that country, its agencies, instrumentalities and political subdivisions), and up to 25% of its total assets may be invested in the securities issued by any one Asian government (including its agencies, instrumentalities and political subdivisions).

The Funds may invest in securities of issuers of various sizes. Smaller companies often have limited product lines, markets or financial resources, and they may be dependent upon one or a few key people for management and may lack depth of management. Smaller companies may have less certain growth prospects, and be more sensitive to changing economic

conditions than larger, more established companies. A Fund may have more difficulty obtaining information about smaller portfolio companies, or valuing or disposing of their securities, than it would if it focused on larger, more well-known companies. Transaction costs in stocks of smaller capitalization companies may be higher than those of larger capitalization companies. The securities of such companies generally are subject to more abrupt or erratic market movements and may be less liquid than securities of larger, more established companies or the markets in general, and can react differently to political, market and economic developments than these companies or markets. The Funds, and the Matthews Emerging Asia Fund in particular, may also invest in micro-cap companies (*i.e.*, companies with total market capitalization of \$250 million or less). Investments in micro-cap companies are subject to the same types of risks described above for investments in smaller companies, but the likelihood of such risks is even greater for micro-cap companies because they often have even narrower markets, fewer product lines and/or more limited managerial and financial resources than those of smaller companies.

The Funds may invest in debt securities, including convertible debt securities, debt securities rated below investment grade, as well as unrated securities that have been deemed by Matthews to be of similar credit quality. Securities rated below investment grade (and unrated securities of comparable quality as determined by Matthews) are sometimes referred to as “high yield securities” or “junk bonds” and are considered to be speculative investments. High yield securities involve a greater risk of loss of principal and interest (see “*Risks Associated with Securities Rated Below Investment Grade*”). There is no objective standard against which Matthews may evaluate the credit and other risks of unrated securities. Matthews seeks to minimize the risks of investing in unrated and lower-rated securities through investment analysis and attention to current developments in interest rates and economic conditions. In selecting debt and convertible securities for the Funds, Matthews may assess the following factors, among others:

- Potential for capital appreciation;
- Price of security relative to price of underlying stock, if a convertible security;
- Yield of security relative to yield of other fixed-income securities;
- Interest or dividend income;
- Call and/or put features;
- Creditworthiness;
- Price of security relative to price of other comparable securities;
- Size of issue;
- Currency of issue; and
- Impact of security on diversification of the portfolios.

The Funds may also invest in securities of foreign issuers in the form of American Depositary Receipts (“ADRs”), European Depositary Receipts (“EDRs”) and International Depositary Receipts (“IDRs”), also known as Global Depositary Receipts (“GDRs”). Generally, ADRs in registered form are U.S. dollar-denominated securities designed for use in the U.S. securities markets, which may be converted into an underlying foreign security. ADRs represent the right to receive securities of foreign issuers deposited in the domestic bank or correspondent bank. ADRs do not eliminate all the risks inherent in investing in the securities of foreign issuers. The Funds may also invest in EDRs, which are receipts evidencing an arrangement with a European bank similar to that for ADRs and are designed for use in the European securities markets.

IDRs and GDRs are similar to ADRs except that they are bearer securities for investors or traders outside the U.S., and for companies wishing to raise equity capital in securities markets outside the U.S. Most IDRs have been used to represent shares although some represent bonds, commercial paper and certificates of deposit. Some IDRs may be convertible to ADRs, making them particularly useful for arbitrage between the markets.

The Funds may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis. Such transactions may act as a hedge against anticipated changes in interest rates and prices.

### **Risks of Investment**

All investments involve risk. There can be no guarantee against loss resulting from an investment in the Funds, nor can there be any assurance that a Fund’s investment objective will be attained. Below is supplemental information about risks of investing in the Funds. Further information about the principal risks of investing in the Funds can be found in the Prospectus.

### *Political, Social and Economic Risks of Investing in Asia*

The value of a Fund's assets may be adversely affected by political, economic, social and religious factors, inadequate investor protection, changes in the laws or regulations of the countries in which it invests and the status of these countries' relations with other countries. In addition, the economies of these countries may differ favorably or unfavorably from the U.S. economy in respects such as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency, balance of payments position and sensitivity to changes in global trade. Deflationary factors could also reemerge in certain Asian markets, the potential effects of which are difficult to forecast. While certain Asian governments will have the ability to offset deflationary conditions through fiscal or budgetary measures, others will lack the capacity to do so. Some countries have limited natural resources (such as oil and natural gas), resulting in dependence on foreign sources for certain raw materials and vulnerability to global fluctuations of price and supply.

In many other countries, the government has exercised and continues to exercise significant influence over many aspects of the economy, and the number of public sector enterprises in these countries is substantial. Accordingly, future government actions in these countries could have a significant effect on the economy of these countries, which could affect private sector companies and the Funds, market conditions, and prices and yields of securities in a Fund's portfolio.

### *Risks of Investing in Emerging Markets*

The Funds invest primarily in the Asia Pacific region. Many countries of the Asia Pacific region are considered to be developing or emerging economies and markets. The Matthews Emerging Markets Equity Fund also invests a substantial portion of its total net assets in various emerging countries and markets outside the Asia Pacific region. The risks of investment in such markets include (i) less social, political and economic stability; (ii) the smaller size of the securities markets and the lower volume of trading, which may result in a lack of liquidity and in greater price volatility; (iii) certain national policies that may restrict a Fund's investment opportunities, including restrictions on investment in issuers or industries deemed sensitive to national interests, or expropriation or confiscation of assets or property, which could result in a Fund's loss of its entire investment in that market; (iv) less developed legal and regulatory structures governing private or foreign investment or allowing for judicial redress for injury to private property; (v) inaccurate, incomplete or misleading financial information on companies in which the Funds invest; (vi) securities of companies may trade at prices not consistent with traditional valuation measures; and (vii) limitations on foreign ownership, which may impact the price of a security purchased or held by the Funds.

Many developing countries in which the Funds invest lack the social, political and economic stability characteristics of the United States. Political instability among emerging market countries can be common and may be caused by an uneven distribution of wealth, social unrest, labor strikes, civil wars and religious oppression. Economic instability in emerging market countries may take the form of: (i) high interest rates; (ii) high levels of inflation, including hyperinflation; (iii) high levels of unemployment or underemployment; (iv) changes in government economic and tax policies, including confiscatory taxation; and (v) imposition of trade barriers.

Stock exchanges in emerging markets have in the past experienced substantial fluctuations in the prices of their listed securities. They have also experienced problems such as temporary exchange closures, broker defaults, settlement delays and broker strikes that, if they occur again, could affect the market price and liquidity of the securities in which the Funds invest. In addition, the governing bodies of certain stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Disputes have also occurred from time to time among listed companies, the stock exchanges and other regulatory bodies, and in some cases those disputes have had a negative effect on overall market sentiment. There have been delays and errors in share allotments relating to initial public offerings, which in turn may affect overall market sentiment and lead to fluctuations in the market prices of the securities of those companies and others in which the Funds may invest.

In the past, governments within the emerging markets have become overly reliant on the international capital markets and other forms of foreign credit to finance public spending programs that cause large deficits. Often, interest payments have become too burdensome for the government to meet, representing a large percentage of total GDP. These foreign obligations then become the subject of political debate with the opposition parties pressuring the government to use its resources for social programs rather than making payments to foreign creditors. Some foreign governments have been forced to seek a restructuring of their loan and/or bond obligations and have declared a temporary suspension of interest payments or have defaulted. These events have adversely affected the values of securities issued by foreign governments and companies in emerging market countries and have negatively impacted not only their cost of borrowing, but their ability to borrow in the future as well.

In addition, brokerage commissions, custodial fees, withholding taxes, and other costs relating to investment in foreign markets may be higher than in the United States. The operating expense ratio of a Fund may be expected to be higher than that of a fund investing primarily in the securities of U.S. issuers.

Many emerging market countries suffer from uncertainty and corruption in their legal frameworks. Legislation may be difficult to interpret and laws may be too new to provide any precedential value. Laws regarding foreign investment and private property may be weak or non-existent. Sudden changes in governments may result in policies that are less favorable to investors, such as policies designed to expropriate or nationalize “sovereign” assets. Certain emerging market countries in the past have expropriated large amounts of private property, in many cases with little or no compensation, and there can be no assurance that such expropriation will not occur in the future.

Legal principles relating to corporate affairs and the validity of corporate procedures, directors’ fiduciary duties and liabilities and shareholders’ rights may differ from those that may apply in the United States and other more developed countries. Shareholders’ rights may not be as extensive as those that exist under the laws of the United States and other more developed countries. A Fund may therefore have more difficulty asserting shareholder rights than it would as a shareholder of a comparable U.S. company.

Disclosure and regulatory standards of emerging market countries are in many respects less stringent than U.S. standards. Issuers are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to issuers in the United States or other more developed countries. In particular, the assets and profits appearing on the financial statements of an issuer may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. or European generally accepted accounting principles. There is substantially less publicly available information about emerging market issuers than there is about U.S. issuers.

#### *Risks of Foreign Currency*

Currencies of emerging market countries are subject to significantly greater risks than currencies of developed countries. Many emerging market countries have experienced steady declines or sudden devaluations of their currencies relative to the U.S. dollar. Some emerging markets currencies may not be internationally traded or may be subject to strict controls by local governments, resulting in undervalued or overvalued currencies. Some emerging markets countries have experienced deficits and shortages in foreign exchange reserves. Governments have responded by restricting currency conversions, foreign investments or the repatriation of foreign investments. Future restrictive exchange controls could prevent or restrict the ability of an issuer in such markets to make dividend or interest payments in the original currency of the obligation. In addition, even though the currencies of some emerging market countries may be converted into U.S. dollars, the conversion rates may not reflect their market values.

The U.S. dollar value of a Fund’s investments and of dividends and interest earned by the Funds may be significantly affected by changes in currency exchange rates. The value of a Fund’s assets denominated in foreign currencies will increase or decrease in response to fluctuations in the value of those foreign currencies relative to the U.S. dollar. For example, if a Fund increases its exposure to a currency and that currency’s price subsequently falls, such currency management may result in increased losses to that Fund. Similarly, if a Fund decreases its exposure to a currency and the currency’s price rises, that Fund will lose the opportunity to participate in the currency’s appreciation. Some currency prices may be volatile, and there is the possibility of government controls on currency exchange or government intervention in currency markets, which could adversely affect the Funds. Foreign investments, which are not U.S. dollar-denominated, may require a Fund to convert assets into foreign currencies or to convert assets and income from foreign currencies to U.S. dollars. Normally, exchange transactions will be conducted on a spot, cash or forward basis at the prevailing rate in the foreign exchange market.

Dividends and interest received by the Funds with respect to foreign securities may give rise to withholding and other taxes imposed by foreign countries. Tax treaties between certain countries and the U.S. may reduce or eliminate such taxes. In addition, many foreign countries do not impose taxes on capital gains with respect to investments by non-resident investors.

The Funds may invest in convertible debt securities, which may be denominated in U.S. dollars, local or other currencies. The value of convertible securities varies with a number of factors including the value and volatility of the underlying stock, the level and volatility of interest rates, the passage of time, dividend policy and other variables. Investing in a convertible security denominated in a currency different from that of the security into which it is convertible may expose a Fund to currency risk as well as risks associated with the level and volatility of the foreign exchange rate between the security’s currency and the underlying stock’s currency.

### *Risks of Fixed-Income Securities*

All fixed-income securities are subject to three primary types of risks: credit risk, currency risk and interest rate risk. The credit risk relates to the ability and willingness of the issuer to meet interest or principal payments or both as they come due. The currency risk results from fluctuations in the currency denomination of a bond in relation to other currencies. The interest rate risk refers to the fluctuations in the net asset value (“NAV”) of any portfolio of fixed-income securities resulting from the inverse relationship between price and yield of fixed-income securities; that is, when the general level of interest rates rises, the prices of outstanding fixed-income securities decline, and when interest rates fall, prices rise.

If the currency in which a security is denominated appreciates against the U.S. dollar, the dollar value of the security will increase. Conversely, a rise in interest rates or a decline in the exchange rate of the currency would adversely affect the value of the security expressed in dollars. Fixed-income securities denominated in currencies other than the U.S. dollar or in multinational currency units are evaluated on the strength of the particular currency against the U.S. dollar as well as on the current and expected levels of interest rates in the country or countries.

In an international bond portfolio, the interest rate risk of a security is primarily linked to the interest rates of the currency of denomination of the security. For instance, U.S. dollar-denominated bonds of Asian companies would be primarily exposed to U.S. interest rate risk, rather than the interest rates of the home country of that company.

Analogously, local currency bonds of Asian companies would be primarily exposed to the interest rates of the country of the currency of denomination of the security, so an Indonesian rupiah-denominated bond, for instance, would be most sensitive to the interest rates of Indonesia.

### *Risks of Securities Rated Below Investment Grade*

In this SAI, references are made to credit ratings of debt securities, which measure an issuer’s expected ability to pay principal and interest over time. Credit ratings are determined by rating organizations, such as Moody’s Investors Services, Inc. (“Moody’s”), S&P Global (“S&P”) or Fitch Ratings, Inc. (“Fitch”). The following terms are generally used to describe the credit quality of debt securities depending on the security’s credit rating or, if unrated, credit quality as determined by Matthews:

- High quality
- Investment grade
- Below investment grade (“high yield securities” or “junk bonds”)

For a further description of credit ratings, see “Appendix: Bond Ratings.” As noted in the Appendix, Moody’s, S&P and Fitch may modify their ratings of securities to show relative standing within a rating category, with the addition of numerical modifiers (1, 2 or 3) in the case of Moody’s, and with the addition of a plus (+) or minus (-) sign in the case of S&P or Fitch. A Fund may purchase a security, regardless of any rating modification, provided the security is rated at or above the Fund’s minimum rating category. For example, a Fund may purchase a security rated B3 by Moody’s, B- by S&P, or B- by Fitch, provided the Fund may purchase securities rated B.

Each Fund (except the Matthews Asian Growth and Income Fund, the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund) limits its investments in securities rated below investment grade (securities rated lower than BBB by S&P or Fitch, Baa or below by Moody’s or, if unrated, are of comparable quality in the judgment of Matthews) to no more than 15% of its total assets. Securities rated lower than BBB by S&P or Fitch, or Baa by Moody’s are considered to have speculative characteristics. Debt securities rated below investment grade, commonly referred to as “junk bonds,” are considered to be of poor standing and have speculative characteristics that result in a greater risk of loss of principal and interest. There can be no assurance that the Funds would be protected from widespread bond defaults brought about by a sustained economic downturn or other market and interest rate changes.

The value of lower-rated debt securities will be influenced not only by changing interest rates, but also by the bond market’s perception of credit quality and the outlook for economic growth. When economic conditions appear to be deteriorating, low and medium-rated bonds may decline in market value due to investors’ heightened concern over credit quality, regardless of prevailing interest rates. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity (liquidity refers to the ease or difficulty which a Fund could sell a security at its perceived value) of lower-rated securities held by a Fund, especially in a thinly-traded foreign market.

To the extent that an established secondary market does not exist and a particular lower-rated debt security is thinly-traded, that security's fair value may be difficult to determine because of the absence of reliable objective data. As a result, a Fund's valuation of the security and the price it could obtain upon its disposition could differ.

The credit ratings of S&P, Fitch and Moody's are evaluations of the safety of principal and interest payments, not market value risk, of lower-rated securities. Credit rating agencies may fail to change timely the credit ratings to reflect subsequent events. Therefore, in addition to using recognized rating agencies and other sources, Matthews may perform its own analysis of issuers. Matthews' analysis of issuers may be based on various factors, including, without limitation, historic and current financial conditions and current and anticipated cash flows. Such analysis is used by Matthews only for purposes of making an investment decision for the Funds, and Matthews makes no representation or guarantee as to the credit quality of a security in performing such analysis.

*PARTICIPATION ON CREDITOR COMMITTEES:* The Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund may invest in debt that is subject to defaults and workouts. Representatives of the Matthews Asia Total Return Bond Fund, Matthews Asia Credit Opportunities Fund or Matthews may from time to time participate on committees formed by creditors to negotiate with the management of financially troubled issuers of securities held by the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund. Such participation may subject the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund to expenses such as legal fees and may make the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund an "insider" of the issuer for purposes of the federal securities laws, and therefore may restrict the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's ability to trade in or acquire additional positions in a particular security when it might otherwise desire to do so. Participation by the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund on such committees also may expose the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund to potential liabilities under the federal bankruptcy laws or other laws governing the rights of creditors and debtors. The Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund will participate on such committees only when Matthews believes that such participation is necessary or desirable to enforce the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's rights as a creditor or to protect the value of securities held by the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund.

#### *Risks of Asset-Backed Securities*

The Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund may invest in securities issued by trusts and special purpose corporations with principal and interest payouts backed by, or supported by, any of various types of assets. These assets typically include receivables related to the purchase of automobiles, credit card loans, and home equity loans. These securities generally take the form of a structured type of security, including pass-through, pay-through, and stripped interest payout structures similar to the collateralized mortgage obligation ("CMO") structure. Investments in these and other types of asset-backed securities must be consistent with the investment objectives and policies of the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund.

Asset-backed securities differ from conventional debt securities because principal is paid back periodically over the life of the security rather than at maturity. The overall credit quality of a securitized instrument depends primarily on the quality of the pools' underlying assets. Similarly, the risk of default on an asset-backed security depends on the aggregate performance of the pool, not on any individual borrower's ability or willingness to re-pay a loan. The market for asset-backed securities in most Asian countries is relatively new. Accordingly, historical information regarding pre-payment rates, default rates, and the performance of these securities generally may be unavailable or insufficient to assess credit quality and the other risks discussed in this section. Furthermore, while some asset-backed securities may be rated by an independent rating agency, such ratings may not provide sufficient or accurate information about the ultimate performance of asset-backed securities.

The degree of seniority and subordination of the particular asset-backed security will also impact its performance and market value.

The principal on asset-backed securities may be prepaid at any time. When interest rates fall, the rate of prepayments tends to increase. Prepayments could reduce yield and market value of a security, and reduce the average maturity of, and the value of an investment in, the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund. Conversely, when interest rates rise, prepayments typically decrease. When pools of assets (*i.e.*, asset-backed securities) are pre-paid at a slower rate than expected, the average maturity of the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's portfolio may increase. This effect is referred to as "extension risk." When pre-payments decelerate, the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund may be unable to sell asset-backed securities (or be forced to sell them at reduced market values), rendering the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund unable to capitalize on asset-backed (or other) securities paying higher interest rates. Extension risk tends to make the market price of asset-backed securities, and other callable debt securities more volatile. Extension risk is primarily associated with mortgage-backed securities, but may affect all asset-backed securities.

Asset-backed securities involve certain risks, resulting mainly from the fact that asset-backed securities do not usually contain the complete benefit of a security interest in the related collateral. For example, credit card receivables generally are unsecured and the debtors are entitled to the protection of a number of state and federal consumer credit laws, some of which may reduce the ability to obtain full payment. In the case of automobile receivables, due to various legal and economic factors, proceeds from repossessed collateral may not always be sufficient to support payments on these securities.

The markets for asset-backed securities in Asia are relatively new. These markets may lack transparency, efficient price mechanisms and secondary market liquidity. The value of the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund assets may be adversely affected by changes in legal and regulatory standards and inadequate investor protection (including insufficient recognition of the rights of beneficial owners). Accounting and disclosure standards applied to asset-backed securities may provide less transparency and disclosure than would be available for such instruments in more developed markets. Asian asset-backed securities markets may be thinly traded and provide less liquidity, especially in at times of economic or financial stress.

#### *Risks of Pledged Shares*

In certain markets such as, but not limited to, India and mainland China, the practice of issuers and large shareholders pledging their shares to banks as collateral to borrow capital may be common market practice. The level of transparency as to the amount of pledged shares differs among those markets, but generally is lacking to one degree or another, making it difficult or impossible to determine precisely, at any given time, the amount of an issuer's shares or aggregate capitalization in a particular market that may be pledged. The prevalence of share pledging for a particular issuer or market may engender risk to that issuer specifically or market generally. For example, a decline in an issuer's share price, which reduces the value of the pledged shares, may cause the lender to sell the pledged shares, sometimes in large quantities in a short amount of time, to recoup loans if the borrower is unable to provide additional collateral, which could exacerbate the decline in the issuer's share price. Similarly, the prevalence of share pledging in a market could exacerbate any general decline in that market as lenders sell pledged shares to recoup loans. In either of these cases, a Fund that invests in a particular issuer or a market in which share pledging is prevalent could suffer greater losses than otherwise due to the knock-on effect of the practice of share pledging.

#### *Cyber Security Risks*

Information and technology systems relied upon by the Funds, Matthews, the Funds' service providers (including, but not limited to, Fund accountants, custodians, transfer agents, administrators, distributors and other financial intermediaries) and/or the issuers of securities in which the Funds invest may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, security breaches, usage errors, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Matthews has implemented measures to manage risks relating to these types of events, systems failures may still occur from time to time. The failure of these systems and/or of disaster recovery plans could cause significant interruptions in the operations of the Funds, Matthews, the Funds' service providers and/or issuers of securities in which the Funds invest and may result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could also harm the reputation of a Fund, Matthews, the Funds' service providers and/or issuers of securities in which a Fund invests, subject such entities and their respective affiliates to legal claims or otherwise affect their business and financial performance.

### *Risks of Investing in Foreign Countries*

The Matthews Asia Value Fund, Matthews Asian Growth and Income Fund, Matthews Asia Dividend Fund, Matthews Asia Growth Fund, Matthews Pacific Tiger Fund, Matthews Asia ESG Fund, Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund, Matthews Asia Innovators Fund, Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund may invest in companies from different countries. In addition, each of these Funds may invest up to 20% of its total assets in companies and other issuers located outside of Asia or the Asia Pacific region. The Matthews Emerging Markets Equity Fund may invest in different countries and may invest up to 20% of its total assets in companies located outside of emerging countries and markets. The Matthews India Fund, Matthews Japan Fund and Matthews Korea Fund may each invest up to 20% of its total assets in securities located outside of India, Japan and South Korea, respectively; the Matthews China Fund, Matthews China Dividend Fund and Matthews China Small Companies Fund may each invest up to 20% of its total assets in securities located outside of China. The Matthews Asia Total Return Bond Fund may invest up to 50% of its total assets in securities of issuers from a single country, and up to 25% of its total assets in the securities issued by one Asian government. The Matthews Asia Credit Opportunities Fund may invest 25% or more of its total assets in securities of issuers from a single country, and up to 25% of its total assets in the securities issued by one Asian government. Such investments by the Funds may be in the securities of companies from any country, including, without limitation, the United States. Each country's size, level of economic development, and economic and political stability will have an impact on the value of those companies.

The Matthews India Fund, Matthews Japan Fund and Matthews Korea Fund concentrate their investments, respectively, in securities of Indian, Japanese or South Korean companies; and the Matthews China Fund, Matthews China Dividend Fund and Matthews China Small Companies Fund concentrate their investments in securities of Chinese companies. Consequently, the share price of each of these Funds may be more volatile, and more affected by political, economic and other events in the country in which they invest than that of mutual funds that are not as geographically concentrated. An investment in any of these Funds should not be considered a complete investment program, but may be used to help diversify a portfolio. Information regarding the risks associated with investing in China (including Hong Kong) and Taiwan, India, Japan and South Korea is included in the Prospectus and is set forth below.

### *Risks Associated with China*

The Funds may hold securities listed on the Shanghai Stock Exchange ("SSE") or Shenzhen Stock Exchange ("SZSE"). Securities listed on these exchanges are divided into two classes: A shares, which are mostly limited to domestic investors ("China A Shares," as described further below under "Risks Associated with Investing In China A Shares"), and B shares, which are allocated for both international and domestic investors ("China B Shares"). Currently, the Funds' exposure to securities listed on either the SSE or SZSE is largely through the B shares. However, the Funds may hold smaller amounts of China A shares through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs (each a "Stock Connect" and together the "Stock Connects") or through Matthews' Qualified Foreign Institutional Investor ("QFII") Quota.

The Stock Connects and Matthews' QFII Quota are described in more detail under "Risks Associated With Investing In China A Shares," below. In addition to these China A shares and China B shares, the Funds may also invest in Hong Kong listed H shares, Hong Kong listed Red Chips (which are companies incorporated in certain foreign jurisdictions, owned by national or local governments in China and deriving substantial revenues in China, but listed in Hong Kong), P Chips (which are companies incorporated in certain foreign jurisdictions, controlled by individuals in China and deriving substantial revenues in China, but listed in Hong Kong) and companies with a significant amount of their revenues derived from business conducted in China (regardless of the exchange on which the security is listed or the country in which the company is based).

Some Funds may invest in onshore China bonds via a QFII license awarded to Matthews or through a China Interbank Bond Market ("CIBM") registration. CIBM is an over-the-counter ("OTC") market outside the two main stock exchanges in the People's Republic of China ("PRC"), Shanghai Stock Exchange and Shenzhen Stock Exchange, and was established in 1997. On CIBM, institutional investors (including domestic institutional investors but also QFIIs, Renminbi QFIIs as well as other offshore institutional investors, subject to authorization) trade certain debt instruments on a one-to-one quote-driven basis. CIBM accounts for a vast majority of outstanding bond values of total trading volume in the PRC. The main debt instruments traded on CIBM include government bonds, financial bonds, corporate bonds, bond repo, bond lending, and People's Bank of China ("PBOC") bills.



Investors should be aware that trading on CIBM exposes the applicable Fund to increased risks. CIBM is still in its development stage, and the market capitalization and trading volume may be lower than those of more developed markets. Market volatility and potential lack of liquidity due to low trading volume of certain debt securities may result in the prices of debt securities traded on such market to fluctuate significantly. Funds investing in such a market therefore may incur significant trading, settlement and realization costs, and may face counterparty default risk, liquidity and volatility risks, resulting in significant losses for the Funds and their investors. Further, since a large portion of CIBM consists of Chinese state-owned entities, the policy priorities of the Chinese government, the strategic importance of the industry, and the strength of a company's ties to the local, provincial, or central government may and will affect the pricing of such securities.

In addition to the risks of investing in securities of Chinese issuers described in the Prospectus, it is important to understand that significant portions of the Chinese securities markets may become rapidly illiquid, as the Chinese regulatory authorities and Chinese issuers have the ability to suspend the trading of equity securities, and have shown a willingness to exercise that option in response to market volatility and other events. The liquidity of Chinese securities may shrink or disappear suddenly and without warning as a result of adverse economic, market or political events, or adverse investor perceptions, whether or not accurate. The liquidity of a suspended security may be significantly impaired, and may be more difficult to value accurately. Illiquidity of a Fund's holdings may limit the ability of the Fund to obtain cash to meet redemptions on a timely basis.

#### *Risks Associated with Taiwan*

The political reunification of China and Taiwan, over which China continues to claim sovereignty, is a highly complex issue and is unlikely to be settled in the near future. Continuing hostility between China and Taiwan may have an adverse impact on the values of a Fund's investments in both China and Taiwan, or make investment in China and Taiwan impracticable or impossible. Any escalation of hostility between China and Taiwan would likely distort Taiwan's capital accounts, as well as have a significant adverse impact on the value of a Fund's investments in both countries, and in other countries in the region.

Taiwan has in the past shown an ability to prosper in a competitive environment on the strength of product quality, efficiency and responsiveness to market demand. This ability will continue to be tested in the future as, in addition to certain protectionist threats, Taiwan's export economy faces competition from producers in other countries with lower wage levels than those generally prevailing in Taiwan. Skilled workers and technical personnel are still relatively inexpensive in Taiwan, but unskilled labor is increasingly in short supply. Recognizing the imperatives of the more competitive Asian economy, the Taiwanese government is seeking to develop Taiwan into a regional hub for high-end manufacturing, sea and air transportation, finance, telecommunications and media. Taiwan is seeking to develop further as a service-oriented economy rather than a labor-intensive, manufacturing-oriented one. One result of the movement of industrial capacity offshore has been the reduction of the labor shortage in manufacturing.

