



## A DECADE IN ASIA



Matthews Asian Funds

Joining in Asia's Opening  
to the Global Economy since 1994

From economic  
backwater to one of  
the financial engines  
of the world

From dictatorships  
to the beginnings  
of democracy

Asia's journey of the  
past ten years

### THE CHANGES IN CHINA

"It doesn't matter if a cat is black or white, so long as it catches mice." China's authoritarian government is still firmly entrenched, but the country embraces a newfound pragmatism. Deng Xiaoping's radical shift toward a "socialist market economy" begins to pay off, significantly bettering the lives of Chinese citizens and catapulting China to economic prominence on the world stage.



1994

1995



### THE RISE OF DEMOCRACY

In 1996, Taiwan holds its first direct democratic presidential election, ending the Kuomintang's half-century of unchallenged one-party rule.

1996

**A DECADE  
OF INVESTING  
IN THE  
FUTURE  
OF ASIA**

**MATTHEWS KOREA FUND** Opens

**MATTHEWS PACIFIC TIGER FUND** Opens

**MATTHEWS ASIAN GROWTH AND INCOME FUND** Opens

## THE HANDOVER

February sees the death of Deng Xiaoping, father of China's economic reforms, and on July 1, Hong Kong officially joins mainland China, celebrating the end of British colonial rule. Despite pundits' dire predictions about the outcome of both events, China remains politically stable and Hong Kong remains a bastion of capitalism.



1997



## THE CRISIS

In mid-July 1997 the celebrations screech to a halt as Thailand's currency implodes, prompting similar devaluations across the region. Stock markets collapse along with much of corporate Asia, laden with foreign debt. Millions are thrown out of work.

1998

SEPTEMBER 1998

**REDEMPTION FEES DOUBLED** to discourage short-term trading of fund shares and to offset transaction costs associated with such trades

**MATTHEWS CHINA FUND** Opens

## THE FALLOUT

Policies adopted to stem the damage only deepen Asia's economic pain. Especially hard-hit: Thailand, South Korea, and Indonesia, where riots force the resignation of long-time dictator Suharto; democratic presidential elections follow the next year.



## THE BOOM IN TECH

Asia stages an abrupt recovery as the West's simultaneous Internet mania and panic over Y2K provoke a frenzy for the region's high-tech products and services, made even more attractive by Asia's crisis-weakened exchange rates and widespread corporate reform.

## THE BENCHING OF JAPAN

Throughout the decade, Japan essentially sits apart, insulated from both the crisis and the recovery, and trapped in a downward economic spiral all its own. Consumer spending dries to a trickle, and unemployed workers—a first in the post-war era—hide their shame in city parks.



1999

2000

2001

2002

MAY 2000 Matthews Asian Funds appoints **INDEPENDENT CHAIRMAN** of its board of trustees.

**MATTHEWS ASIAN TECHNOLOGY FUND** Opens

**MATTHEWS JAPAN FUND** Opens



### THE ASIAN CONSUMER

Meanwhile, consumer spending in China is in full flood. The country's rapid rate of industrialization and its corresponding pace of economic growth have produced a ballooning middle class that clamors for both Asian and Western products. Similar consumer revolutions seen throughout the region.

### THE GLOBAL WORKFORCE

Malaysia's xenophobic long-time leader steps down. Old, nationalistic rivalries fade away along with the politicians who promoted them. Trade soars as Asia's nations increasingly collaborate in an effort to forge the region into one integrated factory floor, producing goods for the entire planet.



FOR MORE INFORMATION, PLEASE VISIT:  
[www.matthewsfunds.com/decade](http://www.matthewsfunds.com/decade)

2003

2004

Launch of Matthews' **MOST COMPREHENSIVE REGIONAL PORTFOLIO** including Japan

**AVERAGE ANNUAL RETURNS SINCE INCEPTION [AS OF 9/30/04]:**

<b>MATTHEWS ASIA PACIFIC FUND</b> Opens [INCEPTION 10/31/03]	9.30%
<b>MATTHEWS ASIAN TECHNOLOGY FUND</b> [INCEPTION 12/27/99]	-13.10%
<b>MATTHEWS JAPAN FUND</b> [INCEPTION 12/31/98]	9.02%
<b>MATTHEWS CHINA FUND</b> [INCEPTION 2/19/98]	7.20%
<b>MATTHEWS KOREA FUND</b> [INCEPTION 1/3/95]	0.51%
<b>MATTHEWS ASIAN GROWTH AND INCOME FUND</b> [INCEPTION 9/12/94]	10.60%
<b>MATTHEWS PACIFIC TIGER FUND</b> [INCEPTION 9/12/94]	5.20%

November 2003 **MATTHEWS ASIAN GROWTH AND INCOME** closed to most new investors

Please see reverse side of this panel for complete performance data

## OUR EXPERIENCE WITH ASIA

### PAUL MATTHEWS

Chairman and Chief Investment Officer, *Matthews International Capital Management, LLC*

“ I first went to Asia in 1978, and was astonished by the extraordinary entrepreneurial energy. Four years later I moved to Hong Kong to work on Asia investment portfolios. Much of the region was still closed to foreign investors, corruption was rampant, and we faced one crisis after another: The crash of 1987 nearly wiped out half the fund managers in Hong Kong. But the sense of opportunity persisted. Those two factors—the sense of opportunity, and a personal knowledge of the very real risks—are what led us to launch the Matthews Pacific Tiger Fund and the Matthews Asian Growth and Income Fund. Ten years after the Funds’ launch, the risks remain very present, but the potential only grows. Asia’s markets are much better regulated now, its people are visibly wealthier, corporate governance continues to improve. Our original goal was to tap into Asia’s vast potential while keeping a close eye on the many risks involved. And that remains our goal today. ”

### MARK HEADLEY

President and Portfolio Manager *Matthews International Capital Management, LLC*

“ In 1989, after studying Asian political and economic history, I helped launch the first U.S. mutual fund investing in Asia ex-Japan. Six weeks later, the Tiananmen Square massacre took place, and investors couldn’t get out fast enough. But in fact, Tiananmen Square was just a repeat of something that had happened many times throughout China’s history. And knowledge of that history gave me confidence that, as in the past, China would get to the other side of its problems. After 15 years of investing in Asia, my confidence is even stronger, and it’s combined with a sense that Asia’s potential is finally being unleashed—that in my lifetime, Malaysia could become Singapore, China could become Hong Kong. Without question, there will be difficulties along the way. But panic is an investor’s worst enemy, and understanding the context in which events unfold can help prevent it. At Matthews Asian Funds, our commitment to understanding the context in which we’re investing may be our greatest advantage. ”



**ON THE GROUND:** Richard Gao, co-portfolio manager of the Matthews China Fund, visits a company in mainland China in 2000. All of the members of the Matthews investment team travel to Asia frequently to research and experience the unfolding economic trends first hand.

Investing in foreign securities may involve certain additional risks, including exchange-rate fluctuations, less liquidity, greater volatility and less regulation. Single-country and sector funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific sector or geographic region.

*You should consider the investment objectives, risks, charges and expenses of the Matthews Asian Funds carefully before making an investment decision. A prospectus with this information and other information about the Funds may be obtained by calling 800-789-ASIA (2742) or by visiting [www.matthewsfunds.com](http://www.matthewsfunds.com). Please read the prospectus carefully before investing as it explains the risks associated with investing in international markets.*

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