Matthews Asia

Matthews China Dividend Fund

Investor

Commentary

Period ended March 31, 2025

Market Environment

- China was the best-performing major equity market in the first quarter. Offshore markets performed well, due in part to the surprise success of the Chinese artificial intelligence (AI) open-source platform DeepSeek, which upended assumptions about the high-capex dominance of U.S. based-AI services. Xi Jinping's pivot to publicly back China's private sector and big tech firms like Tencent and Alibaba also helped bolster offshore markets.
- While offshore markets did well, mainland markets—representative of China's real estate, consumer and export sectors—were largely flat. We have yet to see a pickup in growth in China's domestic economy, as the property market remained challenged and business and consumer confidence remained weak. Consequently, earnings growth of mainland stocks generally stayed subdued and didn't provide a catalyst for equity price upside.

Contributors and Detractors

- For the quarter ended March 31, 2025, the Matthews China Dividend Fund returned 11.01%, (Investor Class) and 11.07% (Institutional Class) while its benchmark, the MSCI China Index, returned 15.06% over the same period.
- On a sector basis, the top three contributors to relative performance were utilities due to zero allocation, financials due to an underweight allocation and consumer staples due to stock selection. The top three detractors were consumer discretionary due to stock selection, industrials due to an overweight allocation and health care due to stock selection.
- The largest contributors to absolute performance included Alibaba Group, an e-commerce platform company, Tencent Holdings, an online gaming and social media conglomerate, and Sunevision Holdings, a Hong Kong information technology (IT) company. The top three detractors included New Oriental Education & Technology Group, a provider of private educational services, China Everbright Environment Group, an industrials company, and Fuyao Glass Industry Group, a manufacturer of automobile glass.

Outlook

- U.S. tariff policy and how it impacts China's economy and markets will be an important variable in the outlook for Chinese equities, in our view. Manufacturing sectors that count the U.S. as a major customer will continue to be impacted while domestic-oriented companies should be relatively more insulated.
- The health of China's domestic economy is the biggest factor that will influence the drivers of returns in China. While earnings growth was uneven during the quarter, there were encouraging signs of economic recovery, alongside promising innovation in AI and technology. That said, consumer sentiment is still weak, and for it strengthen we will need to see stronger job creation and more wealth generation.
- We also view the government's increasingly pro-business stance as a positive, potentially signaling the start of a long-term cycle where private entrepreneurs regain confidence to invest in China's economy. While it's still early, it may be timely. When the global economy is under pressure, we believe domestic-driven economies are more resilient than markets that are heavily exposed to global trade.

View the Fund's Top 10 holdings as of March 31, 2025. Current and future holdings are subject to change and risk.

Average Annual Total Returns - MCDFX as of 03/31/2025

1YR	3YR	5YR	10YR	Since Inception	Inception Date
32.42%	0.29%	3.60%	4.85%	6.65%	11/30/2009

All performance quoted is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing market conditions so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have been lower if certain of the Fund's fees and expenses had not been waived. For the Fund's most recent month-end performance visit matthewsasia.com

Fees & Expenses

Gross Expense Ratio	1.17%

Yields as of 03/31/2025

30-Day SEC Yield	1.69%
Dividend Yield	3.41%

The 30-Day SEC Yield represents net investment income earned by the Fund over the 30-day period ended 03/31/2025, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day SEC Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate. Source: BNY Mellon Investment Servicing (US) Inc.

Dividend Yield (trailing) is the weighted average sum of the dividends paid by each equity security held by the Fund over the last 12 months divided by the current price as of report date. The annualised dividend yield is for the equity-only portion of the Fund and does not reflect the actual yield an investor in the Fund would receive. There can be no guarantee that companies that the Fund invests in, and which have historically paid dividends, will continue to pay them or to pay them at the current rates in the future. A positive distribution yield does not imply positive return, and past yields are no guarantee of future yields.

Investments in Asian securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Investing in emerging markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets. In addition, investments in a single-country fund, which is considered a non-diversified fund, may be subject to a higher degree of market risk than diversified funds because of concentration in a specific country.There is no guarantee that the Fund or the companies in its portfolio will pay or continue to pay dividends.

There is no guarantee that a company will pay or continue to increase dividends. Past performance is no guarantee of future results.

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certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors.

Investing in small- and mid-size companies is more risky than investing in larger companies as they may be more volatile and less liquid than large companies. In addition, single-country funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific industry, sector or geographic location. Pandemics and other public health emergencies can result in market volatility and disruption.

Fund holdings are subject to change and risk. For current holdings, please visit each Fund's individual overview page.

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