#### *Risks Associated with India*

The Indian government has exercised, and continues to exercise, significant influence over many aspects of the Indian economy. Foreign investment in the securities of issuers in India is usually restricted or controlled to some degree. In addition, the availability of financial instruments with exposure to Indian financial markets may be substantially limited by restrictions on foreign investors. In India, only certain foreign entities are permitted to invest in exchange-traded securities, subject to the conditions specified in Indian guidelines and regulations. The Trust was initially required to register with the Securities and Exchange Board of India ("SEBI") and the Reserve Bank of India as a Foreign Institutional Investor ("FII") to receive permission to trade in Indian securities. In 2014, SEBI issued new Foreign Portfolio Investor ("FPI") regulations (the "Guidelines"), replacing the regulations relating to FII investment. As with the prior FII regulations, the Guidelines require SEBI to review the professional experience and reputation of the FPI, and custodian arrangements for Indian securities. Although the Trust has transitioned its status as a registered FII to a registered FPI, it

must still seek renewal of this status periodically. There can be no guarantee that regulatory approval will be granted to continue the Trust's FPI status. FPIs are required to observe certain investment restrictions, including limiting the aggregate ownership of any one company by an FPI and its investors to less than 10% of the company's total issued share capital. In addition, the shareholdings of all registered FPIs may not exceed 24% of the issued share capital of most companies. It is possible that this restriction could be raised or potentially lifted, subject to that company's approval. Under normal circumstances, income, gains and initial capital with respect to such investments are freely repatriable, subject to payment or withholding of applicable Indian taxes. Please see "Other Foreign Tax Issues." There can be no assurance that these investment control regimes will not change in a way that makes it more difficult or impossible for the Funds to reach their investment objectives or repatriate their income, gains and initial capital from India.

A high proportion of the shares of many Indian issuers are held by a limited number of persons or entities, which may limit the number of shares available for investment by a Fund. In addition, further issuances (or the perception that such issuances may occur) of securities by Indian issuers in which a Fund has invested could dilute the earnings per share of that Fund's investment and could adversely affect the market price of such securities. Sales of securities by such issuer's major shareholders, or the perception that such sales may occur, may also significantly and adversely affect the market price of such securities and, in turn, a Fund's investment. A limited number of issuers represent a disproportionately large percentage of market capitalization and trading value. The limited liquidity of the Indian securities markets may also affect a Fund's ability to acquire or dispose of securities at the price and time that it desires.

Certain sectors, such as telecommunications or banking, have restrictions that limit foreign investment above a specified percentage (or require regulatory approval to exceed that percentage). In addition, Indian takeover regulations contain certain provisions that may delay, deter, or prevent a future takeover or change in control of Indian companies. Those regulations may discourage or prevent a third-party from acquiring control of an Indian company, even if a change in control would result in the purchase of equity shares of such company at a premium to the market price or would otherwise be beneficial to a Fund. Certain reports also are required to be made upon reaching the specified levels under the Indian takeover regulations. Because FPIs are required to report the acquisition or divestment of shares of Indian companies with Indian regulators upon crossing certain thresholds, a Fund may be required to submit reports in accordance with applicable laws.

The ability of the Funds to invest in Indian securities, exchange Indian rupees into U.S. dollars and repatriate investment income, capital and proceeds of sales realized from their investments in Indian securities is subject to the Indian Foreign Exchange Management Act, 1999, and the rules, regulations and notifications issued thereunder. There can be no assurance that the Indian government in the future, whether for purposes of managing its balance of payments or for other reasons, will not impose restrictions on foreign capital remittances abroad or otherwise modify the exchange control regime applicable to foreign institutional investors in such a way that may adversely affect the ability of the Funds to repatriate their income and capital. Such conditions or modifications may prompt the Board of Trustees of the Trust (the "Board of Trustees" or the "Board") to suspend redemptions of a Fund's shares for up to the period allowed by the 1940 Act, which is seven days, except in certain limited circumstances. If for any reason a Fund is unable, through borrowing or otherwise, to distribute an amount equal to substantially all of its investment company taxable income (as defined for U.S. tax purposes, without regard to the deduction for dividends paid) within the applicable time periods, a Fund would cease to qualify for the favorable tax treatment afforded to regulated investment companies under the Code.

Religious and border disputes persist in India. Moreover, India has from time to time experienced civil unrest and hostilities with neighboring countries such as Pakistan. Both India and Pakistan have tested nuclear arms, and the threat of deployment of such weapons could hinder development of the Indian economy. Escalating tensions between India and Pakistan could impact the broader region. The Indian government has confronted separatist movements in several Indian states. The longstanding dispute with Pakistan over the bordering Indian state of Jammu and Kashmir, a majority of whose population is Muslim, remains unresolved. Recent attacks by terrorists believed to be based in Pakistan against India have further damaged relations between the two countries. If the Indian government is unable to control the violence and disruption associated with these tensions, the results could destabilize the economy and, consequently, adversely affect a Fund's investments.

### *Risks Associated with Japan*

The Japanese economy has only recently emerged from a prolonged economic downturn. Since the year 2000, Japan's economic growth rate has remained relatively low. The economy is characterized by an aging demographic, declining population, large government debt and highly regulated labor market. Economic growth is dependent on domestic consumption, deregulation and consistent government policy. International trade, particularly with the U.S., also impacts growth and adverse economic conditions in the U.S. or other such trade partners may affect Japan. Japan also has a growing economic relationship with China and other Southeast Asian countries, and thus Japan's economy may also be affected by economic, political or social instability in those countries (whether resulting from local or global events).

### *Risks Associated with South Korea*

The South Korean government has historically imposed significant restrictions and controls on foreign investors. As a result, the Funds may be limited in their investments or precluded from investing in certain South Korean companies, which may adversely affect the performance of the Funds. Under current regulations, foreign investors are allowed to invest in almost all shares listed on the South Korean Stock Exchange ("KSE"). From time to time, many of the securities trade among non-South Korean residents at a premium over the market price. Foreign investors may effect transactions with other foreign investors off the KSE in the shares of companies that have reached the maximum aggregate foreign ownership limit through a securities company in South Korea. These transactions typically occur at a premium over prices on the KSE. There can be no assurance that the Funds, if they purchase such shares at a premium, will be able to realize such premiums on the sale of such shares or that such premium will not be reduced or eliminated by changes in regulations or otherwise. Such securities will be valued at fair value as determined in good faith by a Valuation Committee under the supervision of the Board of Trustees (as described on page 83).

Investments by the Funds in the securities of South Korean issuers may involve investment risks different from those of U.S. issuers, including possible political, economic or social instability in South Korea, and changes in South Korean law or regulations. In addition, there is the possibility of the imposition of currency-exchange controls, foreign withholding tax on the interest income payable on such instruments, foreign controls, seizure or nationalization of foreign deposits or assets, or the adoption of other foreign government restrictions that might adversely affect the South Korean securities held by the Funds. Political instability and/or military conflict involving North Korea may adversely affect the value of the Funds' assets. Foreign securities may also be subject to greater fluctuations in price than securities of domestic corporations or the U.S. government. There may be less publicly available information about a South Korean company than about a U.S. company. Brokers in South Korea may not be as well capitalized as those in the U.S., so that they may be more susceptible to financial failure in times of market, political or economic stress. Additionally, South Korean accounting, auditing and financial reporting standards and requirements differ, in some cases significantly, from those applicable to U.S. issuers. In particular, the assets and profits appearing on the financial statements of a South Korean issuer may not reflect its financial position or results of operations in accordance with U.S. generally accepted accounting principles. There is a possibility of expropriation, nationalization, confiscatory taxation or diplomatic developments that could adversely affect investments in South Korea.

The Funds do not intend to engage in activities that they believe would create a permanent establishment in South Korea within the meaning of the South Korea-U.S. Tax Treaty. Therefore, the Funds generally should not be subject to any South Korean income taxes other than South Korean withholding taxes. Exemption or reductions in these taxes apply if the South Korea-U.S. Tax Treaty applies to the Funds. If the treaty provisions are not, or cease to be, applicable to the Funds, significant additional withholding or other taxes could apply, reducing the NAVs of the Funds.

### *Risks Associated with Other Countries*

The Funds may invest, and the Matthews Emerging Asia Fund will invest, a substantial portion of its total net assets, in various other countries in the Asia Pacific region, including Australia, Bangladesh, Cambodia, Indonesia, Kazakhstan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, and Vietnam. The Matthews Emerging Markets Equity Fund will invest a substantial portion of its total net assets in various emerging countries and markets outside the Asia Pacific region, such as Brazil, Russia, and Mexico. Information regarding the risks associated with investing in some of these countries is included in the Prospectus, and additional information regarding the risks of investing in some of these countries is set forth below.

**Vietnam.** In 1992, Vietnam initiated the process of privatization of state-owned enterprises, and expanded that process in 1996. The Vietnamese government has exercised and continues to exercise significant influence over many aspects of the economy. Accordingly, government and bureaucratic actions have a significant effect on the economy and could adversely affect market conditions, deter economic growth and the profitability of private enterprises. Some Vietnamese industries, including commercial banking, remain dominated by state-owned enterprises. To date, economic, political and legal reform has proceeded at a slow pace, and foreign direct investment remains at a developmental stage. Currently, employees and management boards hold a majority of the equity of most privatized enterprises. In addition, the government of Vietnam continues to hold, on average, more than one-third of the equity in such firms. Only a small percentage of the shares of privatized companies are held by investors. In addition, Vietnam continues to impose limitations on foreign ownership of Vietnamese companies. Vietnamese authorities have in the past imposed arbitrary repatriation taxes on foreign owners, and the government may levy withholding and other taxes on dividends, interest and gains. Despite rapid growth in economic activity over the past decade and longer, there can be no guarantee that Vietnam's privatization process, or its efforts to reform its economic, political or legal systems will continue.

Inflation threatens long-term economic growth and may deter foreign investment in the country. In addition, foreign currency reserves in Vietnam may not be sufficient to support conversion into the U.S. dollar (or other more liquid currencies), which may result in a fund being unable to repatriate proceeds from the sales of Vietnamese holdings. Business and overseas investment patterns may exacerbate currency conversion and repatriation at certain times of the year. The Funds may attempt to repatriate from the Vietnamese Dong using a third currency (*e.g.*, Hong Kong Dollar or Euro), which could expose the Funds to risks associated with that currency and additional costs. Perhaps to a greater extent than markets in other emerging market countries, Vietnamese markets have relatively low levels of liquidity, which may result in extreme volatility in the prices of Vietnamese securities. Market volatility may also be heightened by the actions of a small number of investors.

**Pakistan.** Changes in the value of investments in Pakistan and in companies with significant economic ties to that country largely depend on continued economic growth and reform in Pakistan, which remains uncertain and subject to a variety of risks. Adverse developments can result in substantial declines in the value of investments. Pakistan has faced, and continues to face, high levels of political instability and social unrest at both the regional and national levels. Such instability has and may erupt again into wide-scale disorder. Social and political instability may also result in increased levels of terrorism, prolonged economic disruption and may discourage foreign investment.

Ongoing border disputes with India may result in armed conflict between the two nations, both of which possess nuclear capabilities. Even in the absence of armed conflict, the lingering threat of war with India may depress economic growth and investment in Pakistan. Additionally, Pakistan's geographic location and its shared borders with Afghanistan and Iran increase the risk that it will be involved in, or otherwise affected by, international conflict. Pakistan's economic growth is in part attributable to high levels of foreign aid, loans and debt forgiveness. Such international support, however, may be significantly reduced or terminated in response to changes in the political leadership of Pakistan.

Pakistan faces a wide range of other economic problems and risks. Pakistan has undertaken a privatization initiative, but with continued opposition to such efforts, there is substantial uncertainty over whether privatization will continue and whether existing efforts will be reversed. Pakistan is subject to substantial natural resource constraints, which both hamper development and make Pakistan's economy vulnerable to price fluctuations in these resources. Pakistan maintains large budgetary and current account deficits. The resulting high levels of national debt may not be sustainable. Pakistan also maintains a trade deficit, which could be worsened if relations with the United States, the largest market for Pakistani exports, deteriorate. The rights of investors and other property owners in Pakistan are subject to protection by a developing judicial system that is widely perceived as lacking transparency. Inflation threatens long-term economic growth and may deter foreign investment in the country. Government leaders have previously adopted policies that increased legal and economic uncertainty and inhibited foreign investment and may do so in the future.

**Kazakhstan.** Kazakhstan is an ethnically diverse republic with authoritarian presidential rule located in a strategic position between Asia and Europe. Kazakhstan has a resource-based economy heavily dependent on the export of natural resources, and accordingly, fluctuations in certain commodity markets or sustained low prices for Kazakh exports could adversely affect Kazakhstan's economy.

Additionally, rising commodities prices create inflationary pressures from strong currency inflows. Kazakhstan has pursued economic reform and liberalization of many economic areas, but there is no guarantee that the government will not become directly involved in aspects of the economy in the future. The banking system is a significant weak point in the Kazakh economy because the solvency of banks is at risk from a high proportion of non-performing loans.

**Brazil.** Brazilian issuers are subject to possible regulatory and economic interventions by the Brazilian government, including the imposition of wage and price controls and the limitation of imports. In addition, the market for Brazilian securities is directly influenced by the flow of international capital and economic and market conditions of certain countries, especially other emerging market countries in Central and South America. The Brazilian economy historically has been exposed to high rates of inflation and a high level of debt, each of which may reduce and/or prevent economic growth. Brazil also has suffered from chronic structural public sector deficits. Such challenges have contributed to a high degree of price volatility in both the Brazilian equity and foreign currency markets. A rising unemployment rate could also have the same effect.

**Mexico.** The Mexican economy is dependent upon external trade with other economies, specifically with the United States and certain Latin American countries. As a result, Mexico is dependent on the U.S. economy, and any change in the price or demand for Mexican exports may have an adverse impact on the Mexican economy. Recently, Mexico has experienced an outbreak of violence related to drug trafficking. Incidents involving Mexico's security may have an adverse effect on the Mexican economy and cause uncertainty in its financial markets. In the past, Mexico has experienced high interest rates, economic volatility, and high unemployment rates. In addition, one political party dominated its government until the elections of 2000, when political reforms were put into place to improve the transparency of the electoral process. Since then, competition among political parties has increased, resulting in elections that have been contentious, and this continued trend could lead to greater market volatility.

**Russia.** Russia has been undergoing market-oriented reforms including a movement from centrally controlled ownership to privatization and may experience unfavorable political developments, social instability, and/or significant changes in government policies. For example, military and political actions undertaken by Russia have prompted the United States and the regulatory bodies of certain other countries, as well as the EU, to impose economic sanctions on certain Russian individuals and Russian companies. These sanctions can consist of prohibiting certain securities trades, certain private transactions in the energy sector, asset freezes and prohibition of all business, against certain Russian individuals and Russian companies. These sanctions and the continued disruption of the Russian economy may result in the devaluation of the Russian currency and a decline in the value and liquidity of Russian securities and may have other negative impacts on Russia's economy, which could have a negative impact on a Fund's investment performance and liquidity. Retaliatory actions by the Russian government could involve the seizure of U.S. residents', such as a Fund's, assets and could further impair the value and liquidity of Russian securities. In addition, a Fund's ownership in securities could be lost through fraud or negligence because ownership in shares of Russian companies is recorded by the companies themselves and by registrars, rather than by a central registration system. A Fund may not be able to pursue claims on behalf of its shareholders because Russian banking institutions and registrars are not guaranteed by the Russian government.

### **Additional Investment Strategies**

Except as otherwise stated, the following strategies and specific types of investments are not the principal investment strategies of the Funds, but are reserved by Matthews for its use in the event that Matthews deems it appropriate to do so to achieve the Funds' fundamental investment objectives.

#### *1. Loans of Portfolio Securities*

The Funds may lend portfolio securities to broker-dealers and financial institutions. In return, the broker-dealers and financial institutions pay the Funds money to borrow these securities. The Funds may lend portfolio securities, provided that: (1) the loan is secured continuously by collateral marked-to-market daily and maintained in an amount at least equal to the current market value of the securities loaned; (2) a Fund may call the loan at any time and receive the securities loaned; (3) a Fund will receive any interest or dividends paid on the loaned securities; and (4) the aggregate market value of securities loaned by a Fund will not at any time exceed 33% of the total assets of that Fund.

Collateral will consist of U.S. government securities, cash equivalents or irrevocable letters of credit. Loans of securities involve a risk that the borrower may fail to return the securities or may fail to maintain the proper amount of collateral. Therefore, the Fund will only enter into portfolio loans after a review by Matthews, under the supervision of the Board of Trustees, including a review of the creditworthiness of the borrower. Such reviews will be monitored on an ongoing basis.

For the duration of the loan, a Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities loaned and will receive proceeds from the investment of the collateral. As with other extensions of credit, there are risks of delay in recovery or even losses of rights in the securities loaned should the borrower of the securities fail financially. However, the loans will be made only to borrowers deemed by Matthews to be creditworthy, and when, in the judgment of Matthews, the income which can be earned currently from such loans justifies the attendant risk. Additionally, for the duration of the loan, a Fund will not have the right to vote on securities while they are being lent, but will generally call a loan in anticipation of any important vote, as determined by Matthews.

Such loans of securities are collateralized with collateral assets in an amount at least equal to the current value of the loaned securities, plus accrued interest. There is a risk of delay in receiving collateral or recovering the securities loaned or even a loss of rights in the collateral should the borrower fail financially.

## *2. Repurchase Agreements*

The Funds may enter into repurchase agreements to earn income. The Funds may also enter into repurchase agreements with financial institutions that are deemed to be creditworthy by Matthews, pursuant to guidelines established by the Board of Trustees. The repurchase price under the agreements equals the price paid by a Fund plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement). Repurchase agreements may be considered to be collateralized loans by the Funds under the 1940 Act.

Any collateral will be marked-to-market daily. If the seller of the underlying security under the repurchase agreement should default on its obligation to repurchase the underlying security, a Fund may experience delay or difficulty in exercising its right to realize upon the security and, in addition, may incur a loss if the value of the security should decline, as well as disposition costs in liquidating the security. A Fund will not invest more than 15% of its net assets in repurchase agreements maturing in more than seven days. The Funds must treat each counterparty to a repurchase agreement as an issuer of a security for tax diversification purposes and not treat the agreement as cash, a cash equivalent or receivable.

The financial institutions with which the Matthews Asia Funds may enter into repurchase agreements are banks and non-bank dealers of U.S. government securities that are listed on the Federal Reserve Bank of New York's list of reporting dealers and banks, if such banks and non-bank dealers are deemed creditworthy by Matthews. Matthews will continue to monitor the creditworthiness of the seller under a repurchase agreement, and will require the seller to maintain during the term of the agreement the value of the securities subject to the agreement at not less than the repurchase price. Funds will only enter into a repurchase agreement where the market value of the underlying security, including interest accrued, will be at all times equal to or exceed the value of the repurchase agreement.

The Funds may invest in repurchase agreements with foreign parties, or in a repurchase agreement based on securities denominated in foreign currencies. Legal structures in foreign countries, including bankruptcy laws, may offer less protection to investors such as the Funds, and foreign repurchase agreements generally involve greater risks than a repurchase agreement in the United States.

### *3. Reverse Repurchase Agreements*

A Fund may enter into reverse repurchase agreements to raise cash on a short-term basis. Reverse repurchase agreements involve the sale of securities held by a Fund pursuant to its agreement to repurchase the securities at an agreed upon price, date and rate of interest. The repurchase price under the agreements equals the price paid by a counterparty plus interest negotiated on the basis of current short-term rates (which may be more or less than the rate on the securities underlying the repurchase agreement). Such agreements are considered to be borrowings under the 1940 Act, and may be entered into only for temporary or emergency purposes. While reverse repurchase transactions are outstanding, each Fund will maintain in a segregated account an amount of cash, U.S. government securities or other liquid, high-grade debt securities at least equal to the market value of the securities, plus accrued interest, subject to the agreement. Reverse repurchase agreements involve the risk that the market value of the securities sold by the Funds may decline below the price of the securities a Fund is obligated to repurchase.

### *4. Securities of Other Investment Companies*

The Funds may invest in the securities of other investment companies and currently intend to limit their investments in securities issued by other investment companies so that, as determined immediately after a purchase of such securities is made: (i) not more than 5% of the value of any of the individual Fund's total assets will be invested in the securities of any one investment company; (ii) not more than 10% of a Fund's total assets will be invested in the aggregate in securities of investment companies as a group; and (iii) not more than 3% of the outstanding voting stock of any one investment company will be owned by the respective Fund.

As a shareholder of another investment company, a Fund would bear along with other shareholders, its pro rata portion of the investment company's expenses, including advisory fees. These expenses would be in addition to the advisory and other expenses that the Funds bear directly in connection with their own operations.

### *5. Illiquid Investments*

Illiquid investments are investments that a Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. In October 2016, the U.S. Securities and Exchange Commission (the "SEC") adopted new rule 22e-4 under the 1940 Act (the "Liquidity Rule"), which, among other things, requires that all registered open-end management investment companies, including the Funds, establish a written liquidity risk management program (a "Liquidity Program"). Under a fund's Liquidity Program, a fund must assess, manage and periodically review the fund's liquidity risk, classify the liquidity of each of the fund's portfolio investments, determine a highly liquid investment minimum, limit illiquid investments to 15% of fund investments, and establish policies and procedures regarding how and when a fund will engage in redemptions in-kind. Consistent with the Liquidity Rule, the Board of Trustees has reviewed and approved the written Liquidity Program for the Funds and has designated Matthews to administer the Funds' Liquidity Program. On an ongoing basis, the Board will review annual reports from Matthews, as the program administrator of the Funds' Liquidity Program, on operations of the Funds' Liquidity Program, its adequacy and effectiveness of implementation, and any material changes made to the Funds' Liquidity Program. Under certain circumstances such as when there is a shortfall in a Fund's highly liquid investments below its established highly liquid investment minimum or when a Fund's illiquid investment holdings exceed 15% of its net assets, certain remedial actions must be taken, which may include Board notification or review.

Under the Liquidity Rule, each Fund may invest no more than 15% of its net assets in illiquid investments. A Fund may not be able to readily sell such investments. Such investments are unlike securities that are traded in the open market and that can be expected to be sold immediately. The sale price of a security that is not readily marketable may be lower or higher than a Fund's most recent estimate of its fair value. Generally, less public information is available with respect to the issuers of illiquid investments than with respect to companies whose securities are traded on an exchange. Securities that are not readily marketable are more likely to be issued by a start-up, small or family business and therefore subject to greater economic, business and market risks than the listed securities of more well established companies.

#### *6. Rule 144A Securities (Restricted Securities)*

Securities which are not registered with the SEC pursuant to Rule 144A of the U.S. Securities Act of 1933, as amended (the "1933 Act"), are only traded among institutional investors. These securities are sometimes called "Restricted Securities" because they are restricted from being sold to the general public because they are not registered with the SEC.

Some of these securities may also be illiquid because they cannot be reasonably expected to be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing their market value. The 15% limit on illiquid securities discussed previously does not include any restricted securities that have been determined to be liquid under the Funds' Liquidity Program.

#### *7. Convertible Securities*

Each Fund may purchase convertible securities. Convertible securities entitle the holder to exchange the securities for a specified number of shares of common stock, usually of the same company, at specified prices within a certain period of time. In addition, the owner of convertible securities often receives interest or dividends until the security is converted. The provisions of any convertible security determine its ranking in a company's capital structure. In the case of subordinated convertible debentures, the holder's claims on assets and earnings are subordinated to the claims of other creditors, and are senior to the claims of preferred and common shareholders. In the case of preferred stock and convertible preferred stock, the holder's claims on assets and earnings are subordinated to the claims of all creditors but are senior to the claims of common shareholders.

To the extent that a convertible security's investment value is greater than its conversion value, its price will be primarily a reflection of such investment value and its price will be likely to increase when interest rates fall and decrease when interest rates rise, as with a fixed-income security. If the conversion value exceeds the investment value, the price of the convertible security will rise above its investment value and, in addition, may sell at some premium over its conversion value. At such times the price of the convertible security will tend to fluctuate directly with the price of the underlying equity security.

#### *8. Forward Commitments, When-Issued Securities and Delayed-Delivery Transactions*

The Funds may purchase securities on a when-issued basis, or purchase or sell securities on a forward commitment basis or purchase securities on a delayed-delivery basis. The Funds will normally realize a capital gain or loss in connection with these transactions. For purposes of determining the Funds' average dollar-weighted maturity, the maturity of when-issued or forward commitment securities will be calculated from the commitment date.

When the Funds purchase securities on a when-issued, delayed-delivery or forward commitment basis, the Funds' custodian will maintain in a segregated account: cash, U.S. government securities or other high-grade liquid debt obligations having a value (determined daily) at least equal to the amount of the Funds' purchase commitments. In the case of a forward commitment to sell portfolio securities, the custodian will hold the portfolio securities themselves in a segregated account while the commitment is outstanding. These procedures are designed to ensure that the Funds will maintain sufficient assets at all times to cover their obligations under when-issued purchases, forward commitments and delayed-delivery transactions.

Securities purchased or sold on a when-issued, delayed-delivery or forward commitment basis involve a risk of loss if the value of the security to be purchased declines prior to the settlement date. Although the Funds would generally purchase securities on a when-issued, delayed-delivery or a forward commitment basis with the intention of acquiring the securities, the Funds may dispose of such securities prior to settlement if Matthews deems it appropriate to do so.



## *9. Short-Selling*

In markets where it is permitted to do so, the Funds may make short sales. A short sale occurs when a Fund borrows stock (usually from a broker) and promises to give it back at some date in the future and then sells the borrowed shares. If the market price of that stock goes down, the Fund buys the stock at a lower price so that it can pay back the broker for the stock borrowed. The difference between the prices of the stock when borrowed, and when later purchased, is a profit. The profit is reduced by a fee paid to the broker for borrowing the stock.

A Fund may incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The amount of any loss will be increased by the amount of any premium, dividends or interest the Fund may be required to pay in connection with a short sale. No securities will be sold short if, after effect is given to any such short sale, the total market value of all securities sold short would exceed 10% of the value of the Fund's net assets. The Fund will place in a segregated account with its custodian bank an amount of cash or liquid securities equal to the difference between the current market value of the securities sold short and any cash or securities required to be deposited in a collateral account with the broker in connection with the short sale (excluding the proceeds of the short sale).

This segregated account will be marked-to-market daily, provided that at no time will the amount deposited in it, plus the collateral held for the broker (excluding the proceeds of the short sale), be less than the current market value of the securities sold short.

## *10. Interest Rate Futures Contracts*

The Funds may enter into contracts for the future delivery of fixed-income securities commonly referred to as "interest rate futures contracts." These futures contracts will be used only as a hedge against anticipated interest rate changes. A Fund will not enter into an interest rate futures contract if immediately thereafter more than 5% of the value of that Fund's total assets will be committed to margin. The principal risks related to the use of such instruments are: (1) the offsetting correlation between movements in the market price of the portfolio investments being hedged and in the price of the futures contract or option may be imperfect; (2) possible lack of a liquid secondary market for closing out futures or option positions; (3) the need for additional portfolio management skills and techniques; and (4) losses due to unanticipated market price movements.

## *11. Futures Transactions*

The Funds may engage in futures transactions for the purchase or sale for future delivery of securities. While futures contracts provide for the delivery of securities, deliveries usually do not occur. Contracts are generally terminated by entering into offsetting transactions or by making or receiving a cash payment. The Funds may invest in futures transactions for hedging purposes or to maintain liquidity. A Fund may not purchase or sell a futures contract, however, unless immediately after any such transaction the sum of the aggregate amount of margin deposits on its existing futures positions and the amount of premiums paid for related options is 10% or less of its total assets.

At maturity, a futures contract obligates the Funds to take or make delivery of certain securities or the cash value of a securities index. A Fund may sell a futures contract in order to offset a decrease in the market value of its portfolio securities that might otherwise result from a market decline. A Fund may do so either to hedge the value of its portfolio of securities as a whole, or to protect against declines, occurring prior to sales of securities, in the value of the securities to be sold. Conversely, a Fund may purchase a futures contract in anticipation of purchases of securities. In addition, a Fund may utilize futures contracts in anticipation of changes in the composition of its portfolio holdings.

The Funds may engage in futures transactions on U.S. or foreign exchanges or boards of trade. In the U.S., futures exchanges, and trading are regulated under the Commodity Exchange Act of 1936, as amended (the "CEA"), by the Commodity Futures Trading Commission ("CFTC"), a U.S. government agency. The Funds will use futures contracts and options on futures contracts in accordance with the applicable rules of the CFTC under which the Trust avoids being deemed a "commodity pool operator" and Matthews being deemed a "commodity trading adviser." Because of these plans, the Trust has claimed the applicable exemption under CFTC rules and is not registered or regulated as a commodity pool operator.

The Funds may enter into such futures transactions to protect against the adverse effects of fluctuations in security prices, or interest rates, without actually buying or selling the securities underlying the contract. A stock index futures contract obligates the seller to deliver (and the purchaser to take) an amount of cash equal to a specific dollar amount multiplied by the difference between the value of a specific stock index at the close of the last trading day of the contract and the price at which the agreement was made.

With respect to options on futures contracts, when the Funds are temporarily not fully invested, they may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates. The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the price of the futures contract upon which it is based, or the price of the underlying debt securities, it may or may not be less risky than ownership of the futures contract or underlying debt securities.

The writing of a call option on a futures contract constitutes a partial hedge against the declining price of the security or foreign currency which is deliverable upon exercise of the futures contract. The writing of a put option on a futures contract constitutes a partial hedge against the increasing price of the security or foreign currency which is deliverable upon exercise of the futures contract.

To the extent that market prices move in an unexpected direction, the Funds may not achieve the anticipated benefits of futures contracts or options on futures contracts or may realize a loss. Further, with respect to options on futures contracts, each Fund may seek to close out an option position by writing or buying an offsetting position covering the same securities or contracts and that have the same exercise price and expiration date. The ability to establish and close out positions on options is subject to the maintenance of a liquid secondary market, which cannot be assured.

The Funds may purchase and sell call and put options on futures contracts traded on an exchange or board of trade. When a Fund purchases an option on a futures contract, it has the right to assume a position as a purchaser or seller of a futures contract at a specified exercise price at any time during the option period. When a Fund sells an option on a futures contract, it becomes obligated to purchase or sell a futures contract if the option is exercised. In anticipation of a market advance, the Funds may purchase call options on futures contracts as a substitute for the purchase of futures contracts to hedge against a possible increase in the price of securities which the Funds intend to purchase. Similarly, if the market is expected to decline, the Funds might purchase put options or sell call options on futures contracts rather than sell futures contracts. In connection with a Fund's position in a futures contract or option thereon, the Funds will create a segregated account of liquid assets or will otherwise cover its position in accordance with applicable requirements of the SEC.

#### a. Restrictions on the Use of Futures Contracts

Each Fund may enter into futures contracts provided that such obligations (calculated on a net rather than a gross or notional basis) represent no more than 20% of the Fund's net assets. Under the CEA, each Fund may invest in futures contracts, options on future contracts and certain swap agreements (i) for bona fide hedging purposes within the meaning of regulations under the CEA, or (ii) for other than bona fide hedging purposes if (1) the aggregate initial margin and premiums required to establish such positions will not exceed 5% of the liquidation value of a Fund's portfolio (after taking into account unrealized profits and unrealized losses on any such positions) and that in the case of an option that is in-the-money at the time of purchase, the in-the-money amount may be excluded from such 5%; or (2) the aggregate notional value of all non-hedge futures contracts including such contract (taken at market value at the time of entering that contract) does not exceed the liquidation value of the Fund's portfolio (after taking into account unrealized profits and unrealized losses on any such positions). To the extent required by law, the Fund will set aside cash and appropriate liquid assets in a segregated account to cover its obligations related to futures contracts. For futures contracts that provide for cash settlement rather than delivery of securities, the amount of assets a Fund will set aside or segregate would be based on the cash value needed to settle the position rather than the notional or reference value of the contract.

#### b. Risk Factors of Futures Transactions

The primary risks associated with the use of futures contracts and options (commonly referred to as "derivatives") are: (i) imperfect correlation between the change in market value of the securities held by the Funds and the price of futures contracts and options; (ii) possible lack of a liquid secondary market for a futures contract and the resulting inability to close a futures contract when desired; (iii) losses, which are potentially unlimited, due to unanticipated market movements; and (iv) Matthews' ability to predict correctly the direction of security prices, interest rates and other economic factors.

## 12. Foreign Currency Transactions

The Funds may engage in foreign currency transactions in connection with their investments in foreign securities. The Funds will conduct any foreign currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market, or through forward contracts to purchase or sell foreign currencies.

A forward foreign currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are principally traded in the inter-bank market conducted directly between currency traders (usually large, commercial banks) and their customers. The cost to a Fund of engaging in forward currency contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. A forward contract generally has no deposit requirement, and because forward currency contracts are usually entered into on a principal basis, no fees or commissions are charged at any stage for trades. However, dealers do realize a profit based on the difference between the prices at which they are buying and selling various currencies.

When a Fund enters into a contract for the purchase or sale of a security denominated in a foreign currency, it may want to establish the U.S. dollar cost or proceeds, as the case may be. By entering into a forward contract in U.S. dollars for the purchase or sale of the amount of foreign currency involved in an underlying security transaction, a Fund is able to protect itself against a possible loss between trade and settlement dates resulting from an adverse change in the relationship between the U.S. dollar and such foreign currency. However, this tends to limit potential gains that might result from a positive change in such currency relationships. The Funds may also (but are not required to) hedge their foreign currency exchange rate risk by engaging in currency financial futures and options transactions.

Each Fund may enter into a forward contract to sell a different foreign currency for a fixed U.S. dollar amount where Matthews believes that the U.S. dollar value of the currency to be sold pursuant to the forward contract will fall whenever there is a decline in the U.S. dollar value of the currency in which portfolio securities of the Funds are denominated (“cross-hedge”). The precise matching of forward currency contracts amounts and the value of the securities involved generally will not be possible because the value of such securities, measured in the foreign currency, will change after the foreign currency contract has been established. Thus, the Funds might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign currencies are not covered by forward contracts. The forecasting of short-term currency market movement is extremely difficult and whether such a short-term hedging strategy will be successful is highly uncertain. The Funds may also enter into forward contracts to sell foreign currency with respect to portfolio positions denominated or quoted in that currency.

When a Fund enters into a forward currency contract, it relies on the counterparty to make or take delivery of the underlying currency at the maturity of the contract. Failure by the counterparty to do so would result in the loss of any expected benefit of the transaction. Secondary markets generally do not exist for forward currency contracts, with the result that closing transactions generally can be made for forward currency contracts only by negotiating directly with the counterparty. Thus, there can be no assurance that a Fund will in fact be able to close out a forward currency contract at a favorable price prior to maturity. In addition, in the event of insolvency of the counterparty, a Fund might be unable to close out a forward currency contract at any time prior to maturity. In either event, the Fund would continue to be subject to market risk with respect to the position, and would continue to be required to maintain a position in securities denominated in the foreign currency or to maintain cash or securities in a segregated account.

Each Fund will segregate liquid assets that will be marked-to-market daily to meet its forward contract commitments to the extent required by the SEC. If the contract provides for cash settlement rather than delivery of the stated or notional amount of foreign currency, then the Fund would segregate liquid assets based on the cash value needed to settle the position.

Each Fund may enter into forward currency contracts or maintain a net exposure to such contracts only if (i) the consummation of the contracts would not obligate the Funds to deliver an amount of foreign currency in excess of the value of its portfolio securities or other assets denominated in that currency, or (ii) the Fund maintains cash or liquid securities in a segregated account in an amount not less than the value of its total assets committed to the consummation of the contract and not covered as provided in (i) above, as marked-to-market daily.

Each Fund may also (but is not required to) use options and futures on foreign currencies, in addition to forward currency contracts, to hedge against movements in the values of the foreign currencies in which the Fund’s securities are denominated. Such currency hedges can protect against price movements

in a security the Fund owns or intends to acquire that are attributable to changes in the value of the currency in which it is denominated. While hedging may limit the potential loss to a Fund from adverse currency movements, Matthews' ability to anticipate changes in the price of foreign currencies is limited and any hedging may limit the potential gain from positive currency movements or otherwise result in losses. Such hedges do not protect against price movements in the securities that are attributable to other causes.

The value of hedging instruments on foreign currencies depends on the value of the underlying currency relative to the U.S. dollar. Because foreign currency transactions occurring in the inter-bank market might involve substantially larger amounts than those involved in the use of such hedging instruments, the Funds could be disadvantaged by having to deal in the odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

The Funds might seek to hedge against changes in the value of a particular currency when no hedging instruments on that currency are available or such hedging instruments are more expensive than certain other hedging instruments. In such cases, the Funds may hedge against price movements in that currency by entering into transactions using hedging instruments on other currencies, the values of which Matthews believes will have a high degree of positive correlation to the value of the currency being hedged. The risk that movements in the price of the hedging instrument will not correlate perfectly with movements in the price of the currency being hedged is magnified when this strategy is used.

Settlement of hedging transactions involving foreign currencies might be required to take place within the country issuing the underlying currency. Thus, the Funds might be required to accept or make delivery of the underlying foreign currency in accordance with U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay fees, taxes and charges associated with such delivery assessed in the issuing country.

### *13. Options*

Each Fund may buy put and call options and write covered call and secured put options. Such options may relate to particular securities, stock indices or financial instruments and may or may not be listed on a national securities exchange and issued by the Options Clearing Corporation. Options trading is a highly specialized activity which entails greater than ordinary investment risk. Options on particular securities may be more volatile than the underlying securities, and therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying securities themselves.

#### *a. Writing Call Options*

Each Fund may write covered call options from time to time on portions of its portfolio, without limit, as Matthews determines is appropriate in pursuing that Fund's investment goals. The advantage to a Fund of writing covered calls is that the Fund receives a premium which is additional income. However, if the security rises in value, the Fund may not fully participate in the market appreciation.

The Funds will write call options only if they are "covered." In the case of a call option on a security, the option is "covered" if a Fund owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration (or, if additional cash consideration is required, liquid assets in such amount held in a segregated account by its custodian) upon conversion or exchange of other securities held by it.

For a call option on an index, the option is covered if a Fund maintains with its custodian a diversified stock portfolio, or liquid assets equal to the contract value. A call option is also covered if a Fund holds a call on the same security or index as the call written. Here the exercise price of the call held is (i) equal to or less than the exercise price of the call written; or (ii) greater than the exercise price of the call written provided the difference is maintained by a Fund in liquid assets in a segregated account with its custodian.

A Fund's obligation under a covered call option is terminated upon the expiration of the option or upon entering a closing purchase transaction. In a closing purchase transaction, a Fund, as writer of an option, terminates its obligation by purchasing an option of the same series as the option previously written.

Closing purchase transactions will ordinarily be effected to realize a profit on an outstanding call option, to prevent an underlying security from being called, to permit the sale of the underlying security or to enable a Fund to write another call option on the underlying security with either a different exercise price or expiration date or both. The Funds may realize a net gain or loss from a

closing purchase transaction depending upon whether the net amount of the original premium received on the call option is more or less than the cost of effecting the closing purchase transaction. Any loss incurred in a closing purchase transaction may be partially or entirely offset by the premium received from a sale of a different call option on the same underlying security. Such a loss may also be wholly or partially offset by unrealized appreciation in the market value of the underlying security. Conversely, a gain resulting from a closing purchase transaction could be offset in whole or in part by a decline in the market value of the underlying security.

During the option period, a covered call option writer may be assigned an exercise notice by the broker-dealer through whom such call option was sold, requiring the writer to deliver the underlying security against payment of the exercise price. A closing purchase transaction cannot be effected with respect to an option once the option writer has received an exercise notice for such option.

#### b. Writing Put Options

Each Fund may write put options. The Funds will write put options only if they are “secured” at all times by liquid assets maintained in a segregated account by the Funds’ custodian in an amount not less than the exercise price of the option at all times during the option period. Secured put options will generally be written in circumstances where Matthews wishes to purchase the underlying security for a Fund’s portfolio at a price lower than the current market price of the security. With regard to the writing of put options, a Fund will limit the aggregate value of the obligations underlying such put options to 50% of its total net assets.

Following the writing of a put option, a Fund may wish to terminate the obligation to buy the security underlying the option by effecting a closing purchase transaction. This is accomplished by buying an option of the same series as the option previously written. A Fund may not, however, effect such a closing transaction after it has been notified of the exercise of the option.

#### c. Purchasing Call Options

Each Fund may purchase call options to the extent that premiums paid by that Fund do not aggregate more than 10% of its total assets. When a Fund purchases a call option, in return for a premium paid by the Fund to the writer of the option, the Fund obtains the right to buy the security underlying the option at a specified exercise price at any time during the term of the option. The writer of the call option, who receives the premium upon writing the option, has the obligation, upon exercise of the option, to deliver the underlying security against payment of the exercise price. The advantage of purchasing call options is that the Fund may alter portfolio characteristics and modify portfolio maturities without incurring the cost associated with such transactions.

The Funds may, following the purchase of a call option, liquidate their position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. The Funds will realize a profit from a closing sale transaction if the price received on the transaction is more than the premium paid to purchase the original call option; the Funds will realize a loss from a closing sale transaction if the price received on the transaction is less than the premium paid to purchase the original call option.

Although the Funds will generally purchase only those call options for which there appears to be an active secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option, or at any particular time, and for some options no secondary market on an exchange may exist. In such event, it may not be possible to effect closing transactions in particular options, with the result that the Funds would have to exercise their options in order to realize any profit and would incur brokerage commissions upon the exercise of such options and upon the subsequent disposition of the underlying securities acquired through the exercise of such options. Further, unless the price of the underlying security changes sufficiently, a call option purchased by the Funds may expire without any value to the Funds, in which event the Funds would realize a capital loss which will be short-term unless the option was held for more than one year.

#### d. Purchasing Put Options

Each Fund may invest up to 10% of its total assets in the purchase of put options. Each Fund will, at all times during which it holds a put option, own the security covered by such option. The purchase of the put option on substantially identical securities held will constitute a short sale for tax purposes, the effect of which is to create a short-term capital gain on the sale of the security and to suspend running of its holding period (and treat it as commencing on the date of the closing of the short sale) or that of a security acquired to cover the same if at the time the put was acquired, the security had not been held for more than one year.

A put option purchased by a Fund gives it the right to sell one of its securities for an agreed price up to an agreed date. Each Fund may purchase put options (i) in order to protect against a decline in the market value of the underlying security below the exercise price less the premium paid for the option (“protective puts”); and (ii) for other reasons. A Fund may sell a put option that it had previously purchased prior to the sale of the securities underlying such option. Such sale will result in a net gain or loss depending on whether the amount received on the sale is more or less than the premium and other transaction costs paid on the put option which is sold.

The Funds may sell a put option purchased on individual portfolio securities. Additionally, the Funds may enter into closing sale transactions. A closing sale transaction is one in which a Fund, when it is the holder of an outstanding option, liquidates its position by selling an option of the same series as the option previously purchased.

#### *14. Swaps*

The Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund may enter into various swap agreements, including (but not limited to) credit default, interest rate, total return, index and currency exchange rate swap agreements. These transactions attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost to the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund than if it had invested directly in an instrument that yielded that desired return. The swaps that these Funds use often will be swap agreements that are not centrally cleared and traded. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard over-the-counter or uncleared “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount,” *i.e.*, the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a “basket” of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates exceed a specified rate, or “cap”; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that interest rates fall below a specified rate, or “floor”; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels. Interest rate swaps can also effectively swap exposure to a fixed interest rate for exposure to a floating interest rate, or the reverse of that.

Most swap agreements entered into by the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund will calculate the obligations of the parties to the agreement on a “net basis.” Consequently, the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s current obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). The Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s current obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by the maintenance of a designated account consisting of assets determined to be liquid by Matthews in accordance with procedures established by the Board of Trustees, to avoid any potential leveraging of the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s portfolio. Obligations under swap agreements so covered will not be characterized as “senior securities” for purposes of the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s investment restriction concerning senior securities, based on current interpretive guidance from the staff of the SEC. That treatment could change at some point if the SEC were to adopt a rule further regulating the use of derivatives by mutual funds, such as Rule 18f-4 that was proposed by the SEC in December 2015. Swap agreements are subject to the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s overall limit that no more than 15% of net assets may be invested in illiquid securities, although a swap agreement may be deemed to be liquid pursuant to policies approved by the Board of Trustees. The Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund will not enter into a swap agreement with any single party if the net amount owed or to be received under existing contracts with that party would exceed 5% of the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s assets at time of purchase. The limits on the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s investments in futures contracts as described in item 11 above may also have the effect of limiting the Matthews Asia Total Return Bond Fund’s or Matthews Asia Credit Opportunities Fund’s investments in certain swap agreements. The Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund do not currently write any credit default swaps. In early 2012, the CFTC adopted a final rule that limits the Funds’ ability to use certain derivatives, including interest rate swaps, credit default swaps and options or swaptions,

in reliance on certain CFTC exemptions. If a Fund could not satisfy the requirements for that amended exemption, the investment strategy, disclosure and operations of the Fund would need to be modified to the extent needed to comply with all applicable regulations governing commodity pools.

Whether the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's use of swap agreements will be successful in furthering their investment objectives will depend on Matthews' ability to predict correctly whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven days, swap agreements may be considered to be illiquid. Whether a particular swap is liquid is assessed on a case by case basis under guidelines and standards established by the Board of Trustees. Moreover, the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund bears the risk of loss of the amount expected to be received under an uncleared swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund will enter into uncleared swap agreements only with counterparties that meet certain standards of creditworthiness (generally, such counterparties would have to be eligible counterparties under the terms of the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's repurchase agreement guidelines). Certain restrictions imposed on the Matthews Asia Total Return Bond Fund or Matthews Asia Credit Opportunities Fund by the Code may limit the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's ability to use swap agreements. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's ability to terminate existing swap agreements or to realize amounts to be received under such agreements. There can be no assurance that the Matthews Asia Total Return Bond Fund's or Matthews Asia Credit Opportunities Fund's use of swap agreements will assist them in meeting their investment objectives.

#### *15. Real Estate Investment Trusts*

Certain of the Funds may make debt or equity investments in real estate investment trusts ("REITs"), which are pooled investment vehicles that invest primarily in income-producing real estate or real estate related loans or interests (such as mortgages). The real estate properties in which REITs invest typically include properties such as office buildings, retail and industrial facilities, hotels, apartment buildings and healthcare facilities. The yields available from equity investments in REITs depend on the amount of income and capital appreciation generated by the related properties. Investments in REITs are subject to the risks associated with real estate investments generally, including economic downturns that have an adverse effect on real estate markets. A REIT may be affected by changes in the value of the underlying property owned by such REIT or by the quality of any credit extended by the REIT. Like regulated investment companies, REITs are not taxed on income distributed to shareholders provided they comply with several requirements of the Code. The affairs of REITs are managed by the REIT's sponsor and, as such, the performance of the REIT is dependent on the management skills of the REIT's sponsor. REITs are not diversified (except to the extent the Code requires), and are subject to the risks of financing projects. REITs are also subject to interest rate risks. If a Fund makes an equity investment in a REIT, a Fund will indirectly bear its proportionate share of any expenses paid by the REIT in addition to the expenses of the Fund. REITs are subject to the risk of default by borrowers, self-liquidation, and the possibility that the REIT may fail to qualify for the exemption from tax for distributed income under the Code.

#### *16. Risks Associated With Investing In China A Shares*

##### **China A Share Market Risk**

Investments in China and more specifically, investments in securities of the Chinese domestic securities market listed and traded on China's domestic stock exchanges (including China A Shares) are currently subject to certain additional risks. Purchase and ownership of China A Shares is generally restricted to Chinese investors and may only be accessible to foreign investors under certain regulatory frameworks as described herein. China A Shares may only be bought from, or sold to, a Fund from time to time where the relevant China A Shares may be sold or purchased on the Shanghai Stock Exchange ("SSE") or the Shenzhen Stock Exchange ("SZSE"), as appropriate. The existence of a liquid trading market for China A Shares may depend on whether there is supply of, and demand for, China A Shares. Investors should note that the SSE and SZSE on which China A Shares are traded (collectively, the "China A Shares Markets") are undergoing development and the market capitalization of, and trading volumes on, those exchanges may be lower than those in more developed financial markets. Market volatility and settlement difficulties in the China A Shares Markets may result in significant fluctuation in the prices of the securities traded on such markets and thereby changes in the Net Asset Value of a Fund. The China A Shares Markets are considered volatile and unstable (with the risk of suspension of a particular stock or government intervention).

## China QFII Investment Risk

Part of the assets of certain Funds may be invested in China A Shares through the use of a Qualified Foreign Institutional Investor (“QFII”) license. Under the prevailing regulations in China, foreign investors can invest in China A Shares pursuant to the applicable QFII rules and regulations (“QFII Eligible Securities”) through institutions that have obtained QFII status in China. The Funds themselves are not QFIIs, but may invest directly in QFII Eligible Securities via the QFII status of an entity having QFII status. Matthews has been granted QFII status and a QFII investment quota (the “QFII Quota”) through which a Fund will be able to invest in QFII Eligible Securities.

A Fund’s ability to make the relevant investment to fully implement or pursue its investment objective or strategy is subject to the applicable laws, rules and regulations (including restrictions on investments and repatriation of principal and profits) in China, which are subject to change and such change may have potential retrospective effect.

There are rules and restrictions under current QFII regulations including rules on remittance of principal, investment restrictions, lock-up periods, and repatriation of principal and profits. Due to Chinese legal restrictions on repatriation of assets, proceeds from sales of China A Shares cannot be immediately received by a Fund. QFII restrictions on repatriations may apply to the QFII Quota granted to Matthews as the QFII as a whole and may not simply apply to investments made by a Fund. The capacity of a Fund to make investments in QFII Eligible Securities and the ability to repatriate funds may be thus adversely affected by the investments, performance and/or repatriation of funds invested by other client accounts or open-ended funds managed by Matthews utilizing its QFII Quota or by Matthews itself.

The QFII status of Matthews could be revoked, in particular because of material violations of rules and regulations by Matthews. If Matthews loses its QFII status, the Funds may not be able to invest directly in QFII Eligible Securities and may be required to dispose of their holdings, which would likely have a material adverse effect on the Funds.

As the QFII, Matthews is responsible for ensuring that all transactions and dealings by a Fund in China A Shares will comply with the Fund’s investment policies as well as the relevant laws and regulations applicable to Matthews as QFII. If any conflicts of interest arise, Matthews will seek to ensure that each Fund is managed in the best interests of the shareholders of that Fund.

The QFII Quota is granted to Matthews as a whole and not simply to investments made by a particular Fund. There can be no assurance that the QFII will be able to allocate a sufficient portion of its QFII Quota to meet all desired investments by a Fund in China A Shares, or that redemption requests can be processed in a timely manner due to adverse changes in relevant laws or regulations, including changes in QFII repatriation restrictions.

In extreme circumstances, a Fund may incur significant loss if there is insufficient QFII Quota allocated for the Fund to make investments, if the approval of Matthews as QFII is revoked/terminated or otherwise invalidated as the Fund may be prohibited from trading of relevant securities and repatriating of the Fund’s monies, or if any of the key operators or parties (including the QFII custodian/brokers) is bankrupt/in default and/or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

## Risks Associated with Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

A Fund may invest and have direct access to certain eligible China A Shares via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect (each a “Stock Connect,” and together, the “Stock Connects”) upon approval by the relevant regulatory authority. The Shanghai-Hong Kong Stock Connect is a securities trading and clearing linked program developed by



Hong Kong Exchanges and Clearing Limited (“HKEx”), SSE and China Securities Depository and Clearing Corporation Limited (“ChinaClear”). The Shenzhen-Hong Kong Stock Connect is a securities trading and clearing linked program developed by HKEx, SZSE and ChinaClear. The aim of each Stock Connect is to achieve mutual stock market access between mainland China and Hong Kong.

Under both Stock Connects, overseas investors (including the Funds) may be allowed, subject to rules and regulations issued and amended from time to time, to trade certain China A Shares listed on either the SSE or SZSE through the relevant “Northbound Trading Link.” At this time, the China A Shares available via the Stock Connects include all the constituent stocks of the SSE 180 Index, SSE 380 Index, SZSE Component Index, SZSE Small/Mid Cap Innovation Index, and all the China A Shares listed on the SSE or SZSE that have corresponding H Shares listed on the Stock Exchange of Hong Kong Limited (“SEHK”). The list of eligible securities may be changed subject to the review and approval by the relevant Chinese regulators from time to time and the Funds may invest in any security made available through the Stock Connects.

Hong Kong and overseas investors (including the Funds) may only trade and settle SSE securities and SZSE securities in RMB.

Further information about the Stock Connects is available online at the website: <https://www.hkex.com.hk/mutual-market/stock-connect>.

a. Quota Limitations Risk

Each of the Stock Connects is subject to a daily quota. If the daily quota is exceeded, further buy orders will be rejected. The daily quota is not particular to either the Funds or Matthews; instead, it applies to all market participants generally. Thus, Matthews will not be able to control the use or availability of the quota. If Matthews is unable to purchase additional Stock Connect securities, it may affect Matthews’ ability to implement the Funds’ respective investment strategies.

b. Suspension Risk

The SEHK, SZSE and SSE reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the relevant Funds’ ability to access the mainland China market.

c. Differences in Trading Day

The Stock Connects only operate on days when both the mainland China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. It is possible that there are occasions when it is a normal trading day for the mainland China market but Hong Kong and overseas investors (such as the Funds) cannot carry out any China A Shares trading because it is not a day when the Hong Kong market is open for trading. The Funds may be subject to the risk of price fluctuations in China A Shares during the time when the Stock Connects are not trading as a result.

d. Clearing and Settlement and Custody Risks

The Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx (“HKSCC”) and ChinaClear establish the clearing links and each is a participant of the other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of China’s securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission (“CSRC”). The chances of a default by ChinaClear are considered to be remote.

Should the remote event of a ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

The China A Shares traded through the Stock Connects are issued without stock certificates in scripless form, so investors such as the Funds will not hold any physical China A Shares. Hong Kong and overseas investors, such as a Fund, who have acquired SSE Securities and/or SZSE Securities through the Stock Connects, should maintain the SSE Securities and/or SZSE Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK.

e. Operational Risk

The Stock Connects are premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an ongoing basis.

There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. A Fund's ability to access the China A Shares Market (and hence to pursue its investment strategy) will be adversely affected.

f. Recalling Risk and Trading Restrictions

A stock may be recalled from the scope of eligible SSE Securities or SZSE Securities for trading via the Stock Connects for various reasons, and in such event the stock can only be sold but is restricted from being bought. Matthews' ability to implement a Fund's investment strategies may be adversely affected.

g. Nominee Arrangements in Holding China A Shares

HKSCC is the "nominee holder" of the securities acquired by overseas investors (including the relevant Funds) through the Stock Connects. The CSRC Stock Connect rules expressly provided that investors enjoy the rights and benefits of the securities acquired through the Stock Connects in accordance with applicable laws. However, how a beneficial owner of the relevant securities exercises and enforces its rights over such securities in the courts in China is yet to be tested. Even if the concept of beneficial ownership is recognized under Chinese law those securities may form part of the pool of assets of such nominee holder available for distribution to creditors of such nominee holder and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, a Fund and the Depositary cannot ensure that the Funds' ownership of these securities or title thereto is assured in all circumstances. Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities and/or SZSE securities in China or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognized, that Fund may suffer difficulties or delays in enforcing its rights in China.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, the Depositary and the Fund will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that the Fund suffers losses resulting from the performance or insolvency of HKSCC.

h. Investor Compensation

Since one or more Funds carry out Northbound trading through securities brokers in Hong Kong but not securities brokers in mainland China, investors are not protected by the China Securities Investor Protection Fund in China. However, investments of a Fund through Northbound trading under the Stock Connects will be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorized financial institution in relation to exchange-traded products in Hong Kong.

i. Trading Costs

In addition to paying trading fees and stamp duties in connection with trading China A Shares, a Fund may be subject to other fees and taxes arising from stock transfers which are determined by the relevant authorities.

j. Regulatory Risk

Stock Connects are subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in mainland China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connects.

The relevant rules and regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the rules and regulations are subject to change which may have potential retrospective effect. There can be no assurance that the Stock Connects will not be abolished. The relevant Funds that may invest in mainland China markets through the Stock Connects may be adversely affected as a result of such changes.

k. Risks Associated with the Small and Medium Enterprise Board and/or ChiNext Market

Via Shenzhen-Hong Kong Stock Connect, the Funds may access securities listed on the Small and Medium Enterprise ("SME") board and the ChiNext market of the SZSE. Listed companies on the SME board and/or the ChiNext market are usually of an emerging nature with smaller operating scale. They are subject to higher fluctuation in stock prices and liquidity and have higher risks and turnover ratios than companies listed on the main board of the SZSE. Securities listed on the SME board and/or ChiNext may be overvalued and such exceptionally high valuation may not be sustainable. Stock price may be more susceptible to manipulation due to fewer circulating shares. It may be more common and faster for companies listed on the SME board and/or ChiNext to delist. This may have an adverse impact on the Funds if the companies that they invest in are delisted. Also, the rules and regulations regarding companies listed on ChiNext market are less stringent in terms of profitability and share capital than those on the main board and SME board. Investments in the SME board and/or ChiNext market may result in significant losses for the Funds and their investors.

*17. Responsible Investing (a principal investment strategy for the Matthews Asia ESG Fund)*

In addition to traditional financial data, the Matthews Asia ESG Fund takes into consideration ESG factors that the portfolio managers believe help identify companies with superior business models.

There are no universally agreed upon objective standards for assessing ESG factors for companies. Rather, these factors tend to have many subjective characteristics, can be difficult to analyze, and frequently involve a balancing of a company's business plans,

objectives, actual conduct and other factors. ESG factors can vary over different periods and can evolve over time. They may also be difficult to apply consistently across regions, countries, industries or sectors. For these reasons, ESG standards may be aspirational and tend to be stated broadly and applied flexibly. In addition, investors and others may disagree as to whether a certain company satisfies ESG standards given the absence of generally accepted criteria. Examples of environmental factors that may be considered include, without limitation, low environmental footprint, pollution alleviation, and resource management. Examples of social factors that may be considered include, without limitation, financial inclusion, affordable products and services, workplace diversity and employee welfare. Examples of governance factors that may be considered include, without limitation, board independence, stated sustainability policy, and alignment of interests of shareholders and management.

Businesses that meet one or more of the Matthews Asia ESG Fund's ESG standards are generally businesses that currently engage in practices that have the effect of, or in the opinion of Matthews, have the potential of making human or business activity less destructive to the environment or businesses that promote positive social and economic developments. Matthews believes that such companies can have cost advantages, quality improvements and improved profitability as a result of their ESG business practices. Such companies may also gain increased consumer and employee loyalty as a result of growing preferences for environmentally and socially sustainable practices and may be less likely to be involved in lawsuits or governmental actions for regulatory violations. There can be no guarantee that a company that Matthews believes meets one or more of the Matthews Asia ESG Fund's ESG standards will actually conduct its affairs in a manner that is less destructive to the environment, or that promotes positive social and economic developments.

Matthews uses strategic engagement and shareholder advocacy to encourage positive changes in ESG matters at its portfolio companies. For example, Matthews may engage in active dialogues with company management regarding ESG matters. Matthews will encourage better ESG disclosures, through such active dialogues, shareholder proposals or other means. Matthews will also be able to express its views on ESG issues through proxy voting at shareholder meetings of its portfolio companies.

#### *18. STAR Market and Its Associated Risks*

The Funds may invest in the stocks listed on the Science and Technology Innovation Board on the Shanghai Stock Exchange ("STAR Market"), by either participating in initial public offerings ("IPOs") of companies to be listed on the STAR Market, or purchasing stocks that have been listed on the STAR Market. Funds that invest in the STAR Market may be exposed to the risk factors described under "Risks Associated with China." In addition, the Funds may be exposed to the risk factors further described below.

- **Liquidity Risk:** The STAR Market has strict investor eligibility requirements, and institutional and individual investors must meet such conditions to be allowed to invest in listed stocks on the STAR Market. As a result, the STAR Market may have limited liquidity relative to other stock markets.
- **De-listing Risk:** The STAR Market's registration-based IPO system is likely to lead to more regular de-listing, while temporary listing suspension, listing resumption and re-listing systems have not been set under the STAR Market. As a result, companies listed on the STAR Market may have greater exposure to de-listing risk.
- **Market Risk:** Most companies listed on the STAR Market specialize in information technology, new materials, new energy, and biomedicine. These types of companies tend to be startups with uncertain earnings, cash flow and valuation prospects. Therefore, the stocks listed on the STAR Market may have greater exposure to market risks, which may lead to greater price fluctuations.
- **Correlation Risk:** Many of the companies listed on the STAR Market are expected to be innovative technology enterprises that have gained a relatively high level of market recognition. Such companies tend to have similar operating and profit models. Therefore, there could be a relatively high degree of correlation among many stocks listed on the STAR Market. A market downturn may lead to significant systematic correlation risk, which is a risk that the price fluctuation of a security may occur in conjunction with price fluctuations of all correlated securities.
- **Pricing Risk:** Institutional investors are expected to play a dominant role in quotation, pricing and placement activities of the STAR Market. Furthermore, given the typical characteristics of companies listed on the STAR Market, such as a high degree of technological innovation combined with uncertain performance prospects, only a limited number of comparable companies will be available in the marketplace. These conditions may lead to pricing difficulties, and after listing, the listed stocks on the STAR Market may face the risk of immediate and significant price fluctuations.
- **Government Policy Risk:** The Chinese government may change its policies with respect to its support of the Chinese technological industry. If such policy change were to take place, it might have a major impact on companies listed on the STAR Market. In addition, changes in the global economic situation may also have policy-level implications for the Chinese government, which could impact the prices of stocks listed on the STAR Market.

#### **Funds' Policies**

The policies set forth below are fundamental and may not be changed as to a Fund without the approval of a majority of the outstanding voting securities (as defined in the 1940 Act) of that Fund. A majority of the outstanding voting securities of a Fund means the lesser of (a) 67% or more of the voting securities present at a meeting of shareholders, if the holders of more than 50% of the outstanding voting securities of a Fund are present or represented by proxy, or (b) more than 50% of the outstanding voting securities of a Fund. Unless otherwise indicated, all percentage limitations listed below apply to the Funds and apply only at the time of the transaction. Accordingly, if a percentage restriction is adhered to at the time an investment is made, a later increase or decrease in the percentage which results from a relative change in values or from a change in a Fund's total assets will not be considered a violation.

Except as otherwise set forth herein and in the Prospectus, each Fund may not:

1. Issue senior securities;
2. Borrow money, except that each Fund may borrow from banks and enter into reverse repurchase agreements for temporary purposes in amounts up to one-third of the value of its total assets at the time of such borrowing; or mortgage, pledge, or hypothecate any assets, except in connection with any such borrowing and in amounts not in excess of the lesser of the dollar amounts borrowed or 10% of the value of the total assets of the Fund at the time of its borrowing. All borrowing will be done from a bank and asset coverage of at least 300% is required. A Fund will not purchase securities when borrowings exceed 5% of the Fund's total net assets;
3. Act as an underwriter of securities, except that, in connection with the disposition of a security, a Fund may be deemed to be an "underwriter" as that term is defined in the 1933 Act;
4. Purchase the securities of issuers conducting their principal business activities in the same industry (other than obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities) if immediately after such purchase the value of a Fund's investments in such industry would exceed 25% of the value of the total assets of the Fund. This policy does not apply to Matthews Asia Innovators Fund, which concentrates its investments in the science and technology industries;

5. Purchase or sell real estate, real estate limited partnership interests, interests in oil, gas and/or mineral exploration or development programs or leases. This restriction shall not prevent the Funds from investing directly or indirectly in portfolio instruments secured by real estate or interests therein or acquiring securities of real estate investment trusts or other issuers that deal in real estate;
6. Make loans, except that this restriction shall not prohibit (a) the purchase and holding of debt instruments in accordance with a Fund's investment objectives and policies, (b) the lending of portfolio securities, or (c) entry into repurchase agreements with banks or broker-dealers;
7. Change its diversification status under the 1940 Act;
8. Purchase or sell commodities or commodity contracts, except that a Fund may purchase or sell currencies, may enter into futures contracts on securities, currencies, or on indexes of such securities or currencies, or any other financial instruments, and may purchase or sell options on such futures contracts;
9. Make investments in securities for the purpose of exercising control;
10. Purchase the securities of any one issuer if, immediately after such purchase, the Fund would own more than 10% of the outstanding voting securities of such issuer. This policy does not apply to the Matthews Asia Small Companies, Matthews China Small Companies, Matthews Emerging Asia Funds, or Matthews Emerging Markets Equity Fund; or
11. Invest more than 5% of its total assets in securities of companies less than three years old. Such three-year period shall include the operation of any predecessor company or companies. This policy does not apply to the Matthews Asia Value, Matthews Asia Dividend, Matthews China Dividend, Matthews Emerging Asia, Matthews India, Matthews Asia Small Companies, Matthews China Small Companies, Matthews Asia Total Return Bond, Matthews Asia Credit Opportunities Funds, or Matthews Emerging Markets Equity Fund.

For purposes of policy number 4 above, the meaning of science and technology industries is provided in the Prospectus for the Matthews Asia Innovators Fund. Also for purposes of policy number 4, Matthews will, on behalf of each Fund, make reasonable determinations as to the appropriate industry classification to assign to each issuer of securities in which the Fund invests. As a general matter, an "industry" is considered to be a group of companies whose principal activities, products or services offered give them a similar economic risk profile vis à vis issuers active in other industries. The definition of what constitutes a particular "industry" is therefore an evolving one, particularly for issuers in industries or sectors within industries that are new or are undergoing rapid development. Some issuers could reasonably fall within more than one industry category. For example, some companies that sell goods over the internet (including issuers of securities in which a Fund may invest) were initially classified as internet companies, but over time have evolved into the economic risk profiles of retail companies. Each Fund may also rely on third-party classification codes such as those provided by the U.S. Government (known as "SIC"), MSCI or GICS, Bloomberg, and FactSet.

### **Temporary Defensive Position**

To the extent practicable and in light of economic and market conditions and a Fund's cash needs, Matthews intends to be fully invested in the markets appropriate to each Fund's investment objectives (except in the case of the Matthews Asia Value Fund, which may hold 15% or more of its net assets in cash or cash equivalent investments under certain market conditions to allow it to deploy capital during market downturns). When, in the opinion of Matthews, a temporary defensive position is warranted, the Funds are permitted to hold cash or invest temporarily and without limitation in U.S. government securities or money market instruments backed by U.S. government securities. The Funds' investment objectives may not be achieved at such times when a temporary defensive position is taken.

### **Portfolio Turnover**

Matthews buys and sells securities for the Funds whenever it believes it is appropriate to do so. The rate of portfolio turnover will not be a limiting factor in making portfolio decisions. It is currently estimated that under normal circumstances the annual portfolio turnover rate for the Funds will not exceed 100%. High portfolio turnover rates will generally result in higher transaction costs to a

Fund and also may result in a higher level of taxable gain for a shareholder. Portfolio turnover for the most recent fiscal periods of the Funds are set forth in the “FINANCIAL HIGHLIGHTS” tables in the Prospectus. Portfolio turnover rates may vary greatly from year to year as well as within a particular year.

### **Disclosure of Portfolio Holdings**

In accordance with the Funds’ policies and procedures (the “Policies”), the Funds’ transfer agent, BNY Mellon Investment Servicing (US) Inc. (“BNY Mellon”), is responsible for dissemination of information about the Funds’ portfolio holdings. The Funds, together with BNY Mellon and Matthews (the “Service Providers”), may disclose information concerning securities held in the Funds’ portfolios under the following circumstances:

(i) The Funds will send shareholders portfolio holdings in the Funds’ annual and semi-annual reports, which are mailed to shareholders and posted on the Funds’ website.

(ii) The Funds may release top ten holdings on a monthly basis via the Funds’ website and/or written communication generally within 10 days of month end.

(iii) For Matthews Asia Dividend Fund, Matthews Asia Small Companies Fund, Matthews Emerging Asia Fund, Matthews Asia ESG Fund, Matthews India Fund and Matthews Japan Fund, preliminary holdings may be released on a quarterly basis 30 days after quarter end, and final holdings may be released on a quarterly basis 60 days after quarter end, via the Funds’ website and/or written communication. For the remaining Funds, preliminary holdings may be released on a monthly basis 30 days after month end, and final holdings may be released on a monthly basis 60 days after month end, via the Funds’ website and/or written communication.

(iv) BNY Mellon may send portfolio holdings to nationally recognized rating agencies via electronic transmission on a monthly or other periodic basis as requested.

(v) The Funds and the Service Providers may disclose the Funds’ portfolio security holdings in advance of general release and without delay to parties with which the Funds have ongoing arrangements to make this information available. Those parties receive such disclosure in connection with their day-to-day operations and management of the Funds and include the Funds’ custodian bank, Brown Brothers Harriman & Co.; Fund accountant, The Bank of New York Mellon; independent registered public accounting firm, PricewaterhouseCoopers LLP; pricing service providers, ICE Data Services and Thomson Reuters; financial printer, Donnelley Financial Solutions; legal counsel, Paul Hastings LLP and Sullivan & Worcester LLP; and proxy voting services. The Funds also may disclose their portfolio security holdings to third parties in connection with their on-going efforts to analyze their trading activity, and in connection with their periodic reviews of the performance of existing fund agents and advisors or the retention of new agents and advisors. Specifically, these parties include Bloomberg Finance L.P., FactSet Research Systems Inc., and ACA Compliance Group. Neither the Funds nor Matthews receive any compensation or other consideration in connection with any of these disclosure arrangements.

(vi) The Funds may disclose the Fund’s portfolio holdings on a confidential basis to other selected third parties only with the prior consent of a member of Matthews’ Compliance Department who is Director level or above (“Compliance”) and when the Funds have a legitimate business purpose for doing so. Examples of legitimate business purposes in which selective disclosure of the Funds’ portfolio securities may be appropriate include disclosure for due diligence purposes to an investment advisor that is in merger or acquisition talks with Matthews; disclosure to a newly hired investment advisor or sub-advisor prior to them commencing their duties; and disclosure to a rating or ranking organization. Currently the Funds have no such disclosure arrangements in place. In accordance with the Policies, third parties are required to keep confidential any information disclosed to them in accordance with the terms and conditions in non-disclosure agreements and/or confidential agreements, and no compensation may be received by the Funds, a Service Provider or any affiliate in connection with disclosure of such information. Such selected disclosure of portfolio holdings will be reported to the Board of Trustees at its next regular meeting, and such report should state the business purpose of the disclosure.

(vii) As required by the federal securities laws, including the 1940 Act, the Funds will disclose their portfolio holdings in their applicable regulatory filings, including shareholder reports, Form N-PORT, Form N-CSR or such other filings, reports or disclosure documents as the applicable regulatory authorities may require.

Certain separate client accounts and other pooled investment vehicles (such as those organized in foreign jurisdictions) managed by Matthews or its affiliates (such separate client accounts and other pooled investment vehicles collectively,

“Other Matthews Accounts”) may have investment objectives and strategies that are substantially similar to those of the Funds, and holdings of Other Matthews Accounts, which may be similar or identical to a Fund’s holdings, may be disclosed to clients of Other Matthews Accounts or others before the disclosure of the Fund’s holdings in accordance with the Policies. As a result, it is possible that those clients or others may use such information for their own benefit, which could negatively impact the Fund’s execution of purchase and sale transactions for portfolio investments.

The Policies may not be waived, or exception made, without the prior written consent of Compliance. Compliance may not waive or make exception to the Policies unless such waiver or exception is in furtherance of a legitimate business purpose and Compliance believes that there is no inherent conflict in doing so. In determining whether to permit a waiver of or exception to the Policies, Compliance will consider the purpose of the proposed disclosure, whether the proposed disclosure could provide the recipient with an advantage over other Fund shareholders and whether the proposed disclosure gives rise to a conflict of interest between the Funds’ shareholders and Matthews, the Funds’ principal underwriter or other affiliated person. Compliance will report all waivers of or exceptions to the Policies to the Board and will promptly notify the Board of any misuse and/or non-compliance with the Policies. The Board may impose additional restrictions on the disclosure of portfolio holdings information at any time.

The Policies are designed to provide useful information concerning the Funds to existing and prospective Fund shareholders while at the same time inhibiting the improper use of portfolio holdings information in trading Fund shares and/or portfolio securities held by the Funds. However, there can be no assurance that the provision of any portfolio holdings information is not susceptible to inappropriate uses (such as the development of “market timing” models), particularly in the hands of highly sophisticated investors, or that it will not in fact be used in inappropriate ways beyond the control of the Funds.

## **Management of the Funds**

### ***Board Leadership Structure and Risk Oversight.***

The operations of the Funds are under the direction of the Board of Trustees. The Board establishes the Funds’ policies and oversees and reviews the management of the Funds. The Board meets regularly (*i.e.*, at least quarterly) to review the investment performance of the Funds and other financial and operational matters, including policies and procedures with respect to compliance with regulatory and other requirements, as well as to review the activities of the Trust’s officers, who are responsible for the day-to-day operations of the Funds. The Board met 5 times during the fiscal year ended December 31, 2019.

The Board consists of eight Trustees, six of whom are not “interested persons” (as defined in the 1940 Act) of the Trust (the “Independent Trustees”) and two of whom are “interested persons” of the Trust (the “Interested Trustees”). An Independent Trustee serves as Chairman of the Board. In addition, both of the standing committees of the Board, to which the Board has delegated certain authority and supervisory responsibilities, are comprised exclusively of Independent Trustees. Those committees are the Audit Committee and the Governance Committee, whose responsibilities and activities are described below. As part of each regular Board meeting, the Independent Trustees meet separately from Matthews with their independent legal counsel and with the Trust’s CCO. The Board reviews its leadership structure periodically as part of its annual self-assessment process and believes that its structure is appropriate to enable the Board to exercise its oversight of the Funds.

The Funds have retained Matthews as the Funds’ investment adviser. Subject to the objectives and policies as the Board may determine, Matthews furnishes a continuing investment program for the Funds, makes investment decisions on their behalf, manages risks that arise from the Funds’ investments and operations, and provides administrative services to each Fund, all pursuant and subject to its investment advisory agreement, dated February 1, 2016, with the Trust, on behalf of the Funds (as amended from time to time, the “Advisory Agreement”). Employees of Matthews serve as the Trust’s officers, including the Trust’s President, Treasurer and CCO.

The Board oversees the services provided by Matthews, including certain risk management functions. Risk management is a broad concept that can cover many elements. The Board handles its review of different elements and types of risks in different ways. In the course of providing oversight, the Board and the Committees receive reports on the Funds’ activities, including regarding each Fund’s



investment portfolio and the Funds’ financial accounting and reporting. The Board also meets periodically with the Trust’s CCO who reports on the compliance of the Funds with the federal securities laws and the Trust’s internal compliance policies and procedures. The CCO reports to the Board the CCO’s assessment of various compliance, legal and regulatory risks, as well as actions taken to address those risks where appropriate. The Audit Committee’s meetings with the Funds’ independent auditors also contribute to its oversight of certain internal control risks. In addition, the Board meets periodically with the Portfolio Managers of the Funds to receive reports regarding the management of the Funds, including certain investment and operational risks. Because the Board has delegated the day-to-day activities of the Funds to Matthews and other service providers, the risk management oversight provided by the Board can mitigate but not eliminate the identified risks. Not all risks that may affect a Fund can be identified or processes and controls developed to eliminate or mitigate their occurrence or effects, and some risks are simply beyond any control of a Fund or Matthews, its affiliates or other service providers.

**Trustees and Officers.**

The Trustees and executive officers of the Funds, their years of birth, business addresses, principal occupations during the past five years and other directorships held are set forth below. The “Fund Complex” refers to the seventeen Funds comprising the Trust. The address of each Trustee and executive officer of the Trust is Four Embarcadero Center, Suite 550, San Francisco, CA 94111.

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Trusteeships/ Directorships (number of portfolios) Held by Trustee During Past 5 Years</u>
<b>INDEPENDENT TRUSTEES</b>					
Jonathan F. Zeschin Born 1953	Trustee and Chairman of the Board	Trustee since 2007 and Chairman of the Board since 2014	Partner (since 2009), Essential Investment Partners, LLC (investment advisory and wealth management).	18	Trustee (2019), Russell Investment Funds (9 Portfolios) and Russell Investment Company (32 Portfolios); Director (2013-2016), Matthews A Share Selections Fund, LLC (2 Portfolios).
Gale K. Caruso Born 1957	Trustee	Since 2015	Formerly President and Chief Executive Officer (1999–2003), Zurich Kemper Life (life insurance and annuities); Chairman, President and Chief Executive Officer (1994–1999), Scudder Canada Investor Services, Ltd. (investment management); Managing Director (1986–1999), Scudder Kemper Investments, Inc. (investment management).	18	Trustee (since 2006), Pacific Select Fund (57 Portfolios) and Pacific Funds Series Trust (39 Portfolios); Director (2015-2016), Matthews A Share Selections Fund, LLC (2 Portfolios); Director (2005-2012), Make-A-Wish Foundation of Maine; Director (2005–2009), LandAmerica Financial Group, Inc.; Director (2001-2003), Make-A-Wish of Northern Illinois; former member of the Board of Directors, Illinois Life Insurance Council.

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served<sup>1</sup></u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Other Trusteeships/ Directorships (number of portfolios) Held by Trustee During Past 5 Years</u>
<b>INDEPENDENT TRUSTEES</b>					
Christopher F. Lee Born 1967	Trustee	Since 2015	Consultant and Associate Professor (since 2017), Hong Kong University of Science and Technology; Lecturer (part-time) (2013-2019), The Chinese University of Hong Kong; Private Investor and Partner (since 2012), FAA Investments (financial holding company); Managing Director, Asia Region, and Head of Global Markets Investment Products & db-X (2010–2012), Deutsche Bank AG (financial services); Managing Director, Equity Risk Management Products, and Head of Intermediary Business (2002–2010), UBS AG (financial services); Vice President, Global Markets & Investment Bank (2000–2002), Vice President, International Private Clients Group (1997–2000), Associate, Debt and Equity Markets Group (1995-1997), Merrill Lynch & Co., Inc. (brokerage and investment management).	18	Director (since 2017), Hong Kong Securities and Investment Institute; Trustee (since 2013), African Wildlife Foundation; Director (2013-2018), Asian Master Funds (Australia) (1 Portfolio); Director (2015-2016), Matthews A Share Selections Fund, LLC (2 Portfolios); Trustee (2010-2016), Oakland Museum of California.
Richard K. Lyons Born 1961	Trustee	Since 2010	Chief Innovation and Entrepreneurship Officer (since 2020), UC Berkeley; Dean (2008-2018), Haas School of Business, UC Berkeley; Chief Learning Officer (2006–2008), Goldman Sachs (investment banking and investment management); Executive Associate Dean (2005–2006), Haas School of Business, UC Berkeley.	18	Trustee (since 2018), Syntax ETF Trust; Director (2013-2016), Matthews A Share Selections Fund, LLC (2 Portfolios); Trustee (2001–2006), Barclays Global Investors Funds and Master Investment Portfolio (15 Portfolios); Trustee (2000–2006), iShares, Inc. (24 Portfolios) and iShares Trust (over 70 Portfolios); Trustee (1994–2006) and Chairman of the Board (2000–2006), Matthews International Funds (9 Portfolios).

Rhoda Rossman Born 1958	Trustee	Since 2006	Council Member, California Catastrophe Response Council (since 2019); Vice President, Corporate Investment Officer (2007- 2010), Senior Vice President and Treasurer (2003-2007), The PMI Group, Inc. (mortgage insurer).	18	Director (2013-2016), Matthews A Share Selections Fund, LLC (2 Portfolios).
Toshi Shibano Born 1950	Trustee	Since 2003	Faculty (since 2000), General Electric's John F. Welch Leadership Center (financial executive development programs); President (since 1995), Executive Financial Literacy, Inc. (financial executive development programs); Faculty Director and Executive Education Lecturer (1995-2016), Center for Executive Education, Haas School of Business, UC Berkeley; Adjunct Professor (2000-2011), Columbia Graduate School of Business; Associate Professor (2001-2005), Thunderbird School of Global Management; Visiting Assistant Professor (2000), Stanford Graduate School of Business; Assistant Professor (1995-2000), University of Chicago Graduate School of Business; Assistant Professor (1988-1995), Haas School of Business, UC Berkeley.	18	Director (2013-2016), Matthews A Share Selections Fund, LLC (2 Portfolios).

## INTERESTED TRUSTEES

William J. Hackett <sup>2</sup> Born 1967	Trustee and President	Trustee since 2015 and President since 2008	Director (since 2016), Chief Executive Officer (since 2009), President (since 2008), and Secretary (2007-2016), Matthews (investment management); Manager (since 2010), Matthews Global Investors S.à.r.l. (Luxembourg) (investment management); Director (since 2010), Matthews Global Investors (Hong Kong) Limited (investment management); President (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company); Partner (2002–2007), Deloitte & Touche, LLP (accounting).	18	Chairman (since 2010) and Director (since 2009), Matthews Asia Funds SICAV (Luxembourg) (12 Portfolios); Director (since 2009), Matthews Asian Selections Funds, PLC (Ireland) (1 Portfolio); Director (2015-2017), Matthews A Share Selections Fund, LLC (2 Portfolios).
Robert Horrocks <sup>2</sup> Born 1968	Trustee and Vice President	Trustee since 2018 and Vice President since 2009	Chief Investment Officer (since 2009) and Director of Research (2008-2009), Matthews (investment management); Head of Research (2006-2008), Mirae Asset Management (investment management); Chief Investment Officer (2003-2006), Everbright Pramerica (investment management).	18	None

<sup>1</sup> Each Trustee serves for an indefinite term, until retirement age or until his/her successor is elected.

<sup>2</sup> Mr. Hackett is deemed an “interested person” of the Trust as defined under the 1940 Act because of his ownership interest in Matthews and the executive position he holds with Matthews. Mr. Horrocks is deemed an “interested person” of the Trust as defined under the 1940 Act because of his ownership interest in Matthews and the executive position he holds with Matthews.

<u>Name and Year of Birth</u>	<u>Position(s) Held with the Trust</u>	<u>Term of Office and Length of Time Served</u>	<u>Principal Occupation(s) During Past 5 Years</u>
<b>OFFICERS WHO ARE NOT TRUSTEES<sup>1</sup></b>			

Robert Harvey Born 1970	Vice President	Since 2016	Portfolio Manager (Since 2013), Senior Research Analyst (2012-2013), Matthews (investment management); Senior Portfolio Manager (2009-2012), PXP Vietnam Asset Management (investment management).
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Tiffany Hsiao, CFA Born 1979	Vice President	Since 2015	Portfolio Manager (since 2015), Senior Research Analyst (2014), Matthews (investment management); Research Analyst (2007-2013), Goldman Sachs Investment Partners (investment management).
Taizo Ishida Born 1957	Vice President	Since 2009	Portfolio Manager (since 2006), Matthews (investment management); Vice President and Portfolio Manager (2000-2006), Wellington Management Company (investment management).
J. David Kast Born 1966	Vice President	Since 2018	Chief Compliance Officer and Anti-Money Laundering Officer (since 2018), Global Head of Risk and Compliance (since 2017), Matthews (investment management); Managing Director (2009-2017), Goldman Sachs (investment management).
Gazala Khan Born 1969	Chief Compliance Officer and Anti-Money Laundering Officer	Since 2019	Chief Compliance Officer and Anti-Money Laundering Officer (since 2019), Matthews Asia Funds (registered investment company); Chief Compliance Officer (2009-2019), Goldman Sachs Trust and Variable Insurance Trust (registered investment company).
Teresa Kong, CFA Born 1972	Vice President	Since 2011	Portfolio Manager (since 2010), Matthews (investment management); Head of Emerging Market Investments (2006-2009), Barclays Global Investors (investment management).
John Paul Lech Born 1980	Vice President	Since 2020	Portfolio Manager (since 2018), Matthews (investment management); Equity Strategic Projects (2017-2018), Head of Research and Portfolio Manager (2015-2017), Oppenheimer (investment management).
Todd Lee Born 1968	Vice President	Since 2014	Assistant General Counsel (since 2016), Senior Counsel (2011-2015), Matthews (investment management); Vice President (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company); Senior Counsel (2007-2011), SVB Financial Group (banking).
Kenneth Lowe, CFA Born 1984	Vice President	Since 2012	Portfolio Manager (since 2011), Research Analyst (2010-2011), Matthews (investment management); Investment Manager (2008-2010), Martin Currie Investment Management (investment management).
Shai Malka Born 1973	Treasurer	Since 2005	Vice President of Fund Accounting and Operations (since 2010), Senior Manager of Fund Accounting and Operations (2004-2009), Matthews (investment management); Treasurer (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company).
Andrew Mattock, CFA Born 1975	Vice President	Since 2015	Portfolio Manager (since 2015), Matthews (investment management); Fund Manager (2000-2015), Henderson Global Investors (investment management).
John P. McGowan Born 1964	Vice President and Secretary	Since 2005	Head of Fund Administration (since 2009), Chief Administrative Officer (2007–2008), Chief Operating Officer (2004–2007), Matthews (investment management); Director (since 2010), Matthews Asia Funds SICAV (Luxembourg) (investments); Director (since 2010), Matthews Global Investors S.à r.l. (Luxembourg) (investment management); Director (since 2004), Matthews Asian Selections Funds, PLC (Ireland) (investments); Vice President and Secretary (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company).
Peeyush Mittal, CFA Born 1977	Vice President	Since 2019	Portfolio Manager (Since 2018), Senior Research Analyst (2015-2018), Matthews (investment management); Senior Research Analyst (2012-2015), Franklin Templeton (investment management).
David Monroe Born 1963	Vice President	Since 2014	General Counsel (since 2015), Deputy General Counsel (2014), Matthews (investment management); Chief Legal Officer (2006-2013), Nikko Asset Management Co., Ltd. (investment management).

Michael J. Oh, CFA Born 1976	Vice President	Since 2009	Portfolio Manager (since 2006), Assistant Portfolio Manager (2003-2006), Matthews (investment management).
Satya Patel Born 1982	Vice President	Since 2016	Portfolio Manager (since 2014), Research Analyst (2011-2014), Matthews (investment management).
Jonathan Schuman Born 1971	Vice President	Since 2010	Head of Global Business Development (since 2010), Matthews (investment management); Director (since 2019), Matthews Asia Funds SICAV (Luxembourg); Managing Director (1999-2010), PineBridge Investments (investment management).
Sharat Shroff, CFA Born 1973	Vice President	Since 2009	Portfolio Manager (since 2006), Matthews (investment management).
Vivek Tanneeru Born 1976	Vice President	Since 2015	Portfolio Manager (since 2014), Research Analyst (2011-2014), Matthews (investment management).
James E. Walter, CFA Born 1970	Vice President	Since 2009	Head of Investment Operations (since 2014), Executive Vice President of Investment Operations (2009-2014), Matthews (investment management).
Yu-Ming Wang Born 1965	Vice President	Since 2020	President and Global Chief Investment Officer (since 2020), Matthews (investment management); Deputy President and Global Chief Investment Officer (2013-2020), Nikko Asset Management (investment management).
Frank Wheeler Born 1963	Vice President	Since 2014	Global Head of Distribution (since 2013), Matthews (investment management); Executive Vice President (2011-2013), Nuveen Investments (investment management); Head of Distribution (2007-2010), FAF Advisors, Inc. (investment management).
Sherwood Zhang Born 1979	Vice President	Since 2018	Portfolio Manager (since 2014), Research Analyst (2011-2014), Matthews (investment management).
Yu Zhang Born 1975	Vice President	Since 2014	Portfolio Manager (since 2011), Research Analyst (2008 to 2011), Matthews (investment management).
Beini Zhou, CFA Born 1977	Vice President	Since 2015	Portfolio Manager (since 2014), Research Analyst (2013-2014), Matthews (investment management); Research Analyst (2005-2012), Artisan Partners.

<sup>1</sup> Each officer serves at the pleasure of the Board of Trustees. Each officer is considered an “interested person” of the Trust as defined under the 1940 Act because of an ownership interest in Matthews and/or an office held with the Trust or Matthews.

In addition, each of Marianna DiBenedetto and Jack Jafolla serves as an Assistant Treasurer of the Trust.

### ***Board Committees.***

Currently, the Board has an Audit Committee and a Governance Committee. Each committee is composed solely of the Independent Trustees (currently, Messrs. Lee, Lyons, Shibano and Zeschin, and Mses. Caruso and Rossman). The Chairperson and functions of each committee are set forth below.

**Audit Committee**      The Audit Committee has the responsibility, among other things, to (1) recommend the selection of the Funds' independent registered public accounting firm; (2) review and approve the scope of the independent registered public accounting firm's audit activity; (3) review the financial statements which are the subject of the independent registered public accounting firm's certifications; and (4) review with such independent registered public accounting firm the adequacy of the Funds' basic accounting system and the effectiveness of the Funds' internal accounting controls. Messrs Shibano, Lyons, Zeschin and Lee have been designated as Audit Committee financial experts in accordance with rules adopted by the SEC under the Sarbanes-Oxley Act of 2002.

The Audit Committee met 3 times during the fiscal year ended December 31, 2019.

**Governance Committee**      The Governance Committee has the responsibility, among other things, to (1) consider and nominate new Trustees to serve on the Board; (2) annually review and consider the compensation of the Board; and (3) manage the process for the Board's annual "self-assessment." The Governance Committee considers nominations from shareholders to the extent required by any applicable law, and any such shareholder recommendation must contain sufficient background information concerning the candidate to enable the Governance Committee to make a proper judgment as to the candidate's qualifications.

The Governance Committee has not established specific, minimum qualifications that must be met by an individual for the Governance Committee to recommend that individual for nomination as a Trustee. In evaluating candidates for a position on the Board, the Governance Committee considers a variety of factors it deems appropriate. The Governance Committee evaluates any nominees recommended to the Board by shareholders in the same manner as it evaluates nominees identified by the Governance Committee. Because the Trust does not hold regular annual shareholder meetings, no formal procedures have been established with respect to shareholder submission of Trustee candidates for consideration by the Governance Committee.

The Governance Committee considers candidates from various sources, including, but not limited to, candidates recommended by Trustees, shareholders (if required by applicable law), and officers of the Trust, Matthews, and other service providers of the Trust. Although the Governance Committee does not have a formal policy with regard to consideration of diversity in identifying potential nominees, the Governance Committee may consider whether a potential nominee's professional experience, education, skills, and other individual qualities and attributes, including gender, race, or national origin, would provide beneficial diversity of skills, experience, or perspective to the Board's membership and collective attributes. Such considerations will vary based on the Board's existing membership and other factors, such as the strength of a potential nominee's overall qualifications relative to diversity considerations.

The Governance Committee met 2 times during the fiscal year ended December 31, 2019.

The Board has also designated Ms. Rossman as the Board's compliance liaison. As compliance liaison, Ms. Rossman will serve as a point person for the Board to interact with the CCO in between regular quarterly Board meetings, as appropriate, and to communicate with the Board regarding compliance matters.

The Board may also establish various working groups from time to time as deemed necessary or appropriate. Such working groups would typically be comprised of a subset of the Board and would review matters as designated by the Board. Currently, the Board has established a 15(c) contract renewal group, comprised of Messrs. Zeschin and Lee and Ms. Caruso. The 15(c) contract renewal working group provides a preliminary review of Matthews' 15(c) contract renewal material before it is presented to the full Board.

***Information about Each Trustee's Qualifications, Experience, Attributes or Skills.***

The Board takes into account a variety of factors in the selection of candidates to serve as Trustees, including the then composition of the Board. Generally, no one factor is decisive in the selection of an individual to join the Board. Among the factors the Board considers when concluding that an individual should serve on the Board are the following: (i) the individual's business and professional experience and accomplishments; (ii) the individual's ability to work effectively with the other members of the Board; and (iii) how the individual's skills, experience, and attributes would contribute to an appropriate mix of relevant skills and experience on the Board. In addition, to serve as a Trustee, an individual should also possess various other intangible qualities such as intelligence, work ethic, and the ability to work together, to communicate effectively, to ask incisive questions, to exercise judgment, and to oversee the business of the Trust.

The Board also considers diversity of its Trustees. The Board has not adopted any particular standard or policy with respect to diversity, but it considers varied backgrounds, experiences, and perspectives in evaluating candidates, nominees and fellow Trustees.

The Board also considers, among other factors, the particular attributes described below with respect to the various individual Trustees.

Ms. Caruso has many years of financial services experience in the U.S. and Canada, including substantial executive experience in the investment management industry and extensive experience serving on the boards of mutual funds and other companies.

Mr. Lee has many years of global financial markets experience, managing derivative product development and marketing activities to financial institutional clients in a number of Asian countries, as well as substantial experience as a member of management and executive committees and as a director of an investment company listed on the Australian Stock Exchange.

Mr. Lyons has enjoyed and continues to enjoy a distinguished academic and professional career in fields relevant to business and the investment industry generally, and he has many years of experience as a director or trustee of investment companies, including over a decade in the past as a Trustee of the Trust.

Ms. Rossman has many years of experience as an investment professional specializing in portfolio management and is familiar with the analysis of investment strategy, trading, and performance results, and she has been serving on the Board since 2006.

Mr. Shibano has many years of academic and professional business experience with prominent institutions and companies, much of which has related to financial matters, and he also has over ten years of experience serving on the Board.

Mr. Zeschin has many years of experience in the investment management and investment advisory industry, including substantial experience with mutual funds as an independent trustee or independent director and chairman of board, and he has been serving on the Board since 2007.

Mr. Hackett has extensive executive and global investment management experience as the senior executive of Matthews and as a partner of one of the leading accounting and consulting firms in the world, and he has been serving on the boards of two registered investment companies (one in Luxembourg and one in Ireland) sponsored by Matthews or an affiliate since 2010 and 2009.

Mr. Horrocks has extensive investment management experience as the Chief Investment Officer of Matthews and has been serving as the chief investment officer or similar function in the investment management industry since 2003.



***Fund Ownership by Trustees.***

The following table sets forth the dollar range of equity securities beneficially owned by each Trustee in each of the Funds and in all registered investment companies overseen by the Trustee within the same family of investment companies, as of December 31, 2019.

<u>Name of Trustee</u>	<u>Dollar Range of Equity Securities in each of the Funds</u>	<u>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee within the Family of Investment Companies*</u>
<b>INDEPENDENT TRUSTEES</b>		
Gale K. Caruso	<ul style="list-style-type: none"> <li>• Matthews Asia Dividend Fund \$10,001-\$50,000</li> <li>• Matthews Pacific Tiger Fund \$50,001-\$100,000</li> <li>• Matthews India Fund \$10,001-\$50,000</li> </ul>	Over \$100,000
Christopher F. Lee	<ul style="list-style-type: none"> <li>• Matthews Asia Dividend Fund \$1-\$10,000</li> <li>• Matthews Asia Innovators Fund \$10,001-\$50,000</li> <li>• Matthews India Fund \$1-\$10,000</li> <li>• Matthews Asia Small Companies Fund \$10,001-\$50,000</li> </ul>	\$50,001-\$100,000
Richard K. Lyons	<ul style="list-style-type: none"> <li>• Matthews Pacific Tiger Fund Over \$100,000</li> </ul>	Over \$100,000
Rhoda Rossman	<ul style="list-style-type: none"> <li>• Matthews Asian Growth and Income Fund \$10,001-\$50,000</li> <li>• Matthews Asia Dividend Fund \$10,001-\$50,000</li> <li>• Matthews China Dividend Fund \$10,001-\$50,000</li> <li>• Matthews India Fund \$10,001-\$50,000</li> <li>• Matthews Japan Fund \$10,001-\$50,000</li> <li>• Matthews Asia Innovators Fund \$10,001-\$50,000</li> </ul>	Over \$100,000
Toshi Shibano	<ul style="list-style-type: none"> <li>• Matthews China Fund \$10,001-\$50,000</li> <li>• Matthews India Fund \$10,001-\$50,000</li> </ul>	\$50,001-\$100,000
Jonathan Zeschin	<ul style="list-style-type: none"> <li>• Matthews Asia Credit Opportunities Fund \$10,001-\$50,000</li> <li>• Matthews Asia Dividend Fund Over \$100,000</li> <li>• Matthews China Dividend Fund \$50,001-\$100,000</li> <li>• Matthews Asia Value Fund \$10,001-\$50,000</li> <li>• Matthews Asia Growth Fund \$50,001-\$100,000</li> <li>• Matthews India Fund \$10,001-\$50,000</li> <li>• Matthews Japan Fund \$10,001-\$50,000</li> <li>• Matthews China Small Companies Fund \$10,001-\$50,000</li> <li>• Matthews Asia Innovators Fund \$50,001-\$100,000</li> <li>• Matthews Asia Total Return Bond Fund \$50,001-\$100,000</li> </ul>	Over \$100,000

<u>Name of Trustee</u>	<u>Dollar Range of Equity Securities in each of the Funds</u>	<u>Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee within the Family of Investment Companies*</u>
<b>INTERESTED TRUSTEES</b>		
William J. Hackett	<ul style="list-style-type: none"> <li>• Matthews Asia Total Return Bond Fund</li> <li>• Matthews Asian Growth and Income Fund</li> <li>• Matthews Asia Dividend Fund</li> <li>• Matthews China Dividend Fund</li> <li>• Matthews Pacific Tiger Fund</li> <li>• Matthews Emerging Asia Fund</li> <li>• Matthews China Fund</li> <li>• Matthews Japan Fund</li> <li>• Matthews Korea Fund</li> <li>• Matthews Asia Small Companies Fund</li> <li>• Matthews China Small Companies Fund</li> <li>• Matthews Asia Innovators Fund</li> <li>• Matthews Asia Credit Opportunities Fund</li> </ul>	Over \$100,000 \$10,001-\$50,000 \$10,001-\$50,000 \$50,001-\$100,000 \$10,001-\$50,000 Over \$100,000 Over \$100,000 \$10,001-\$50,000 \$10,001-\$50,000 \$10,001-\$50,000 Over \$100,000 \$1-10,000 Over \$100,000 Over \$100,000
Robert Horrocks	<ul style="list-style-type: none"> <li>• Matthews Asia Total Return Bond Fund</li> <li>• Matthews Asian Growth and Income Fund</li> <li>• Matthews Asia Dividend Fund</li> <li>• Matthews China Dividend Fund</li> <li>• Matthews Emerging Asia Fund</li> </ul>	Over \$100,000 Over \$100,000 Over \$100,000 Over \$100,000 \$10,001-\$50,000

As of December 31, 2019, none of the Independent Trustees or their respective immediate family members (spouse or dependent children) owned beneficially or of record an interest in Matthews or the Funds' underwriter, or in any person directly or indirectly controlling, controlled by, or under common control with Matthews or the Funds' underwriter.

\* As of December 31, 2019, the "Fund Complex" consisted of the Trust's 17 Funds. Upon commencement of operations of the Matthews Emerging Markets Equity Fund, which is expected to occur on April 30, 2020, the "Fund Complex" will consist of the Trust's 18 Funds.

### **Shareholders' Voting Powers**

On any matter submitted to a vote of shareholders, all shares shall be voted separately by the individual Fund, except that the shares shall be voted in the aggregate and not by individual Fund when (i) required by the 1940 Act; or (ii) the Board of Trustees has determined that the matters affect the interests of more than one Fund (*e.g.*, the election of a new member to the Board of Trustees of the Trust). Each whole share is entitled to one vote as to any matter on which it is entitled to vote, and each fractional share is entitled to a proportionate fractional vote.

### **Approval of Investment Advisory Agreement**

The Trust has retained Matthews to manage the assets of each of the Funds pursuant to the Advisory Agreement, which has been approved by the Board of Trustees, including the Independent Trustees. Additional information regarding the Advisory Agreement may be found in the section entitled "Investment Advisor, Underwriter and Other Service Providers." The Advisory Agreement has an initial term of two years for each Fund and continues in effect from year to year thereafter provided such continuance is specifically approved at least annually by the vote of the holders of at least a majority of the outstanding shares of the respective Fund, or by the Board of Trustees, and in either event, by a majority of the Independent Trustees casting votes in person at a meeting called for such purpose. A discussion regarding the basis for the Board of Trustees' approval of the Advisory Agreement with respect to the Funds (other than the Matthews Emerging Markets Equity Fund) is available in the Funds' Annual Report to Shareholders for the fiscal year ended December 31, 2019. The discussion regarding the basis for the Board of Trustees' approval of the Advisory Agreement with respect to the Matthews Emerging Markets Equity Fund will be available in the Funds' Semi-Annual Report to Shareholders for the fiscal period ending June 30, 2020.

## Compensation

The fees and expenses of the Trustees are allocated to each series of the Trust and paid by the Trust. The following table shows the fees paid during the fiscal year ended December 31, 2019 to the Trustees for their service to the Funds and the total compensation paid to the Trustees by the Fund Complex.

	Fiscal Year Ended December 31, 2019			Total
	Aggregate	Pension or	Estimated	Compensation
	Compensation	Retirement	Annual Benefits	From
	from the Trust	Benefits Accrued	Upon Retirement	Fund Complex
		as Part of Fund		Paid to
		Expenses		Trustees**
<b>Independent Trustees</b>				
Gale K. Caruso	\$ 177,000	None	None	\$ 177,000
Christopher F. Lee	\$ 177,000	None	None	\$ 177,000
Richard K. Lyons	\$ 177,000	None	None	\$ 177,000
Rhoda Rossman	\$ 177,000	None	None	\$ 177,000
Toshi Shibano	\$ 177,000	None	None	\$ 177,000
Jonathan F. Zeschin	\$ 224,740	None	None	\$ 224,740
<b>Interested Trustees*</b>				
William J. Hackett	\$ 0	None	None	\$ 0
Robert Horrocks	\$ 0	None	None	\$ 0

\* No compensation is paid by the Trust to the Interested Trustees.

\*\* As of December 31, 2019, the “Fund Complex” consisted of the Trust’s 17 Funds. Upon commencement of operations of the Matthews Emerging Markets Equity Fund, which is expected to occur on April 30, 2020, the “Fund Complex” will consist of the Trust’s 18 Funds.

No officer or employee of Matthews receives any compensation from the Funds for acting as an officer or employee of the Trust. The officers of the Trust receive no compensation directly from the Funds for performing the duties of their offices. Neither the Trustees nor the officers of the Trust receive any pension or retirement benefits from the Funds.

## Code of Ethics

The Trust and Matthews have adopted a written code of ethics (the “Code of Ethics”) pursuant to Section 17(j) of the 1940 Act and Rule 17j-1 thereunder and Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code of Ethics requires certain persons with access to investment information (“Access Persons”) to obtain prior clearance before engaging in certain personal securities transactions. Transactions must be executed generally within 2 business days of clearance. In addition, all Access Persons must report their personal securities transactions within 10 days after the end of each calendar quarter or becoming an Access Person, and file an annual statement within 45 calendar days with respect to their personal securities holdings. Access Persons and members of their immediate family are prohibited from directly and indirectly acquiring beneficial ownership in any Asia Pacific or emerging country security (excluding ownership of shares of an investment company registered under the 1940 Act). Any material violation of the Code of Ethics is reported to the Board of Trustees. The Board of Trustees also oversees the administration of the Code of Ethics. The Code of Ethics is on file with the SEC.

## **Proxy Voting Policies and Procedures**

The Board of Trustees has delegated to Matthews the authority to vote proxies of companies held in each Fund's portfolio. Matthews has written Proxy Voting Policies and Procedures ("Proxy Policies") to retain the proxy advisory services of an independent proxy consultant, Institutional Shareholder Services, a division of RiskMetrics Group, Inc. ("ISS"), and adopted ISS Proxy Voting Guidelines to assist Matthews in evaluating shareholder proposals, effecting proxy votes and maintaining appropriate records. Matthews also retains the services of other independent proxy consultants and considers their proxy voting guidelines and proxy advisory recommendations to augment research in certain markets.

For significant corporate matters, such as establishing pension or profit sharing plans, proposed mergers and acquisitions, and sales of assets, as well as ESG related matters, ISS Proxy Voting Guidelines establish guidelines for evaluating the facts and circumstances of the particular proposal. In such circumstances, Matthews evaluates the proposal in light of the best interests of a Fund and its shareholders and votes accordingly. With respect to other more routine matters, the ISS Proxy Voting Guidelines may establish certain standards that, if satisfied, will result in a vote for or against a proposal. Routine matters include (i) election of directors; (ii) approval of auditors; (iii) approval of dividends and distributions; (iv) confidential voting; and (v) limitation on charitable contributions or fees paid to professional advisors. However, even in these circumstances, Matthews reserves the right to evaluate each proposal individually, and to vote on the matter in a manner that Matthews believes is in the best interest of a Fund or its shareholders (even if that vote is inconsistent with ISS Proxy Voting Guidelines) ("Override"). For example, while Matthews generally votes in favor of management's nominees for a board of directors, it may vote against management nominees if it believes that the board was entrenched or otherwise not acting in the best interests of shareholders. Matthews generally votes in the same manner for each of its Funds, subject to the individual objectives of each Fund. As a result, Matthews may vote in favor of a proposal for certain Funds while voting against the same proposal for other Funds ("Split Votes"). Matthews also reserves the right to revise, alter or supplement the Proxy Policies from time-to-time, which may result in different votes on similar issues over time.

There may be circumstances in which Matthews believes that refraining from voting on a matter submitted to shareholders is in the best interests of the Funds or its shareholders, such as when the cost of voting the proxy exceeds the expected benefit to a Fund. Similarly, voting on shareholder matters in foreign countries, particularly in emerging markets, may be subject to restrictions (including registration procedures that may result in a holding becoming illiquid for a period of time) and limitations that impede or make impractical the exercise of shareholder rights. Such limitations may include (i) untimely or inadequate notice of shareholder meetings; (ii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes; (iii) in person voting requirements; (iv) restrictions on the sale of securities for periods surrounding the shareholder meeting ("share blocking"); (v) granting local agents powers of attorney to facilitate voting instructions; (vi) proxy materials or ballots not being readily available; and (vii) proxy materials or ballots not being available in English.

There may be circumstances in which Matthews has or may be perceived to have a conflict or potential conflict of interest in voting on particular matters. Matthews attempts to minimize this potential by utilizing an independent consultant to monitor and apply ISS Proxy Voting Guidelines. Matthews also monitors for conflicts and potential conflicts of interest circumstances. When a material conflict of interest is identified, Matthews (i) votes proxies in accordance with a pre-determined policy; (ii) votes proxies based upon the recommendations of an independent third party; (iii) advises the Board of Trustees of the circumstances, seeks their direction, and votes accordingly; or (iv) takes other action as may be appropriate in the particular circumstances.

In addition to providing research and other proxy voting services, ISS, through its Corporate Services Division, offers products and services to issuers of proxy solicitations consisting of advisory and analytical services, self-assessment tools and publications. ISS has represented that employees of its Corporate Services Division are not involved in ISS' analysis of filed proxy proposals or preparation of vote recommendations. Nonetheless, ISS has adopted policies and procedures to guard against and to resolve any conflicts of interest that may arise in connection with its provision of research analyses, vote recommendations and voting services to Matthews.

Information regarding how the Funds voted proxies relating to portfolio securities during the 12-month period ended June 30, 2019 is available without charge, (1) by visiting [matthewsasias.com](http://matthewsasias.com), (2) by calling the Fund at (800) 789-ASIA (2742) and (3) on the SEC's website at [sec.gov](http://sec.gov).

## **Control Persons and Principal Holders of Securities**

As of April 1, 2020, the Trustees and officers as a group owned less than 1% of the outstanding shares of each Class of the Funds, except for the Institutional Class of the Matthews Asia Total Return Bond Fund, the Investor Class of the Matthews Asia Credit Opportunities Fund, the Investor Class of the Matthews Asia Value Fund, and the Investor Class of the Matthews China Small Companies Fund. As of April 1, 2020, the Trustees and officers as a group owned 1.00% of the Institutional Class of the Matthews Asia Total Return Bond Fund, 1.54% of the Investor Class of the Matthews Asia Credit Opportunities Fund, 2.37% of the Investor Class of the Matthews Asia Value Fund, and 1.89% of the Investor Class of the Matthews China Small Companies Fund.

The tables below show, as of April 1, 2020, the persons who owned of record or beneficially 5% or more of the outstanding voting shares of the Funds. Any person owning more than 25% of the voting securities of a Fund may be deemed to have effective voting control over the operation of that Fund, which would diminish the voting rights of other shareholders.

<u>Fund</u>	<u>Account Holder Name and Address</u>	<u>Percentage of Shares</u>
Matthews Asia Credit Opportunities Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	78.62
	Wells Fargo Clearing Services 2801 Market Street Saint Louis, MO 63103	11.74
Matthews Asia Credit Opportunities Fund – Investor Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	51.52
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	21.31
	Vanguard Brokerage Services PO Box 1170 Valley Forge PA 19482-1170	12.10
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	8.61
Matthews Asia Dividend Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	25.95
	Morgan Stanley Smith Barney LLC For The Exclusive Benefit Of Its Customers 1 New York Plaza Fl 12 New York NY 10004-1901	18.37
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	16.90
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	7.44

	UBS Wm USA Spec Cdy A/C Exl Ben Customers Of UBSFSI 1000 Harbor Blvd Weehawken, NJ 07086	6.92
Matthews Asia Dividend Fund –Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	41.80
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	21.82
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	13.87
Matthews Asia ESG Fund – Investor Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	38.34
	LPL Financial Omnibus Customer Account Attn Lindsay Otoole 4707 Executive Drive San Diego CA 92121	32.37
	Raymond James Omnibus For Mutual Funds House Acct Firm Attn Courtney Waller 880 Carrillon Parkway St Petersburg FL 33716	15.91
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	5.21
Matthews Asia ESG Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	43.49
	Matthews International Capital Mgmnt LLC Four Embarcadero Ctr Ste 550 San Francisco CA 94111-5912	32.64
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	12.80

Matthews Asia Growth Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	23.46
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	18.23
	Morgan Stanley Smith Barney LLC For The Exclusive Benefit Of Its Customers 1 New York Plaza Fl 12 New York NY 10004-1901	9.43
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	8.12
	Wells Fargo Clearing Svcs LLC Special Custody Acct For The Exclusive Benefit Of Customer 2801 Market Street St Louis MO 63103	7.70
	UBS Wm USA Spec Cdy A/C Exl Ben Customers Of UBSFSI 1000 Harbor Blvd Weehawken, NJ 07086	7.60
	Charles Schwab & Co Special Custody A/C FBO Customers Attn Mutual Funds 211 Main Street San Francisco CA 94105	5.59
Matthews Asia Growth Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	29.79
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	22.40
	Band & Co C/O US Bank NA 1555 N. Rivercenter Drive Ste. 302 Milwaukee WI 53212	14.53
	Capinco C/O US Bank NA PO Box 1787 Milwaukee WI 53201-1787	9.86

	Merrill Lynch Pierce Fenner & Smith Inc Fsbo Its Customers Attn Service Team 4800 Deer Lake Dr E Fl 3 Jacksonville FL 32246-6484	9.81
Matthews Asia Innovators Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	27.25
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	22.38
	Charles Schwab & Co Special Custody A/C FBO Customers Attn Mutual Funds 211 Main Street San Francisco CA 94105	9.68
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	7.63
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	5.59
	LPLFinancial Omnibus Customer Account Attn Lindsay Otoole 4707 Executive Drive San Diego CA 92121	5.27
Matthews Asia Innovators Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	42.19
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	26.34
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	17.61
	AHS Hospital Corp Atlantic Health System 100 Madison Ave #920 Morristown NJ 07962-1956	6.68



Matthews Asia Small Companies Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	65.74
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	18.15
	Merrill Lynch Pierce Fenner & Smith Inc FBO Its Customers Attn Service Team 4800 Deer Lake Dr E Fl 3 Jacksonville FL 32246-6484	6.37
Matthews Asia Small Companies Fund – Investor Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	27.57
	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	24.48
	UBS Wm USA Spec Cdy A/C Exl Ben Customers Of UBSFSI 1000 Harbor Blvd Weehawken, NJ 07086	8.02
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	5.67
Matthews Asia Total Return Bond Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	42.57
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	30.16
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	6.53
Matthews Asia Total Return Bond Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	53.43

	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	25.18
	Wells Fargo Clearing Services 2801 Market Street Saint Louis, MO 63103	13.23
Matthews Asia Value Fund – Investor Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	47.11
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	25.51
	Vanguard Brokerage Services PO Box 1170 Valley Forge PA 19482-1170	6.19
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	5.00
Matthews Asia Value Fund – Institutional Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	63.34
	Harder Foundation 5051 Castello Dr Ste 11 Naples FL 34103-8959	16.19
	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	10.94
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	5.38
Matthews Asian Growth and Income Fund – Institutional Class	JP Morgan Securities LLC Omnibus Account For The Exclusive Benefit Of Customers 4 Chase Metrotech Center 3rd Floor Mutual Fund Department Brooklyn NY 11245	33.51

	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	27.18
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	18.64
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	7.36
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	6.43
Matthews Asian Growth and Income Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	27.82
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	23.85
	Wells Fargo Clearing Svcs LLC Special Custody Acct For The Exclusive Benefit Of Customer 2801 Market Street St Louis MO 63103	7.41
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	6.36
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	6.25
Matthews China Dividend Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	37.03
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	21.18

	Morgan Stanley Smith Barney LLC For The Exclusive Benefit Of Its Customers 1 New York Plaza Fl 12 New York NY 10004-1901	10.44
Matthews China Dividend Fund- Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	68.69
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	9.78
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	8.65
Matthews China Fund – Investor Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	28.85
	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	26.72
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	8.10
Matthews China Fund – Institutional Class	SEI Private Trust Company C/O Choate, Hall, Stewart Id 747 Attn: Mutual Fund Administrator One Freedom Valley Drive Oaks, PA 19456	49.84
	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	15.52
	Merrill Lynch Pierce Fenner & Smith Inc FSBO Its Customers Attn Service Team 4800 Deer Lake Dr E Fl 3 Jacksonville FL 32246-6484	11.12
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	10.39

Matthews China Small Companies Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	57.23
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	13.47
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	11.91
	SEI Private Trust Company C/O Id 747 Attn: Mutual Funds One Freedom Valley Drive Oaks, PA 19456	9.49
Matthews China Small Companies Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	41.88
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	26.78
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	5.52
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	5.18
Matthews Emerging Asia Fund – Investor Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	29.98
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	28.71
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	6.76

	LPL Financial Omnibus Customer Account Attn Lindsay Otoole 4707 Executive Drive San Diego CA 92121	5.32
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	5.19
Matthews Emerging Asia Fund – Institutional Class	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	51.65
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	30.94
Matthews India Fund – Investor Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	31.53
	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	18.64
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	7.64
	Charles Schwab & Co Special Custody A/C FBO Customers Attn Mutual Funds 211 Main Street San Francisco CA 94105	6.94
	Vanguard Brokerage Services PO Box 1170 Valley Forge PA 19482-1170	5.00
Matthews India Fund – Institutional Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	36.31
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	18.43
	Merrill Lynch Pierce Fenner & Smith Inc Fsbo Its Customers Attn Service Team 4800 Deer Lake Dr E Fl 3 Jacksonville FL 32246-6484	16.73

	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	9.83
Matthews Japan Fund – Investor Class	Morgan Stanley Smith Barney LLC For The Exclusive Benefit Of Its Customers 1 New York Plaza Fl 12 New York NY 10004-1901	72.88
	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	5.62
	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	5.14
Matthews Japan Fund – Institutional Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	36.76
	Brown Brothers Harriman & Co As Custodian For Pr-Fondo2 Attn Mutual Funds Services 140 Broadway New York NY 10005	12.63
	Dengel & Co. C/O Fiduciary Trust Co. Int'l. PO Box 3199 Church Street Station New York NY 10008	12.62
	Proteccion Afp/Fondo De Pensiones Obligatorias Proteccion Moderado Calle 49 N'63-100 Torre Proteccion Medellin Colombia	8.22
	Brown Brothers Harriman & Co As Cust For Afp Provida Tipo C Attn Mutual Funds Services 140 Broadway New York NY 10005	7.08
	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	5.46

	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	5.36
Matthews Korea Fund – Investor Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	46.40
	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	17.99
	TD Ameritrade Inc For The Exclusive Benefit Of Our Clients PO Box 2226 Omaha NE 68103-2226	5.99
Matthews Korea Fund – Institutional Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	26.86
	Elliott V Stein 300 E 54th St Apt 321 New York NY 10022-5018	20.46
	Andrew Rosenthal 54 Riverside Drive Apt. Ph-E New York NY 10024-3015	13.98
	Charles Schwab & Co Special Custody A/C FBO Customers Attn Mutual Funds 211 Main Street San Francisco CA 94105	13.95
	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	10.14
	Merrill Lynch Pierce Fenner & Smith Inc Fsbo Its Customers Attn Service Team 4800 Deer Lake Dr E Fl 3 Jacksonville FL 32246-6484	7.04
Matthews Pacific Tiger Fund – Investor Class	Charles Schwab & Co Inc FBO Special Custody Acct For Exclusive Benefit Of Customers Attn Mutual Funds 101 Montgomery St San Francisco CA 94104-4122	27.60



	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	22.25
	Pershing LLC 1 Pershing Plaza Jersey City NJ 07399-0001	11.36
Matthews Pacific Tiger Fund – Institutional Class	National Financial Services Corp (FBO) Our Customers Attn Mutual Funds Department 4th Fl 499 Washington Blvd Fl 5 Jersey City NJ 07310-2010	37.46
	Charles Schwab & Co Inc Special Custody Acct FBO Customers Attn Mutual Funds 101 Montgomery Street San Francisco CA 94104-4122	22.85
	JP Morgan Securities LLC Omnibus Account For The Exclusive Benefit Of Customers 4 Chase Metrotech Center 3rd Floor Mutual Fund Department Brooklyn NY 11245	10.42
	Pershing 1 Pershing Plaza Jersey City NJ 07399-0001	6.49

### **Investment Advisor, Underwriter and Other Service Providers**

#### *Investment Advisor*

Currently the Trust employs only one investment advisor, Matthews International Capital Management, LLC. RBC USA Holdco Corporation (“RBC”), which is a direct, wholly owned subsidiary of the publicly traded Royal Bank of Canada, and Mizuho Bank, Ltd. (“Mizuho”), which is a direct, wholly owned subsidiary of the publicly traded Mizuho Financial Group, Inc., each has an ownership interest of 10–25% in Matthews. Funds managed by a subsidiary of Lovell Minnick Partners LLC (“Lovell Minnick”), a private equity firm and registered investment advisor, also have a collective ownership interest (through direct owners) of 10–25% in Matthews. G. Paul Matthews and Mark W. Headley, who is a member of the Board of Directors of Matthews, each has an ownership interest of 10–25%, and 5–10%, respectively, in Matthews. A representative of each of RBC, Lovell Minnick and Mizuho, as well as Mr. Headley, are members of the Board of Directors of Matthews. Because of their ownership of, or positions with, Matthews, each of RBC, Lovell Minnick, Mizuho, Mr. Matthews and Mr. Headley may, for certain purposes, be deemed to be affiliated with Matthews.

Matthews performs its duties and is paid pursuant to its Advisory Agreement. The Trust, on behalf of the Funds, and Matthews are parties to the Advisory Agreement. Shareholders are not parties to, or intended (or “third party”) beneficiaries of, the Advisory Agreement. Rather, the Trust and its respective investment series are the sole intended beneficiaries of the Advisory Agreement. Neither this SAI nor the Prospectus is intended to give rise to any contract rights or other rights in any shareholder, other than any rights conferred by federal or state securities laws that may not be waived. Some of the terms of the Advisory Agreement are set by the 1940 Act, such as the annual review and renewal of the Advisory Agreement by the Board of Trustees after an initial two-year term and the termination by the Board of Trustees without penalty on 60 days’ notice.

The advisory services provided by Matthews and the fees received by it for such services are described in the Prospectus. Matthews may, from time-to-time, voluntarily waive its advisory fees and/or reimburse expenses with respect to one or more of the Funds, but is not obligated to do so. Matthews may delegate certain of its duties under the Advisory Agreement to an adviser or participating affiliate it controls, subject to its ongoing supervision. Matthews has organized an entity in Hong Kong, Matthews Global Investors (Hong Kong) Limited, and an entity in Singapore, Matthews Global Investors (Singapore) Pte. Ltd., each of which is technically regarded as a “participating affiliate” of Matthews. Personnel associated with Matthews Global Investors (Hong Kong) Limited provide certain portfolio management services at no extra cost to the Matthews China Dividend Fund. Personnel associated with Matthews Global Investors (Singapore) Pte. Ltd. provide certain portfolio management services at no extra cost to the Matthews Emerging Asia Fund.

Under the Advisory Agreement, Matthews is not liable for any error of judgment or mistake of law or for any loss suffered by the Funds in connection with the performance of the Advisory Agreement, except a loss resulting from willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or from reckless disregard of its duties and obligations thereunder.

The terms of the Advisory Agreement provide that, after an initial two-year term, it will continue from year to year provided that it is approved at least annually by the vote of the holders of at least a majority of the outstanding shares of each Fund, or by the Board of Trustees, including a majority of the Independent Trustees. The Advisory Agreement may be terminated with respect to a Fund by vote of the Board of Trustees or by the holders of a majority of the outstanding voting securities of each Fund, at any time without penalty, on 60 days’ written notice to Matthews. Matthews may also terminate its advisory relationship with respect to a Fund on 60 days’ written notice to that Fund. The Advisory Agreement cannot be assigned; any assignment would automatically terminate the Advisory Agreement.

Under the Advisory Agreement, each Fund is responsible for payment of all of its expenses except those specifically assumed by Matthews or another third party, including payment of the following expenses:

1. The fees and expenses of the Independent Trustees;
2. The salaries and expenses of any of the Funds’ officers or employees who are not affiliated with Matthews;
3. Interest expenses;
4. Taxes and governmental fees;
5. Brokerage commissions and other expenses incurred in acquiring or disposing of portfolio securities;
6. The expenses of registering and qualifying shares for sale with the SEC and with various state securities commissions;
7. Accounting and legal costs;
8. Insurance premiums;
9. Fees and expenses of the Funds’ custodian, administrator and transfer agent and any related services;
10. Expenses of obtaining quotations of the Funds’ portfolio securities and of pricing the Funds’ shares;
11. Expenses of maintaining the Funds’ legal existence and of shareholders’ meetings;
12. Expenses of preparation and distribution to existing shareholders of reports, proxies and prospectuses;
13. Fees and expenses of membership in industry organizations; and
14. Expenses related to the development and maintenance of the Funds’ Compliance Program as required by the 1940 Act.

The ratio of each Fund’s expenses to its relative net assets can be expected to be higher than the expense ratio of a fund investing solely in domestic securities, since the cost of maintaining the custody of foreign securities is generally higher than comparable expenses for such other funds and the rate of investment management fees paid by each Fund may also be higher than the comparable expenses of such other funds.

General expenses of the Trust such as costs of maintaining corporate existence, legal fees, insurance, etc., and expenses shared by the Funds will be allocated among the Funds on a basis deemed fair and equitable by the Board of Trustees, which may be based on the relative net assets of the Funds or the nature of the services performed and relative applicability to each Fund. Expenses which relate exclusively to a particular Fund, such as certain registration fees, brokerage commissions and other portfolio expenses, will be borne directly by that Fund.

The Funds pay Matthews (i) for management and advisory services; and (ii) for certain administrative services, an annual fee as a percentage of average daily net assets. Pursuant to the Advisory Agreement, the Funds, other than the excluded Matthews Asia Total Return Bond Fund, Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund, Matthews China Small Companies Fund and Matthews Asia Credit Opportunities Fund (such Funds other than the excluded Funds collectively, the “Family-Priced Funds”), in the aggregate pay Matthews 0.75% of the aggregate average daily net assets of the Family-Priced Funds up to \$2 billion, 0.6834% of the aggregate average daily net assets of the Family-Priced Funds over \$2 billion up to \$5 billion, 0.65% of the aggregate average daily net assets of the Family-Priced Funds over \$5 billion up to \$25 billion, 0.64% of the aggregate average daily net assets of the Family-Priced Funds over \$25 billion up to \$30 billion, 0.63% of the aggregate average daily net assets of the Family-Priced Funds over \$30 billion up to \$35 billion, 0.62% of the aggregate average daily net assets of the Family-Priced Funds over \$35 billion up to \$40 billion, 0.61% of the aggregate average daily net assets of the Family-Priced Funds over \$40 billion up to \$45 billion, and 0.60% of the aggregate average daily net assets of the Family-Priced Funds over \$45 billion.

Pursuant to the Advisory Agreement, each of the Matthews Asia Small Companies Fund, Matthews China Small Companies Fund and Matthews Emerging Asia Fund pays Matthews an annual fee of 1.00% of the average daily net assets of such Fund up to \$1 billion and 0.95% of the average daily net assets of such Fund over \$1 billion. Pursuant to the Advisory Agreement, each of the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund pays Matthews an annual fee of 0.55% of such Fund’s average daily net assets.

Each Fund pays Matthews a monthly fee at the annual rate using the applicable investment management fee calculated based on the actual numbers of days of the month and based on the Fund’s average daily net assets for the month. In addition, under the Shareholder Services Agreement (as defined below), the Funds pay Matthews a fee for administrative and shareholder services. See “Shareholder Servicing and Administration.”

During the fiscal years ended December 31, 2017, 2018, and 2019, the aggregate advisory fees earned by Matthews before and after waivers of fees and/or reimbursement/subsidy of expenses by Matthews were as follows:

Fiscal Year Ended December 31	Aggregate Advisory Fees Earned by Matthews (before Waivers)	Aggregate Advisory Fees Earned by Matthews (after Waivers)
2017	\$ 170,631,607	\$ 167,410,197
2018	\$ 192,860,305	\$ 188,760,400
2019	\$ 159,652,391	\$ 156,506,979

Pursuant to an operating expenses agreement, dated as of November 4, 2003, (as amended from time to time, the “Operating Expenses Agreement”), Matthews has agreed to waive fees and reimburse expenses to the extent needed to limit total annual operating expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class (i) for all Funds other than the Matthews Emerging Markets Equity Fund, Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, to 1.20%, and (ii) for the Matthews Emerging Markets Equity Fund, Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, to 0.90%, in each case first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class. If any non-class specific expenses of the Institutional Class are waived for the Institutional Class, Matthews has also agreed to waive an equal amount of non-class specific expenses for the Investor Class. Because certain expenses of the Investor Class may be higher than those of the Institutional Class and because no class specific expenses will be waived for the Investor Class, the total annual operating expenses after fee waiver and expense reimbursement for the Investor Class would be 1.20% or 0.90%, as appropriate, plus the sum of (i) the amount (in annual percentage terms) of the class specific expenses incurred by the Investor Class that exceed those incurred by the Institutional Class; and (ii) the amount (in annual percentage terms) of the class specific expenses reduced for the Institutional Class and not the Investor Class.

For all Funds other than the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, if a Fund's expenses fall below the expense limitation in a year within three years after Matthews has made such a waiver or reimbursement, the Fund may reimburse Matthews up to an amount not to cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of such fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. For the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund, any amount waived pursuant to the Operating Expenses Agreement is not subject to recoupment.

For each Fund, the Operating Expenses Agreement will continue through April 30, 2021, and may be extended for additional periods not exceeding one year. This agreement may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

Pursuant to a fee waiver letter agreement, effective as of September 1, 2014, between the Trust, on behalf of the Family-Priced Funds, and Matthews (as amended from time to time, the "Fee Waiver Agreement"), for each Family-Priced Fund, Matthews has contractually agreed to waive a portion of the fee payable under the Advisory Agreement and a portion of the fee payable under the Shareholder Services Agreement, if any Family-Priced Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of a Family-Priced Fund that are over \$3 billion, the fee rates under the Advisory Agreement and the Services Agreement for such Family-Priced Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Matthews may not recoup fees waived pursuant to the Fee Waiver Agreement. The Board has approved the Fee Waiver Agreement for an additional one-year term through April 30, 2021 and may terminate the agreement at any time upon 60 days' written notice to Matthews. Matthews may decline to renew the Fee Waiver Agreement by providing written notice to the Trust at least 60 days before its annual expiration date.

Pursuant to an amended and restated intermediary platform fee subsidy letter agreement, effective March 1, 2015, between the Trust, on behalf of the Funds, and Matthews (as amended from time to time, the "Subsidy Agreement"), with respect to each intermediary platform that charges the Funds 10 basis points (0.10%) or more for services provided with respect to Institutional Class shares of the Funds through such platform, Matthews has voluntarily agreed to reimburse the Institutional Class of the Funds a portion of those service fees in an amount equal to 2 basis points (0.02%), and with respect to each intermediary platform that charges the Funds 5 basis points (0.05%) or more but less than 10 basis points (0.10%) for the offer and sale of Institutional Class shares of the Matthews Asia Funds through such platform, Matthews has voluntarily agreed to reimburse the Institutional Class of the Matthews Asia Funds a portion of those service fees in an amount equal to 1 basis point (0.01%). Matthews may not recoup amounts reimbursed pursuant to the Subsidy Agreement. The Subsidy Agreement may be terminated at any time by the Board upon 60 days' written notice to Matthews, or by Matthews upon 60 days' written notice to the Board.

For the fiscal years ended December 31, 2019, 2018, and 2017, the gross advisory fees earned under the Advisory Agreement, fees waived and/or expenses reimbursed/subsidized by Matthews pursuant to the Operating Expenses Agreement, the Fee Waiver Agreement and the Subsidy Agreement, and the net advisory fees for each Fund were as follows:

Fund	Fiscal Year Ending Dec. 31, 2019		
	Gross Advisory Fees Earned	Fees Waived and/or Expenses Reimbursed/Subsidized by Matthews	Net Advisory Fees
Matthews Asia Total Return Bond Fund	\$ 611,661	\$ (54,751)	\$ 556,910
Matthews Asia Credit Opportunities Fund	314,601	(90,168)	224,433
Matthews Asian Growth and Income Fund	9,541,100	0	9,541,100
Matthews Asia Dividend Fund	38,850,877	(324,071)	38,526,806
Matthews China Dividend Fund	2,339,083	0	2,339,083
Matthews Asia Value Fund	163,984	(111,890)	52,094
Matthews Asia Growth Fund	7,306,056	0	7,306,056
Matthews Pacific Tiger Fund	58,476,072	(995,561)	57,480,511
Matthews Asia ESG Fund	295,062	(67,253)	227,809
Matthews Emerging Asia Fund	4,090,229	(997,574)	3,092,655
Matthews Asia Innovators Fund	1,850,053	0	1,850,053
Matthews China Fund	5,445,543	0	5,445,543
Matthews India Fund	9,054,676	0	9,054,676
Matthews Japan Fund	17,717,992	0	17,717,992
Matthews Korea Fund	967,440	0	967,440
Matthews Asia Small Companies Fund	1,875,299	(336,966)	1,538,333
Matthews China Small Companies Fund	752,663	(167,178)	585,485
Matthews Emerging Markets Equity Fund <sup>1</sup>	N/A	N/A	N/A
	<u>159,652,391</u>	<u>(3,145,412)</u>	<u>156,506,979</u>

<sup>1</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

**Fiscal Year Ending Dec. 31, 2018**

<b>Fund</b>	<b>Gross Advisory Fees Earned</b>	<b>Fees Waived and/or Expenses Reimbursed/Subsidized by Matthews</b>	<b>Net Advisory Fees</b>
Matthews Asia Total Return Bond Fund	\$ 688,789	\$ (117,480)	\$ 571,309
Matthews Asia Credit Opportunities Fund	249,572	(132,801)	116,771
Matthews Asian Growth and Income Fund	14,652,157	—	14,652,157
Matthews Asia Dividend Fund	45,979,350	(543,681)	45,435,669
Matthews China Dividend Fund	2,161,370	—	2,161,370
Matthews Asia Value Fund	200,873	(81,767)	119,106
Matthews Asia Focus Fund <sup>1</sup>	61,045	(158,102)	(97,057)
Matthews Asia Growth Fund	7,071,401	—	7,071,401
Matthews Pacific Tiger Fund	60,867,735	(1,117,473)	59,750,262
Matthews Asia ESG Fund	141,312	(156,459)	(15,147)
Matthews Emerging Asia Fund	4,809,759	(1,073,964)	3,735,795
Matthews Asia Innovators Fund	1,733,007	—	1,733,007
Matthews China Fund	6,197,416	—	6,197,416
Matthews India Fund	13,687,034	—	13,687,034
Matthews Japan Fund	28,673,493	(134,957)	28,538,536
Matthews Korea Fund	1,309,107	—	1,309,107
Matthews Asia Small Companies Fund	3,802,489	(308,001)	3,494,488
Matthews China Small Companies Fund	574,396	(275,220)	299,176
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

**Fiscal Year Ending Dec. 31, 2017**

Fund	Gross Advisory Fees Earned	Fees Waived and/or Expenses Reimbursed/Subsidized by Matthews		Net Advisory Fees
Matthews Asia Total Return Bond Fund	\$ 515,422	\$ (121,164)	\$ 394,258	
Matthews Asia Credit Opportunities Fund	135,246	(149,157)	(13,911)	
Matthews Asian Growth and Income Fund	18,612,020	—	18,612,020	
Matthews Asia Dividend Fund	39,070,331	(344,184)	38,726,147	
Matthews China Dividend Fund	1,616,495	—	1,616,495	
Matthews Asia Value Fund	95,878	(119,683)	(23,805)	
Matthews Asia Focus Fund <sup>1</sup>	79,915	(119,705)	(39,790)	
Matthews Asia Growth Fund	4,745,493	—	4,745,493	
Matthews Pacific Tiger Fund	54,037,849	(825,034)	53,212,815	
Matthews Asia ESG Fund	88,213	(156,429)	(68,216)	
Matthews Emerging Asia Fund	3,573,026	(878,171)	2,694,855	
Matthews Asia Innovators Fund	973,613	—	973,613	
Matthews China Fund	4,563,241	—	4,563,241	
Matthews India Fund	13,638,302	—	13,638,302	
Matthews Japan Fund	23,243,975	(51,124)	23,192,851	
Matthews Korea Fund	1,301,570	—	1,301,570	
Matthews Asia Small Companies Fund	4,121,027	(272,597)	3,848,430	
Matthews China Small Companies Fund	219,991	(184,162)	35,829	
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A	

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

**Portfolio Managers**

The following table shows information regarding other accounts managed by the Funds' Portfolio Managers as of December 31, 2019.

Name of Portfolio Manager	Account Category	Number of Accounts	Total Assets in Accounts	Number of Accounts Where Advisory Fee is Based on Account Performance	Total Assets in Accounts Where Advisory Fee is Based on Account Performance
Robert Harvey, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Emerging Asia Fund	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0
Robert Horrocks	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asian Growth and Income Fund;	Other Pooled Investment Vehicles	2	\$1,369,241,912	0	0
Co-Manager of the Matthews Asia Dividend Fund	Other Accounts	0	0	0	0
Tiffany Hsiao, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews China Small Companies and Matthews Asia Small Companies Funds;	Other Pooled Investment Vehicles	2	\$ 81,440,417	0	0
Co-Manager of the Matthews Asia Innovators Fund	Other Accounts	0	0	0	0

<u>Name of Portfolio Manager</u>	<u>Account Category</u>	<u>Number of Accounts</u>	<u>Total Assets in Accounts</u>	<u>Number of Accounts Where Advisory Fee is Based on Account Performance</u>	<u>Total Assets in Accounts Where Advisory Fee is Based on Account Performance</u>
Taizo Ishida	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Growth, Matthews Emerging Asia, and Matthews Japan Funds	Other Pooled Investment Vehicles	1	\$ 520,177,441	0	0
	Other Accounts	1	\$ 251,173,195	0	0
Teresa Kong, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Total Return Bond and Matthews Asia Credit Opportunities Funds	Other Pooled Investment Vehicles	2	\$ 88,092,958	0	0
	Other Accounts	0	0	0	0
John Paul Lech	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Emerging Markets Equity Fund; Co-Manager of the Matthews Asian Growth and Income Fund	Other Pooled Investment Vehicles				
	Other Accounts	1	\$ 461,580,068	0	0
Kenneth Lowe, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asian Growth and Income Fund	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0
Andrew Mattock, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews China Fund	Other Pooled Investment Vehicles	2	\$ 321,795,578	0	0
	Other Accounts	0	0	0	0
Peeyush Mittal, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews India Fund	Other Pooled Investment Vehicles	1	\$ 70,659,284	0	0
	Other Accounts	0	0	0	0
Michael J. Oh, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Innovators and Matthews Korea Funds	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0
Satya Patel	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Credit Opportunities Fund; Co-Manager of the Matthews Asia Total Return Bond Fund	Other Pooled Investment Vehicles	1	\$ 23,083,611	0	0
	Other Accounts	0	0	0	0
Sharat Shroff, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Pacific Tiger Fund; Co-Manager of the Matthews India Fund	Other Pooled Investment Vehicles	1	\$ 889,338,310	0	0
	Other Accounts	1	\$ 293,073,777	0	0



<u>Name of Portfolio Manager</u>	<u>Account Category</u>	<u>Number of Accounts</u>	<u>Total Assets in Accounts</u>	<u>Number of Accounts Where Advisory Fee is Based on Account Performance</u>	<u>Total Assets in Accounts Where Advisory Fee is Based on Account Performance</u>
Vivek Tanneeru	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia ESG Fund	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0
Sherwood Zhang, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews China Dividend Fund; Co-Manager of the Matthews Asia Dividend Fund	Other Pooled Investment Vehicles	1	\$ 15,821,529	0	0
	Other Accounts	0	0	0	0
Yu Zhang, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Dividend Fund; Co-Manager of the Matthews China Dividend Fund	Other Pooled Investment Vehicles	2	\$345,070,643	0	0
	Other Accounts	2	\$397,377,387	0	0
Beini Zhou, CFA	Registered Investment Companies	0	0	0	0
Lead Manager of the Matthews Asia Value and Matthews Emerging Markets Equity Funds; Co-Manager of the Matthews Asia Small Companies Fund	Other Pooled Investment Vehicles	0	0	0	0
	Other Accounts	0	0	0	0

Portfolio Managers' compensation consists of a combination of base salary, fixed and discretionary bonuses, participation in the equity or revenues of the firm, and participation in benefit plans, which are generally available to all salaried employees. Compensation is structured to emphasize the success of both Matthews and the individual employee. Compensation is not linked to the distribution of the shares of the Funds. Key elements of compensation are detailed below:

*Base Salary*

Each Portfolio Manager receives a fixed base salary that takes into account his or her experience and responsibilities and is intended to be competitive with salaries offered by other similar firms.

*Bonus*

Matthews emphasizes teamwork and a focus on client needs. Bonuses are structured to emphasize those principles and are based on a number of factors including the profitability of Matthews and the employee's contributions to the firm, such as the pre-tax performance of accounts managed by the employee, leadership position in the firm and participation in firm marketing efforts and other activities. Performance is generally considered on an absolute basis over longer periods (five to ten years). However, market conditions and performance relative to the benchmark or peer group of a Fund or other account may also be considered.

*Other Compensation*

Certain Portfolio Managers may receive compensation in the form of equity interests in Matthews or cash payments based upon a percent of Matthews' revenues. Matthews is a private limited liability company that provides pass-through treatment. Accordingly holders of equity interests may be allocated portions of Matthews' profits and losses, and may receive cash distributions. Such distributions may be made subject to certain required distributions and payments, Matthews' working capital requirements and similar considerations.

*Benefit Programs*

Portfolio Managers participate in benefit plans and programs available generally to all employees.

As shown in the table above, certain Portfolio Managers may manage other accounts with investment strategies similar to the Funds. Those other accounts may include other U.S. or non-U.S. mutual funds advised or sub-advised by Matthews, and separately managed accounts. Fees earned by Matthews may vary among these accounts, the Portfolio Managers may personally invest in some but not all of these accounts, and certain of these accounts may have a greater impact on their compensation than others. These factors may create conflicts of interest because a Portfolio Manager may have incentives to favor certain accounts over others, resulting in the potential for other accounts outperforming a Fund. A conflict may also exist if a Portfolio Manager identifies a limited investment opportunity that may be appropriate for more than one account, but a Fund is not able to take full advantage of that opportunity due to the need to allocate that opportunity among multiple accounts. In addition, the Portfolio Manager may execute transactions for another account that may adversely impact the value of securities held by the Fund. A Portfolio Manager's compensation arrangement may also give rise to potential conflicts of interest. A Portfolio Manager's base pay tends to increase with additional and more complex responsibilities that include increased assets under management; and the bonuses of the Portfolio Managers relate to increases in asset levels under Matthews' management. Additionally, as explained above, certain Portfolio Managers may receive equity-based compensation from Matthews. The management of or participation in the management of multiple Funds and accounts may give rise to potential conflicts of interest among the Funds and accounts, as Portfolio Managers must allocate their time and investment ideas across the Funds and other accounts, which may pay different fees to Matthews and have different objectives, benchmarks and time horizons. A Portfolio Manager may execute transactions for a Fund or other account that may adversely impact the value of securities held by the Fund. Any securities selected for a Fund or other account may perform differently than the securities selected for another Fund or other account. However, Matthews believes that these conflicts may be mitigated to a certain extent by the fact that accounts with like investment strategies managed by a particular Portfolio Manager are generally managed in a similar fashion, subject to a variety of exceptions (for example, particular investment restrictions or policies applicable only to certain accounts, certain portfolio holdings that may be transferred in-kind when an account is opened, differences in cash flows and account sizes, and similar factors). In addition, the Funds and Matthews have adopted a trade management policy, which they believe is reasonably designed to address potential conflicts of interest that may arise in managing multiple accounts. With respect to the allocation of investment opportunities (*i.e.*, investment ideas), Matthews has established policies and procedures that provide that all research conducted by any member of Matthews' investment team be generally available to every other member. However, Matthews Portfolio Managers may act upon applicable research at any time, and no account or investment mandate (*i.e.*, a group of accounts with similar investment objectives) has any general priority in the access to or allocation of any investment opportunity. In addition, Matthews may determine that priority to an investment opportunity should be established because of its limited availability, the difficulty of execution or other factors. Currently Matthews accords such priority with respect to (i) accounts (such as the Matthews Asia Small Companies Fund and Matthews China Small Companies Fund) that invest in Asia Small Companies (as defined in the Prospectus); (ii) investments in Asia Small Companies in which no account managed by Matthews has previously invested; and (iii) accounts that focus on a specific country or sector and intend to invest in initial public offerings, secondary public offerings and private placements may be given priority in such opportunities to the extent they are associated with securities from a country or in a sector in which the account invests (*e.g.*, the Matthews China Fund may be accorded priority with respect to the initial public offering of a Chinese company).

The management of personal accounts may give rise to potential conflicts of interest; there is no assurance that the Code of Ethics will adequately address such conflicts.

The following table sets forth the dollar range of equity securities beneficially owned by each Portfolio Manager in each Fund for which they are primarily responsible for the day-to-day management of the Fund's portfolio and in all Funds of the Trust, as of December 31, 2019.

Name of Portfolio Manager	Dollar Range of Equity Securities in Each Fund
Robert Harvey, CFA	<ul style="list-style-type: none"> <li>• Matthews Emerging Asia Fund \$100,001-\$500,000</li> </ul>
Robert Horrocks, PhD	<ul style="list-style-type: none"> <li>• Matthews Asia Total Return Bond Fund* \$100,001-\$500,000</li> <li>• Matthews Asian Growth and Income Fund \$100,001-\$500,000</li> <li>• Matthews Asia Dividend Fund* \$100,001-\$500,000</li> <li>• Matthews China Dividend Fund* \$100,001-\$500,000</li> <li>• Matthews Emerging Asia Fund* \$ 10,001-\$50,000</li> </ul>
Tiffany Hsiao, CFA	<ul style="list-style-type: none"> <li>• Matthews Asia Value Fund* \$ 10,001-\$50,000</li> <li>• Matthews Asia Innovators Fund* \$ 10,001-\$50,000</li> <li>• Matthews Asia Small Companies Fund \$ 10,001-\$50,000</li> <li>• Matthews China Small Companies Fund \$ 50,001-\$100,000</li> </ul>



Vivek Tanneeru	• Matthews Asia ESG Fund	\$ 10,001-\$50,000
Sherwood Zhang, CFA	• Matthews China Dividend Fund	\$100,001-\$500,000
Yu Zhang, CFA	• Matthews Asia Dividend Fund	\$ 50,001-\$100,000
	• Matthews China Dividend Fund*	\$ 50,001-\$100,000
	• Matthews Japan Fund*	\$ 10,001-\$50,000
	• Matthews Asia Small Companies Fund*	\$ 10,001-\$50,000
Beini Zhou, CFA	• Matthews Asia Value Fund	\$ 50,001-\$100,000
	• Matthews Asia Small Companies Fund*	\$ 1-\$10,000

\* The Portfolio Manager does not have responsibility for the day-to-day management of this Fund's portfolio.

\*\* Information as of March 17, 2020. The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

#### *Principal Underwriter in the United States*

The Trust and Foreside Funds Distributors LLC, formerly known as BNY Mellon Distributors LLC (the "Underwriter"), have entered into a distribution agreement (the "Distribution Agreement"). The Underwriter, located at 400 Berwyn Park, 899 Cassatt Road, Berwyn, PA 19312, acts as the statutory principal underwriter in the United States of the Funds' shares. The Underwriter is a registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Matthews compensates the Underwriter for its services to the Funds. In 2017, Lovell Minnick Partners LLC ("Lovell Minnick") acquired a majority stake in the Underwriter. This transaction did not result in any day-to-day changes to the services provided by the Underwriter to the Funds. Lovell Minnick also is affiliated with Matthews through private funds controlled by Lovell Minnick that own a non-controlling interest in Matthews. The Underwriter, therefore, is a second-tier affiliate of Matthews but that affiliation does not restrict the Underwriter's ability to perform its normal services for the Trust as described below.

Pursuant to the Distribution Agreement, the Underwriter acts as the agent of the Trust in connection with the continuous offering of shares of the Funds. The Underwriter continually distributes shares of the Funds on a best efforts basis. The Underwriter has no obligation to sell any specific quantity of Fund shares. The Underwriter and its officers have no role in determining the investment policies of the Fund or which securities are to be purchased or sold by the Funds.

The Underwriter may enter into agreements with selected broker-dealers, banks or other financial intermediaries for the distribution of shares of the Funds. With respect to certain financial intermediaries and related fund "supermarket" platform arrangements, the Funds and/or Matthews, rather than the Underwriter, typically enter into such agreements. These financial intermediaries may charge a fee for their services and may receive shareholder service or other fees from parties other than the Underwriter.

These financial intermediaries may otherwise act as processing agents and be responsible for promptly transmitting purchase, redemption and other requests to the Funds.

The Trust has agreed to indemnify the Underwriter from losses relating to the Underwriter's assumption of the principal underwriter function and from prospectus and sales material disclosure liability but not for willful malfeasance, bad faith, or gross negligence, in the performance of its duties, or by reason of its reckless disregard of its obligations and duties under the Distribution Agreement, in accordance with Section 17(i) of the 1940 Act.

#### *Principal Underwriter in Latin America*

The Trust and HMC Partners ("HMC") have entered into a distribution agreement (the "HMC Distribution Agreement"). HMC has registered offices at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. HMC acts as the statutory principal underwriter of the Funds' shares in Chile, Peru and Colombia (and other Latin American countries as the Funds and HMC may agree upon from time to time). The HMC Distribution Agreement has been approved by the Board of Trustees. Matthews compensates HMC for its services to the Funds.

Pursuant to the HMC Distribution Agreement, HMC has agreed to qualify under all applicable laws in Chile, Peru and Colombia (and other Latin American countries as the Funds and HMC may agree upon from time to time) in connection with the distribution of the Funds' shares in such countries. HMC is not, and is not required to be, a broker-dealer registered with the SEC or a member of FINRA.

#### *Compensation Paid to Principal Underwriters*

For the fiscal years ended December 31, 2019, 2018, and 2017, neither the Trust nor any Fund paid compensation to any principal underwriter. In addition, for those years, no underwriting commissions were charged or amounts were retained by the principal underwriters.

#### *Rule 12b-1 Plan (Distribution Plan)*

The Trust's 12b-1 Plan (the "Plan") is inactive. The Plan authorizes the use of the Funds' assets to compensate parties that provide distribution assistance or shareholder services, including, but not limited to, printing and distributing prospectuses to persons other than shareholders, printing and distributing advertising and sales literature and reports to shareholders used in connection with selling shares of the Funds, and furnishing personnel and communications equipment to service shareholder accounts and prospective shareholder inquiries. Although the Plan currently is not active, it is reviewed by the Board annually in case the Board decides to re-activate the Plan. The Plan would not be re-activated without prior notice to shareholders and any amounts payable under the Plan would be subject to applicable operating expense limitations. If the Plan were reactivated, the fee would be up to 0.25% for each of the Investor Class and Institutional Class, respectively.

#### *Shareholder Servicing and Administration and other Service Providers*

##### Shareholder Servicing and Administration

The Bank of New York Mellon ("BNY Mellon") provides certain administrative services to the Trust pursuant to a Second Amended and Restated Investment Company Services Agreement dated as of April 1, 2007, as amended from time to time (the "Investment Company Services Agreement"). Under the Investment Company Services Agreement, BNY Mellon provides certain accounting and financial administration services for the Trust including, among other things, the computation of the NAVs of the Funds' shares, maintenance of certain of the Funds' books and financial records, preparation and filing of shareholder reports, preparation and filing of certain tax returns and coordination of the payment of Fund-related expenses through the custodian. BNY Mellon also provides certain regulatory administration services including, among other things, the preparation of agendas and resolutions for quarterly Board meetings, maintenance of the Trust's corporate records and assistance with the preparation and filing of the annual update to the Trust's registration statement with the SEC.

In addition, pursuant to the Investment Company Services Agreement, BNY Mellon provides certain transfer agency and other shareholder services for shareholders who open accounts directly with BNY Mellon. Such services include maintaining shareholder accounts, generating shareholder statements, providing taxpayer information, and performing related servicing generally (collectively, "transfer agency and shareholder services").

During the fiscal years ended December 31, 2019, 2018, and 2017, the aggregate amounts paid by the Funds to BNY Mellon for accounting and administration services totaled \$1,901,142, \$2,301,191, and \$2,030,400, respectively, and are broken down as follows:

<b>Fund</b>	<b>Fees Paid to Administrator During FYE 12-31-17</b>	<b>Fees Paid to Administrator During FYE 12-31-18</b>	<b>Fees Paid to Administrator During FYE 12-31-19</b>
Matthews Asia Total Return Bond Fund	\$ 6,344	\$ 8,795	\$ 8,897
Matthews Asia Credit Opportunities Fund	\$ 1,665	\$ 3,201	\$ 4,576
Matthews Asian Growth and Income Fund	\$ 224,907	\$ 177,692	\$ 115,107
Matthews Asia Dividend Fund	\$ 472,231	\$ 557,472	\$ 468,729
Matthews China Dividend Fund	\$ 19,547	\$ 26,206	\$ 28,219
Matthews Asia Value Fund	\$ 1,160	\$ 2,436	\$ 1,979
Matthews Asia Focus Fund <sup>1</sup>	\$ 966	\$ 740	N/A
Matthews Asia Growth Fund	\$ 57,352	\$ 85,729	\$ 88,141
Matthews Pacific Tiger Fund	\$ 653,337	\$ 737,992	\$ 705,483
Matthews Asia ESG Fund	\$ 1,170	\$ 1,713	\$ 3,560
Matthews Emerging Asia Fund	\$ 28,583	\$ 38,478	\$ 32,722
Matthews Asia Innovators Fund	\$ 11,773	\$ 21,011	\$ 22,319
Matthews China Fund	\$ 55,187	\$ 75,161	\$ 65,697
Matthews India Fund	\$ 164,822	\$ 165,976	\$ 109,250
Matthews Japan Fund	\$ 280,885	\$ 347,699	\$ 213,768
Matthews Korea Fund	\$ 15,731	\$ 15,875	\$ 11,672
Matthews Asia Small Companies Fund	\$ 32,979	\$ 30,420	\$ 15,002
Matthews China Small Companies Fund	\$ 1,761	\$ 4,595	\$ 6,021
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

For shareholders who purchase shares through a broker or other financial intermediary (sometimes called fund “supermarkets”), some or all transfer agency and shareholder services may be performed by that intermediary. The services provided by supermarkets (although they vary from supermarket to supermarket) generally include the following: acceptance, processing and settlement of specific shareholder transactions (purchases, redemptions and exchanges); establishing and maintaining transaction clearing relationships; establishing and maintaining individual shareholder records; providing and maintaining periodic and transaction-specific reporting; maintaining shareholder records regarding share splits, reorganizations and other corporate actions; performing anti-money laundering and related regulatory compliance functions that relate to individual shareholders; responding to inquiries regarding the Funds as well as the status of accounts and transactions made by shareholders who own shares through that supermarket; providing NAV, dividend and distribution information to shareholders; and assisting with shareholder communications. Some fund supermarkets also provide the following services: next-day transaction processing services; 24-hour transaction services; performance estimates; research; fund ratings (e.g., Lipper and Morningstar ratings); risk analysis; fund facts and fees; tax information and analysis; independent due diligence of funds; tax lot accounting; internet services; and access to other financial products (e.g., banking and credit). You should contact your supermarket to determine the specific services available to you. For performing transfer agency and shareholder services, the supermarket may seek compensation from the Funds or Matthews. In some cases, the services for which compensation is sought may be bundled with services not related to shareholder servicing, and may include distribution fees. The Board of Trustees has made a reasonable allocation (and periodically reviews the allocation) of the portion of bundled fees, and Matthews pays from its own resources that portion of the fees that the Board of Trustees determines may represent compensation to supermarkets for distribution services.

Various broker-dealers, including, among others, J.P. Morgan Chase Bank, N.A. and Bank of America Merrill Lynch, provide certain shareholder, administrative and sub-transfer agency services to the Funds for compensation under various agreements. Such services include, without limitation, transmission of purchase and redemption orders in accordance with the Funds' prospectuses; maintenance of separate records for clients; mailing of shareholder confirmations and periodic statements; processing of dividend payments; and provision of shareholder information and support.

The Trust has also entered into an Administration and Shareholder Services Agreement with Matthews as of August 13, 2004, (as amended from time to time, the "Shareholder Services Agreement"). Pursuant to the Shareholder Services Agreement, Matthews provides a range of administrative services that focus on the servicing needed by the Funds and oversight and coordination of their various service providers, as distinct from the services provided by BNY Mellon and supermarkets to shareholder accounts. Matthews' services may include, on a continuous basis: responding to shareholder communications that come to Matthews directly, indirectly via BNY Mellon or a supermarket, or via the Funds' website; providing regular communications and investor education materials to shareholders; communicating with investment advisors whose clients own or hold shares of the Funds and providing such other information as may reasonably be requested by shareholders or certain services not provided by the Funds' transfer agent or by fund supermarkets. Matthews also provides, on a continuous basis, the following administration services: oversight of the activities of BNY Mellon as the Funds' transfer agent (including the transfer agent's call center operations); oversight of the Funds' accounting agent, custodian and BNY Mellon's administrative functions; assisting with the daily calculation of Fund NAVs; overseeing each Fund's compliance with its legal, regulatory and ethical policies and procedures; assisting with the preparation of agendas and other materials drafted by other parties, such as BNY Mellon, for Board meetings; providing such other information and assistance to shareholders as they may reasonably request; coordinating and executing the offering (or closure) of a Fund; and general oversight of the vendor community at large as well as industry trends to ensure that shareholders are receiving quality service and technical support.

Pursuant to the Shareholder Services Agreement, the Funds in the aggregate pay Matthews 0.25% of their aggregate average daily net assets up to \$2 billion, 0.1834% of their aggregate average daily net assets over \$2 billion up to \$5 billion, 0.15% of their aggregate average daily net assets over \$5 billion up to \$7.5 billion, 0.125% of their aggregate average daily net assets over \$7.5 billion up to \$15 billion, 0.11% of their aggregate average daily net assets over \$15 billion up to \$22.5 billion, 0.10% of their aggregate average daily net assets over \$22.5 billion up to \$25 billion, 0.09% of their aggregate average daily net assets over \$25 billion up to \$30 billion, 0.08% of their aggregate average daily net assets over \$30 billion up to \$35 billion, 0.07% of their aggregate average daily net assets over \$35 billion up to \$40 billion, 0.06% of their aggregate average daily net assets over \$40 billion up to \$45 billion,

and 0.05% of their aggregate average daily net assets over \$45 billion. Gross fees earned under the Services Agreement, fees waived pursuant to the Fee Waiver Agreement, the net fees and the net fees in basis points for the fiscal years ended December 31, 2019, 2018, and 2017 were as follows:

Fund	Fiscal Year Ending Dec. 31, 2019			
	Gross Administration and Shareholder Servicing Fees Earned	Fees Waived and/ or Expenses Reimbursed by Matthews	Net Fees	Net Fee in Basis Points
Matthews Asia Total Return Bond Fund	\$ 155,170	\$ —	\$ 155,170	0.14%
Matthews Asia Credit Opportunities Fund	79,904	—	79,904	0.14%
Matthews Asian Growth and Income Fund	2,006,211	—	2,006,211	0.14%
Matthews Asia Dividend Fund	8,165,103	(324,071)	7,841,032	0.14%
Matthews China Dividend Fund	491,931	—	491,931	0.14%
Matthews Asia Value Fund	34,437	—	34,437	0.14%
Matthews Asia Focus Fund <sup>1</sup>	N/A	—	N/A	0.14%
Matthews Asia Growth Fund	1,536,737	—	1,536,737	0.14%
Matthews Pacific Tiger Fund	12,294,789	(995,561)	11,299,228	0.14%
Matthews Asia ESG Fund	62,098	—	62,098	0.14%
Matthews Emerging Asia Fund	569,952	—	569,952	0.14%
Matthews Asia Innovators Fund	389,047	—	389,047	0.14%
Matthews China Fund	1,145,038	—	1,145,038	0.14%
Matthews India Fund	1,901,377	—	1,901,377	0.14%
Matthews Japan Fund	3,722,766	—	3,722,766	0.14%
Matthews Korea Fund	203,348	—	203,348	0.14%
Matthews Asia Small Companies Fund	261,408	—	261,408	0.14%
Matthews China Small Companies Fund	104,995	—	104,995	0.14%
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.



**Fiscal Year Ending Dec. 31, 2018**

<b>Fund</b>	<b>Gross Administration and Shareholder Servicing Fees Earned</b>	<b>Fees Waived and/ or Expenses Reimbursed by Matthews</b>	<b>Net Fees</b>	<b>Net Fee in Basis Points</b>
Matthews Asia Total Return Bond Fund	\$ 144,374	\$ —	\$ 144,374	0.14%
Matthews Asia Credit Opportunities Fund	52,668	—	52,668	0.14%
Matthews Asian Growth and Income Fund	2,906,300	—	2,906,300	0.14%
Matthews Asia Dividend Fund	9,143,871	(543,681)	8,600,190	0.14%
Matthews China Dividend Fund	429,732	—	429,732	0.14%
Matthews Asia Value Fund	39,819	—	39,819	0.14%
Matthews Asia Focus Fund <sup>1</sup>	12,098	—	12,098	0.14%
Matthews Asia Growth Fund	1,407,585	—	1,407,585	0.14%
Matthews Pacific Tiger Fund	12,103,887	(1,117,473)	10,986,414	0.14%
Matthews Asia ESG Fund	28,204	—	28,204	0.14%
Matthews Emerging Asia Fund	630,593	—	630,593	0.14%
Matthews Asia Innovators Fund	344,756	—	344,756	0.14%
Matthews China Fund	1,228,837	—	1,228,837	0.14%
Matthews India Fund	2,716,954	—	2,716,954	0.14%
Matthews Japan Fund	5,693,255	(134,957)	5,558,298	0.14%
Matthews Korea Fund	259,882	—	259,882	0.14%
Matthews Asia Small Companies Fund	497,320	—	497,320	0.14%
Matthews China Small Companies Fund	75,616	—	75,616	0.14%
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

**Fiscal Year Ending Dec. 31, 2017**

<b>Fund</b>	<b>Gross Administration and Shareholder Servicing Fees Earned</b>	<b>Fees Waived and/ or Expenses Reimbursed by Matthews</b>	<b>Net Fees</b>	<b>Net Fee in Basis Points</b>
Matthews Asia Total Return Bond Fund	\$ 108,149	\$ —	\$ 108,149	0.14%
Matthews Asia Credit Opportunities Fund	28,321	—	28,321	0.14%
Matthews Asian Growth and Income Fund	3,842,449	—	3,842,449	0.14%
Matthews Asia Dividend Fund	8,047,481	(344,184)	7,703,297	0.14%
Matthews China Dividend Fund	332,574	—	332,574	0.14%
Matthews Asia Value Fund	19,450	—	19,450	0.14%
Matthews Asia Focus Fund <sup>1</sup>	16,471	—	16,471	0.14%
Matthews Asia Growth Fund	978,261	—	978,261	0.14%
Matthews Pacific Tiger Fund	11,136,774	(825,034)	10,311,740	0.14%
Matthews Asia ESG Fund	18,131	—	18,131	0.14%
Matthews Emerging Asia Fund	486,176	—	486,176	0.14%
Matthews Asia Innovators Fund	200,013	—	200,013	0.14%
Matthews China Fund	938,535	—	938,535	0.14%
Matthews India Fund	2,809,954	—	2,809,954	0.14%
Matthews Japan Fund	4,789,166	(51,124)	4,738,042	0.14%
Matthews Korea Fund	268,228	—	268,228	0.14%
Matthews Asia Small Companies Fund	563,760	—	563,760	0.14%
Matthews China Small Companies Fund	29,900	—	29,900	0.14%
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations on April 30, 2020.

### Transfer Agent

BNY Mellon is currently located at 760 Moore Road, King of Prussia, PA 19406 and provides transfer agency and dividend disbursing agent services for the Funds. As part of these services, BNY Mellon maintains records pertaining to the sale, redemption and transfer of each Fund's shares and distributes each Fund's cash distributions to shareholders.

### Custodian

Brown Brothers Harriman & Co., 50 Post Office Square, Boston, MA 02110, is the custodian of the Trust's assets pursuant to a custodian agreement. Under the custodian agreement, Brown Brothers Harriman & Co. (i) maintains a separate account or accounts in the name of each Fund, (ii) holds and transfers portfolio securities on account of each Fund, (iii) accepts receipts and makes disbursements of money on behalf of each Fund, (iv) collects and receives all income and other payments and distributions on account of each Fund's securities, and (v) makes periodic reports to the Board of Trustees concerning each Fund's operations. Although the Trust no longer has in effect a committed line of credit for purposes of funding proceeds for redemptions, a Fund might be able to use an overdraft from the custodian if needed under certain circumstances for temporary or emergency purposes. Any overdraft made available by the custodian would be in the discretion of the custodian, may not be available when needed by a Fund and would likely be more expensive than a comparable borrowing under a formal line of credit.

### Counsel to the Trust

Paul Hastings LLP, 101 California Street, 48<sup>th</sup> Floor, San Francisco, CA 94111, serves as counsel to the Trust

### Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP, Three Embarcadero Center, San Francisco, CA 94111, serves as the independent registered public accounting firm of the Trust. The firm provides audit services and assistance and consultation with respect to regulatory filings with the SEC. The books of each Fund will be audited at least once each year by PricewaterhouseCoopers LLP.

### **Brokerage Allocation and Other Practices**

Matthews is responsible for effecting portfolio transactions and will do so in a manner deemed fair and reasonable to the Funds. The primary consideration in all portfolio transactions will be seeking the best execution of the transaction taking into account the net proceeds of the transaction as well as qualitative factors.

In selecting and monitoring broker-dealers and negotiating commissions, Matthews may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future and other matters involved in the receipt of brokerage services generally.

Matthews may also purchase from a broker or allow a broker to pay for certain execution-related and research services, including economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, consultations, performance measurement data, on-line pricing and news services. The Funds do not engage in "directed brokerage," or the compensation of a broker-dealer for promoting or selling the Funds' shares by directing portfolio securities transactions to that broker or dealer.

Matthews may cause the Funds to pay a brokerage commission in excess of that which another broker-dealer might charge for effecting the same transaction in recognition of the value of these execution-related and research services. In such a case, however, Matthews will determine in good faith that such commission is reasonable in relation to the value of brokerage and research provided by such broker-dealer, viewed in terms of either the specific transaction or Matthews' overall responsibilities to the portfolios over which Matthews exercises investment authority. Research services furnished by brokers through whom Matthews intends to effect securities transactions may be used in servicing all of Matthews' accounts; not all of such services may be used by Matthews in connection with accounts that paid commissions to the broker providing such services. In conducting all of its soft dollar relationships, Matthews will seek to take advantage of the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Matthews will attempt to allocate portfolio transactions among the Funds and other accounts on a fair basis whenever concurrent decisions are made to purchase or sell securities by the Funds and other accounts. In making such allocations between the Funds and others, the main factors to be considered are the respective investment objectives, the relative size of portfolio holdings of the same or comparable securities, the availability of cash for investment, the size of investment commitments generally held and the opinions of the persons responsible for recommending investments to the Funds and the other accounts. In some cases, this procedure could have an adverse effect on the Funds. In the opinion of Matthews, however, the results of such procedures will, on the whole, be in the best interests of each of the accounts it manages.

For the fiscal years ended December 31, 2019, 2018, and 2017, the aggregate brokerage commissions paid by the Trust on behalf of the Funds amounted to \$16,560,803, \$20,677,104, and \$16,285,906 respectively. All such amounts were considered by the Funds in directing transactions to a broker dealer because of proprietary or third party research services provided by such broker dealers. The aggregate brokerage commissions attributable to each Fund are set forth below.

<b>Fund</b>	<b>Brokerage Commissions Paid During FYE 12-31-17</b>	<b>Brokerage Commissions Paid During FYE 12-31-18</b>	<b>Brokerage Commissions Paid During FYE 12-31-19</b>
Matthews Asia Total Return Bond Fund	\$ 1,264	\$ 2,575	\$ 0
Matthews Asia Credit Opportunities Fund	\$ 266	\$ 1,435	\$ 0
Matthews Asian Growth and Income Fund	\$ 1,699,622	\$ 2,544,934	\$ 778,731
Matthews Asia Dividend Fund	\$ 4,645,224	\$ 5,995,186	\$ 4,246,482
Matthews China Dividend Fund	\$ 451,144	\$ 392,730	\$ 576,955
Matthews Asia Value Fund	\$ 23,725	\$ 21,852	\$ 11,435
Matthews Asia Focus Fund <sup>1</sup>	\$ 9,083	\$ 11,699	\$ 10,559
Matthews Asia Growth Fund	\$ 396,660	\$ 550,635	\$ 750,545
Matthews Pacific Tiger Fund	\$ 1,975,441	\$ 2,441,926	\$ 3,765,190
Matthews Asia ESG Fund	\$ 15,471	\$ 21,247	\$ 56,900
Matthews Emerging Asia Fund	\$ 680,216	\$ 451,929	\$ 380,609
Matthews Asia Innovators Fund	\$ 279,068	\$ 504,431	\$ 513,537
Matthews China Fund	\$ 1,389,070	\$ 1,946,464	\$ 1,311,715
Matthews India Fund	\$ 1,241,694	\$ 1,931,892	\$ 1,801,476
Matthews Japan Fund	\$ 2,365,466	\$ 2,838,423	\$ 1,832,154
Matthews Korea Fund	\$ 141,834	\$ 177,764	\$ 116,487
Matthews Asia Small Companies Fund	\$ 938,410	\$ 732,042	\$ 305,542
Matthews China Small Companies Fund	\$ 32,248	\$ 109,942	\$ 102,487
Matthews Emerging Markets Equity Fund <sup>2</sup>	N/A	N/A	N/A

<sup>1</sup> The Matthews Asia Focus Fund was liquidated effective March 29, 2019.

<sup>2</sup> The Matthews Emerging Markets Equity Fund will commence operations in April 30, 2020.

Each Fund may at times invest in securities of its regular broker-dealers or the parent of its regular broker-dealers. The Funds held securities of the following broker-dealers, which were their regular broker-dealers as of December 31, 2019:

Fund	Issuer	Value of Fund's Aggregate Holdings of Issuer
Matthews Asia Total Return Bond Fund	Deutsche Bank AG	\$ 261,612
Matthews Asian Growth and Income Fund	Macquarie Securities (USA), Inc.	\$ 22,812,333
Matthews China Dividend Fund	China International Capital Corp.	\$ 7,520,226
Matthews China Fund	China International Capital Corp.	\$ 25,165,110

### **Shares of Beneficial Interest**

The Funds are authorized to issue an unlimited number of shares of beneficial interest, each with a \$0.001 par value. Shares of a particular Fund represent equal proportionate interests in the assets of that Fund only, and have identical voting, dividend, redemption, liquidation and other rights. All shares issued are fully paid and non-assessable, and shareholders have no preemptive or other right to subscribe to any additional shares and no conversion rights.

Each Fund currently offers shares in two separate Classes: Investor Class and Institutional Class. Pursuant to the Trust's Multiple Class Plan, the only differences among the various classes of shares relate solely to the following: (a) each class may be subject to different class expenses as outlined in the relevant Prospectus; (b) each class may bear a different identifying designation; (c) each class has exclusive voting rights with respect to matters solely affecting such class; (d) each class may have different exchange privileges; and (e) each class may provide for the automatic conversion of that class into another class.

Each whole share is entitled to one vote as to each matter on which it is entitled to vote, and each fractional share is entitled to a proportionate fractional vote. The voting rights of shareholders can be changed only by a shareholder vote.

Each Fund may be terminated upon the sale and conveyance of its assets to another Fund, partnership, association, corporation, or entity, or upon the sale and conversion into money of its assets. The Board may terminate or sell all or a portion of the assets of the Fund without prior shareholder approval. In the event of the dissolution or liquidation of a Fund, shareholders of the Fund are entitled to receive the underlying assets of a Fund available for distribution.

All accounts will be maintained in book entry form and no share certificates will be issued.

### **Purchase, Redemption and Pricing of Shares**

#### *Purchase of Shares*

Fund shares may be purchased in the United States through the Underwriter or certain financial intermediaries who may charge a fee for their services and may be purchased in Latin America through HMC.

### *Determination of Net Asset Value*

Generally, the NAV per share of each Class of each Fund will be determined as of the close of trading on each day the New York Stock Exchange (“NYSE”) is open for trading. The Funds do not determine NAV on days that the NYSE is closed and at other times described in the Prospectus. However, the Funds may, under extraordinary circumstances, calculate the NAV of their respective shares on days on which the NYSE is closed for trading. The NYSE is closed on the days on which the following holidays are observed: New Year’s Day, Martin Luther King, Jr. Day, Presidents’ Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Additionally, if any of the aforementioned holidays falls on a Saturday, the NYSE will not be open for trading on the preceding Friday and when such holiday falls on a Sunday, the NYSE will not be open for trading on the succeeding Monday, unless unusual business conditions exist, such as the ending of a monthly or the yearly accounting period.

The value of the Funds’ exchange-traded securities is based on market quotations for those securities, or on their fair value determined by or under the direction of the Board of Trustees (as described below). Market quotations are provided by pricing services that are independent of the Funds and Matthews. Foreign exchange-traded securities are valued as of the close of trading on the primary exchange on which they trade. Securities that trade in over-the-counter markets, including most debt securities (bonds), may be valued by third-party vendors or by using indicative bid quotations from bond dealers or market makers, or other available market information, often from the principal (or most advantageous) market on which the security is traded, or valued based on their fair value as determined by or under the direction of the Board of Trustees (as described below). The Funds may also utilize independent pricing services to assist them in determining a current market value for each security based on sources believed to be reliable.

In addition, the Funds may be subject to short-term capital gains tax in India on gains realized upon disposition of Indian securities held less than one year. The tax is computed on net realized gains; any realized losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Funds, including the Matthews India Fund, accrue a deferred tax liability for net unrealized short-term gains in excess of available carryforwards on Indian securities. This accrual may reduce a Fund’s NAV.

Short-term fixed-income securities having a maturity of 60 days or less are valued at amortized cost, which the Board of Trustees believes represents fair value. When a security is valued at amortized cost, it is first valued at its purchase price. After it is purchased, it is valued by assuming a constant amortization to maturity of any discount or premium (because the Funds are highly likely to hold the security until it matures and then receive its face value), regardless of the way of changing interest rates could change the market value of the instrument.

Generally portfolio securities subject to a “foreign share” premium are valued at the local share prices (*i.e.*, without including any foreign share premium). In addition, in certain countries shares may be purchased in a local class or, subject to certain limitations, in a class reserved for foreign purchasers.

Foreign values of the Funds’ securities are converted to U.S. dollars using exchange rates determined as of the close of trading on the NYSE and in accordance with the Funds’ Pricing and Valuation Policy and Procedures adopted by the Board (the “Pricing Policies”). The Funds generally use the foreign currency exchange rates deemed to be most appropriate by a foreign currency pricing service that is independent of the Funds and Matthews.

Trading in securities on Asia Pacific exchanges, various other foreign exchanges, and over-the-counter markets is normally completed well before the close of the business day in New York. In addition, securities trading in Asia Pacific and various foreign markets may not take place on all business days in New York. Furthermore, trading takes place in markets of Asia Pacific and in various foreign markets on days that are not business days on which the NYSE is open and therefore the Funds’ NAV are not calculated.

A Valuation Committee, comprised of certain employees of Matthews (some of whom may also be officers of the Funds), reviews and monitors the Pricing Policies. The Valuation Committee is responsible for determining the fair value of the Funds’ securities as needed in accordance with the Pricing Policies and performs such other tasks as the Board deems necessary. The Valuation Committee meets on an ad hoc basis to discuss issues relating to the valuation of securities held by the Funds. Committee members are required to report actions taken at their meetings at the next scheduled Board meeting following the Valuation Committee’s meeting.

Pursuant to the Pricing Policies, the Funds value any exchange-traded security for which market quotations are unavailable or have become unreliable, and any over-the-counter security for which indicative quotes are unavailable, at that security's fair market value. In general, the fair value of such securities is determined, in accordance with the Pricing Policies and subject to the Board's oversight, by a pricing service retained by the Funds that is independent of the Funds and Matthews. There may be circumstances in which the Funds' independent pricing service is unable to provide a reliable price of a security. In addition, when establishing a security's fair value, the independent pricing service may not take into account events that occur after the close of Asian and other foreign markets but prior to the time the Funds calculate their NAVs. Similarly, there may be circumstances in which a foreign currency exchange rate is deemed inappropriate for use by the Funds or multiple appropriate rates exist. In such circumstances, the Board of Trustees has delegated the responsibility of making fair-value determinations to a Valuation Committee. In these circumstances, the Valuation Committee will determine the fair value of a security, or a fair exchange rate, in good faith, in accordance with the Pricing Policies and subject to the oversight of the Board. When fair value pricing is employed (whether through the Funds' independent pricing service or the Valuation Committee), the prices of a security used by a Fund to calculate its NAV typically differ from quoted or published prices for the same security for that day. In addition, changes in a Fund's NAV may not track changes in published indices of, or benchmarks for, Asia Pacific and other foreign market securities. Similarly, changes in a Fund's NAV may not track changes in the value of closed-end investment companies, exchange-traded funds or other similar investment vehicles.

Assets or liabilities initially expressed in terms of foreign currencies are translated prior to the next determination of the NAV of the Funds' shares into U.S. dollars at the prevailing market rates, as determined in accordance with the Pricing Policies.

#### *Redemptions in Kind*

At the organizational meeting of the Trust, the Board directed that the Trust elect to pay redemptions in cash as consistent with Rule 18f-1 under the 1940 Act. The Board further directed that Form N-18F-1 be filed with the SEC on the Trust's behalf committing the Trust to pay in cash all requests for redemption by any shareholder of record, limited in amount with respect to each shareholder during any 90 calendar day holding period to the lesser of \$250,000 or 1% of the NAV of the Fund at the beginning of such period. This means that the Trust could, if the redemption is larger than \$250,000 or 1% of the NAV of the Fund, pay a redemption with the securities held in the Fund's portfolio. If this occurred, the shareholder receiving these portfolio securities would incur transaction charges if such shareholder were to convert the securities into cash. Due to market restrictions in certain markets, the option of the Funds to redeem in kind may be limited.

#### *Equalization*

For any of its fiscal years, a Fund may use an accounting method (known as "equalization") that is designed to allocate equitably the tax burden of that Fund to all of its shareholders regardless of when during a tax year an individual shareholder redeemed (if ever) his or her shares of the Fund. Equalization allocates a pro rata share of taxable income to departing shareholders when they redeem shares of the Funds, reducing the amount of the distribution to be made to remaining shareholders of each Fund.

#### *Dividends and Distributions*

Dividends from net investment income, if any, are normally declared and paid by the Funds in December. Capital gains distributions, if any, are normally made after October 31. The Funds may make additional payments of dividends or distributions if they deem it to be desirable and in the best interests of shareholders at other times during the year. The Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund seek to distribute income monthly. The Matthews Asia Dividend Fund seeks to distribute income quarterly in March, June, September and December. The Matthews Asian Growth and Income Fund and the Matthews China Dividend Fund seek to distribute income twice each year, generally in June and December. However, there can be no assurances that any particular Fund will have income to distribute for any given period. Any dividend or distributions paid by the Funds have the effect of reducing the NAV per share on the ex-dividend date by the amount of the dividend of distribution. To the extent the Funds make a mid-year distribution of realized capital gains, the Funds run a greater risk of over-distributing because subsequent capital losses realized prior to October 31 may more than offset the amount of the distribution. An over-distribution of capital gains is in effect a return of capital. Therefore, the Funds will only make a special mid-year distribution of capital gains in circumstances where the Board of Trustees has determined that it is more likely than not to be in the best interests of shareholders generally and that the amount of the distribution is not likely to result in an unintended return of capital. It is also possible that certain tax adjustments can lower the amount of distributable income, which might result in a return of capital for income oriented funds that will still distribute income or cash generated by their investment portfolio.

## **Taxation of the Funds**

### *In General*

Each Fund has elected and intends to continue to qualify each year as a regulated investment company under Subchapter M of the Code. In order to so qualify for any taxable year, a fund must, among other things, (i) derive at least 90% of its gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale of securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities or currencies, and net income derived from an interest in a qualified publicly traded partnership; (ii) distribute at least 90% of its dividend, interest and certain other income each year; and (iii) at the end of each fiscal quarter maintain at least 50% of the value of its total assets in cash, government securities, securities of other regulated investment companies, and other securities of issuers which represent, with respect to each issuer, no more than 5% of the value of a fund's total assets and 10% of the outstanding voting securities of such issuer, and have no more than 25% of its assets invested in the securities (other than those of the U.S. Government or other regulated investment companies) of any one issuer, or of two or more issuers which the fund controls and which are engaged in the same, similar or related trades and businesses, or of one or more qualified publicly traded partnerships.

To the extent each Fund qualifies for treatment as a regulated investment company, it will not be subject to federal income tax on income paid to shareholders in the form of dividends or capital gains distributions.

An excise tax will be imposed on the excess, if any, of a Fund's required distributions over actual distributions in any calendar year. Generally, the required distribution is 98% of a Fund's ordinary income for the calendar year plus 98.2% of its net capital gains recognized during the one-year period ending on October 31 plus undistributed and untaxed amounts from prior years. The Funds intend to make distributions sufficient to avoid imposition of the excise tax, but there can be no assurances that each Fund will make sufficient distributions each period to, or otherwise, avoid all taxes imposed at the level of the Fund. Dividends declared by the Funds during October, November or December to shareholders of record on a specified date in such months and paid during January of the following year will be taxable to shareholders in the year they are declared, rather than the year in which they are received.

Shareholders will be subject to federal income taxes on distributions made by the Funds whether received in cash or additional shares of a Fund. Distributions of net investment income and net capital gains, if any, will be taxable to shareholders without regard to how long a shareholder has held shares of the Funds. Some dividends paid by the Funds may qualify in part for the dividends received deduction for corporations. In addition, a portion of the dividends of a Fund paid to shareholders may be eligible for the reduced federal tax rate applicable to qualified dividend income of the Fund if certain holding periods are met. Eligibility for this reduced tax rate depends on the underlying investments of the Fund and is uncertain each year.

The Funds will notify shareholders each year of the amount of dividends and distributions, and the portion of their dividends which qualify for the corporate dividends-received deduction or any reduced rate of taxation applicable to qualified dividends (*i.e.*, dividends eligible to be taxed at rates applicable to long-term capital gains).

At the time of an investor's purchase of Fund shares, a portion of the purchase price may be attributable to realized or unrealized appreciation in a Fund's portfolio or undistributed taxable income of a Fund. Consequently, subsequent distributions by a Fund with respect to these shares from such appreciation or income may be taxable to such investor even if the trading value of the investor's shares is, as a result of the distributions, reduced below the investor's cost for such shares and the distributions economically represent a return of a portion of the investment. In general, a Fund may make taxable distributions even during periods in which the share price has declined. Tax consequences are not the primary consideration of the Funds in implementing their investment strategies.

### *Taxes Regarding Options, Futures and Foreign Currency Transactions*

When the Funds write a call, or purchase a put option, an amount equal to the premium received or paid by it is included in the Funds' accounts as an asset and as an equivalent liability. In writing a call, the amount of the liability is subsequently "marked-to-market" to reflect the current market value of the option written.



The current market value of a written option is the last sale price on the principal exchange on which such option is traded or, in the absence of a sale, the mean between the last bid and asked prices. If an option that a Fund has written expires on its stipulated expiration date, that Fund recognizes a short-term capital gain. If the Fund enters into a closing purchase transaction with respect to an option that the Fund has written, the Fund realizes a short-term gain (or loss if the cost of the closing transaction exceeds the premium received when the option was sold) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a call option that the Fund has written is exercised, the Fund realizes a capital gain or loss from the sale of the underlying security and the proceeds from such sale are increased by the premium originally received.

The premium paid by a Fund for the purchase of a put option is recorded in that Fund's assets and liabilities as an investment and subsequently adjusted daily to the current market value of the option. For example, if the current market value of the option exceeds the premium paid, the excess would be unrealized appreciation and, conversely, if the premium exceeds the current market value, such excess would be unrealized depreciation. The current market value of a purchased option is the last sale price on the principal exchange on which such option is traded or, in the absence of a sale, the mean between the last bid and asked prices. If an option that the Fund has purchased expires on the stipulated expiration date, the Fund realizes a short-term or long-term capital loss for Federal income tax purposes in the amount of the cost of the option. If the Fund exercises a put option, the Fund realizes a capital gain or loss (long-term or short-term, depending on the holding period of the underlying security) from the sale, which will be decreased by the premium originally paid.

Accounting for options on certain stock indices will be in accordance with generally accepted accounting principles. The amount of any realized gain or loss on closing out such a position will result in a realized gain or loss for tax purposes. Such options held by a Fund at the end of each fiscal year on a broad-based stock index will be required to be "marked-to-market" for federal income tax purposes. 60% of any net gain or loss recognized on such deemed sales or on any actual sales it will be treated as long-term capital gain or loss and the remainder will be treated as short-term capital gain or loss ("60%/40% gain or loss"). Certain options, futures contracts and options on futures contracts utilized by a Fund are "Section 1256 contracts." Any gains or losses on Section 1256 contracts held by a Fund at the end of each taxable year (and on October 31 of each year for purposes of the 4% excise tax) are "marked-to-market" with the result that unrealized gains or losses are treated as though they were realized and the resulting gain or loss is treated as a 60%/40% gain or loss.

Foreign exchange gains and losses realized by a Fund in connection with certain transactions involving foreign currency-denominated debt securities, certain options and futures contracts relating to foreign currency, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Section 988 of the Code, which generally causes such gains and losses to be treated as ordinary income and losses and may affect the amount, timing and character of distributions to stockholders.

#### *Passive Foreign Investment Companies*

Equity investments by a Fund in certain "passive foreign investment companies" ("PFICs") could subject the Fund to a U.S. federal income tax (including interest charges) on distributions received from the PFIC or on proceeds received from the disposition of shares in the PFIC, which tax cannot be eliminated by making distributions to Fund shareholders. However, a Fund may elect to avoid the imposition of that tax. For example, a Fund may elect to treat a PFIC as a "qualified electing fund" ("QEF"), in which case the Fund will be required to include its share of the company's income and net capital gains annually, regardless of whether it receives any distribution from the PFIC. A Fund also may make an election to mark the gains (and to a limited extent losses) in such holdings "to the market" as though it had sold and repurchased its holdings in those PFICs on the last day of the Fund's taxable year and on October 31st of each calendar year for excise tax purposes. Such gains and losses are treated as ordinary income and loss. The QEF and mark-to-market elections may accelerate the recognition of income (without the receipt of cash) and increase the amount required to be distributed by a Fund to avoid taxation. Making either of these elections therefore may require a Fund to liquidate other investments (including when it is not advantageous to do so) to meet its distribution requirement, which also may accelerate the recognition of gain and affect the Fund's total return. Dividends paid by PFICs are not eligible to be treated as "qualified dividend income." Because it is not always possible to identify a foreign corporation as a PFIC, a Fund may incur the tax and interest charges described above in some instances.

### *Other U.S. and Foreign Tax Issues*

India. In India, a tax of 15% plus surcharges is currently imposed on gains from sales of equities held not more than one year and sold on a recognized stock exchange in India. Gains from sales of equity securities in other cases are taxed at a rate of 30% plus surcharges (for securities held not more than one year) and 10% (for securities held for more than one year).

Also in India, the tax rate on gains from sales of listed debt securities is currently 10% plus surcharges if the securities have been held more than one year and 30% plus surcharges if the securities have been held not more than one year. Securities transaction tax applies for specified transactions at specified rates. India imposes a tax on interest on securities at a rate of 20% plus surcharges. This tax is imposed on the investor and payable prior to repatriation of sales proceeds. The tax is computed on net realized gains; any realized losses in excess of gains may be carried forward for a period of up to 8 years to offset future gains. India imposes a tax on dividends paid by an Indian company at a rate of 15% plus surcharges. This tax is imposed on the company that pays the dividends. Please refer to the Purchase, Redemption and Pricing of Shares section for information on how treatment of these taxes may affect the Funds' daily NAV.

Taxes incurred on a Fund's short-term realized gains may lower the potential short-term capital gains distribution of that Fund. Any taxes paid in India by a Fund on short-term realized gains will be available to be included in the calculation of that Fund's foreign tax credit that is passed through to shareholders via Form 1099-DIV, assuming at least 50% of a Fund's assets consist of non-U.S. investments. Although taxes incurred on short-term gains may lower the potential short-term capital gains distribution of a Fund, they also potentially lower, to a larger extent, the total return of that Fund as proceeds from sales are reduced by the amount of the tax.

The General Anti-Avoidance Rules ("GAAR") under the Indian Income Tax Act, 1961, as amended, which became effective on April 1, 2017, empower the Indian tax authorities to investigate and declare any arrangement it determines to be an "impermissible avoidance arrangement" and impose penalties and interest. Although the Trust does not consider any Fund to be engaged in such an avoidance arrangement, there cannot be any assurances as to the determinations that could be made by the tax authorities.

China. The taxation on dividends and capital gains derived by nonresident enterprises was largely changed when China adopted the unified Enterprise Income Tax law effective as of January 1, 2008. Although the Chinese authorities have issued various tax circulars since then to provide the much-needed clarification, the tax treatment of capital gains derived by nonresident enterprises, such as the Funds, on shares issued by a Chinese resident company remains unclear. To the extent that such taxes are imposed on dispositions of holdings of the Funds, the Funds' returns would be adversely impacted.

South Korea. Under the U.S.-South Korea income tax treaty the government of South Korea has imposed a non-recoverable withholding tax and resident tax aggregating 16.5% on dividends and 13.2% on interest paid by South Korean issuers. Under U.S.-South Korea income tax treaty, there is no South Korean withholding tax on realized capital gains.

General. The Funds consider the impact of a country's tax laws and regulations, as well as withholding, when considering investment decisions. The above discussion and the related discussion in the Prospectus are not intended to be complete discussions of all applicable federal or foreign tax consequences of an investment in the Funds. Dividends and distributions also may be subject to state and local taxes. Shareholders are urged to consult their tax advisors regarding specific questions as to federal, state and local taxes, as well as any foreign tax implications.

Back-Up Withholding. U.S. federal law requires that a Fund withhold as "backup withholding," at a current rate of 24%, certain reportable payments, including dividends, capital gain distributions and the proceeds of redemptions and exchanges or repurchases of Fund shares, paid to shareholders who fail to provide the Fund with a valid taxpayer identification number, make certain required certifications, have been notified by the Internal Revenue Service ("IRS") that they are subject to federal backup withholding, or with respect to whom the Fund has been notified by the IRS that federal backup withholding applies. In order to avoid this withholding requirement, shareholders must certify on their Account Applications, or on separate IRS Forms W-9, that the Social Security Number or other Taxpayer Identification Number they provide is their correct number and that they are not currently subject to backup withholding, or that they are exempt from backup withholding. Backup withholding is not an additional tax and any amounts withheld may be applied to the taxpayer's ultimate federal income tax liability if proper documentation is provided to the IRS.

FATCA. Under the Foreign Account Tax Compliance Act (“FATCA”), a 30% withholding tax on each Fund’s distributions generally applies, subject to any applicable intergovernmental agreements, if paid to a foreign entity unless: (i) if the foreign entity is a “foreign financial institution,” it undertakes certain due diligence, reporting, withholding and certification obligations, (ii) if the foreign entity is not a foreign financial institution, it identifies certain of its U.S. investors or (iii) the foreign entity is otherwise excepted under FATCA. Under proposed treasury regulations on which taxpayers may rely until final regulations are in place, FATCA withholding does not apply to capital gain distributions from a Fund or on gross proceeds of a sale or disposition of Fund shares. If withholding is required under FATCA on a payment related to your shares, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) on such payment generally will be required to seek a refund or credit from the IRS to obtain the benefits of such exception or reduction. The Funds will not pay any additional amounts in respect to amounts withheld under FATCA. You should consult your tax advisor regarding the effect of FATCA based on your individual circumstances.

The foregoing discussion relates solely to U.S. investors. Non-U.S. investors should consult their tax advisors concerning the tax consequences of ownership of shares of the Funds, including the possibility that distributions may be subject to a 30% U.S. withholding tax (or a reduced rate of withholding provided by treaty) or the possible applicability of FATCA.

The above discussion and the related discussions in the prospectuses are not intended to be complete discussions of all applicable tax consequences of an investment in a Fund, or changes in U.S. and foreign tax laws that may become effective after the date of this SAI. Paul Hastings LLP has expressed no opinion in respect thereof. Shareholders are advised to consult with their own tax advisors concerning the application of federal, state, local, and foreign taxes on an investment in a Fund.

### **Other Information**

Statements contained in the Prospectus or in this SAI as to the contents of any contract or other document referred to are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement of which the Prospectus and this SAI form a part. Each such statement is qualified in all respects by such reference.

#### *Reports to Shareholders*

Shareholders will receive unaudited semi-annual reports describing the Funds’ investment operations and annual financial statements audited by independent certified public accountants. Inquiries regarding the Funds may be directed to Matthews at (800) 789-ASIA (2742).

#### *Financial Statements*

[The financial statements for the Funds, including the notes thereto, as of December 31, 2019, are incorporated by reference from the Funds’ 2019 Annual Report to Shareholders as filed with the SEC on Form N-CSR.](#)

### **Appendix: Bond Ratings**

A Fund’s investments may range in quality from securities rated in the lowest category in which a Fund is permitted to invest to securities rated in the highest category (as rated by Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Group (“S&P”) or Fitch Investor Service, Inc., (“Fitch”), or, if unrated, determined by Matthews to be of comparable quality). The percentage of a Fund’s assets invested in securities in a particular rating category will vary. The following terms are generally used to describe the credit quality of fixed income securities:

- *High Quality Debt Securities* are those rated in one of the two highest rating categories (the highest category for commercial paper) or, if unrated, deemed comparable by Matthews.
- *Investment Grade Debt Securities* are those rated in one of the four highest rating categories or, if unrated, deemed comparable by Matthews.

- *Below Investment Grade, High Yield Securities (“Junk Bonds”)* are those rated lower than Baa by Moody’s, BBB by S&P or Fitch and comparable securities. They are considered predominantly speculative with respect to the issuer’s ability to repay principal and interest.

The following is a description of the ratings categories used by Moody’s, S&P and Fitch applicable to fixed income securities.

Moody’s classifies corporate bonds as follows:

“Aaa” – Bonds are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as “gilt edged.” Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

“Aa” – Bonds are judged to be of high quality by all standards. Together with the “Aaa” group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in “Aaa” securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the “Aaa” securities.

“A” – Bonds possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

“Baa” – Bonds are considered as medium-grade obligations, (*i.e.*, they are neither highly protected nor poorly secured). Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

“Ba” – Bonds are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

“B” – Bonds generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

“Caa” – Bonds are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

“Ca” – Bonds represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

“C” – Bonds are the lowest rated class of bonds, and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody’s applies numerical modifiers 1, 2, and 3 in each generic rating classification from “Aa” through “Caa.” The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of its generic rating category.

Moody’s classifies corporate short-term debt as follows:

Moody’s short-term debt ratings are opinions of the ability of issuers to repay punctually senior debt obligations which have an original maturity not exceeding one year. Obligations relying upon support mechanisms such as letters of credit and bonds of indemnity are excluded unless explicitly rated. Moody’s employs the following three designations, all judged to be investment grade, to indicate the relative repayment ability of rated issuers:

PRIME-1: Issuers rated Prime-1 (or supporting institutions) have a superior ability for repayment of senior short-term debt obligations. Prime-1 repayment ability will often be evidenced by many of the following characteristics: leading market positions in well-established industries; high rates of return on funds employed; conservative capitalization structure with moderate reliance on debt and ample asset protection; broad margins in earnings coverage of fixed financial charges and high internal cash generation; and well-established access to a range of financial markets and assured sources of alternate liquidity.

PRIME-2: Issuers rated Prime-2 (or supporting institutions) have a strong ability for repayment of senior short term debt obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, may be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

PRIME-3: Issuers rated Prime-3 (or supporting institutions) have an acceptable ability for repayment of senior short-term obligations. The effect of industry characteristics and market compositions may be more pronounced. Variability in earnings and profitability may result in changes in the level of debt protection measurements and may require relatively high financial leverage. Adequate alternate liquidity is maintained.

NOT PRIME: Issuers rated Not Prime do not fall within any of the Prime rating categories.

S&P describes classification of corporate and municipal debt as follows:

“AAA” – An obligation rated “AAA” has the highest rating assigned by Standard & Poor’s. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.

“AA” – An obligation rated “AA” differs from the highest rated obligations only in small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

“A” – An obligation rated “A” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

“BBB” – An obligation rated “BBB” exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Obligations rated “BB,” “B,” “CCC,” “CC” are regarded as having significant speculative characteristics. “BB” indicates the least degree of speculation and “CC” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

“BB” – An obligation rated “BB” is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

“B” – An obligation rated “B” is more vulnerable to nonpayment than obligations rated “BB,” but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

“CCC” – An obligation rated “CCC” is currently vulnerable to nonpayment and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

“CC” – An obligation rated “CC” is currently highly vulnerable to nonpayment.

“C” – The “C” rating may be used to cover a situation where a bankruptcy petition has been filed or similar action taken, but payments on this obligation are being continued.

“D” – An obligation rated “D” is in payment default. The “D” rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor’s believes that such payment will be made during such grace period. The “D” rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

PLUS (+) OR MINUS (-) – The ratings from “AA” through “CCC” may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Debt obligations of issuers outside the United States and its territories are rated on the same basis as domestic corporate and municipal issues. The ratings measure the creditworthiness of the obligor but do not take into account currency exchange and related uncertainties.

Provisional ratings:

“p” The letter “p” indicates that the rating is provisional. A provisional rating assumes the successful completion of the project being financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. The investor should exercise his own judgment with respect to such likelihood and risk.

“r” The “r” is attached to highlight derivative, hybrid, and certain other obligations that S&P believes may experience high volatility or high variability in expected returns due to non-credit risks. Examples of such obligations are: securities whose principal or interest return is indexed to equities, commodities, or currencies; certain swaps and options; and interest only and principal only mortgage securities. The absence of an “r” symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

N.R.: Not rated.

Fitch describes classification of long term credit ratings of debt securities as follows:

“AAA”: Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

“AA”: Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

“A”: High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

“BBB”: Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

“BB”: Speculative. “BB” ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

“B”: Highly speculative. “B” ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

“CCC,” “CC,” “C”: High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. A “CC” rating indicates that default of some kind appears probable. “C” ratings signal imminent default.

“DDD,” “DD,” “D”: Default. The ratings of obligations in this category are based on their prospects for achieving partial or full recovery in a reorganization or liquidation of the obligor. While expected recovery values are highly speculative and cannot be estimated with any precision, the following serve as general guidelines. “DDD” obligations have the highest potential for recovery, around 90%-100% of outstanding amounts and accrued interest. “DD” indicates potential recoveries in the range of 50%-90%, and “D” the lowest recovery potential, *i.e.*, below 50%. Entities rated in this category have defaulted on some or all of their obligations. Entities rated “DDD” have the highest prospect for resumption of performance or continued operation with or without a formal reorganization process. Entities rated “DD” and “D” are generally undergoing a formal reorganization or liquidation process; those rated “DD” are likely to satisfy a higher portion of their outstanding obligations, while entities rated “D” have a poor prospect for repaying all obligations.

“NR” indicates that Fitch does not rate the issuer or issue in question.

Withdrawn: A rating is withdrawn when Fitch deems the amount of information available to be inadequate for rating purposes, or when an obligation matures, is called, or refinanced.

Rating Watch: Ratings are placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and the likely direction of such change. These are designated as “Positive,” indicating a potential upgrade, “Negative,” for a potential downgrade, or “Evolving,” if ratings may be raised, lowered or maintained. Rating Watch is typically resolved over a relatively short period.

A Rating Outlook indicates the direction a rating is likely to move over a one to two year period. Outlooks may be positive, stable, or negative. A positive or negative Rating Outlook does not imply a rating change is inevitable. Similarly, companies whose outlooks are “stable” could be downgraded before an outlook moves to positive or negative if circumstances warrant such an action. Occasionally, Fitch may be unable to identify the fundamental trend. In these cases, the Rating Outlook may be described as evolving.