

Matthews Asia Funds

China Small Companies Fund

30 September 2018



Overall Morningstar Rating™ (30/9/18)*

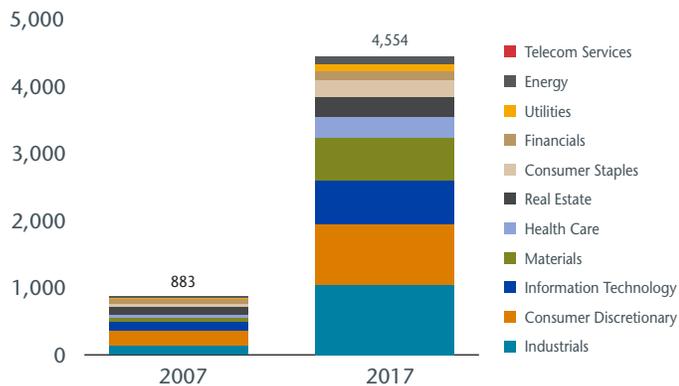


Matthews Asia

Why Invest in the Matthews China Small Companies Fund?

1. China's Small Company Universe is Expanding for Foreign Investors

The investable universe of China small caps has expanded five-fold in the past decade, and most are not widely known or covered by sell-side analysts.



Includes all companies domiciled in Hong Kong, Macau and mainland China with market cap of US\$50MN to US\$3BN. 2007 figures do not include companies listed on the Shanghai or Shenzhen exchanges as they were generally not available to foreign investors at that time. Source: Bloomberg as of 31 December 2017

2. Chinese Small Caps Are Priced Attractively Against Global Small Caps



*Estimates as of 11 July 2018 for China Small Cap (MSCI China Small Cap Index), India Small Cap (MSCI India Small Cap Index), U.S. Small Cap (Russell 2000 Index), China LargeCap (MSCI China Index) and Europe Small Cap (MSCI Europe Small Cap Index, USD) for companies that provided forward looking EPS and P/E. There is no guarantee that estimated EPS growth and/or P/E will be achieved. Indexes are unmanaged and it is not possible to invest directly in an index. Universe includes Chinese companies listed on the Hong Kong Exchange, and B shares listed on Shanghai and Shenzhen exchanges. Source: Bloomberg

3. A Look at 100-day Volatility among China Small Caps

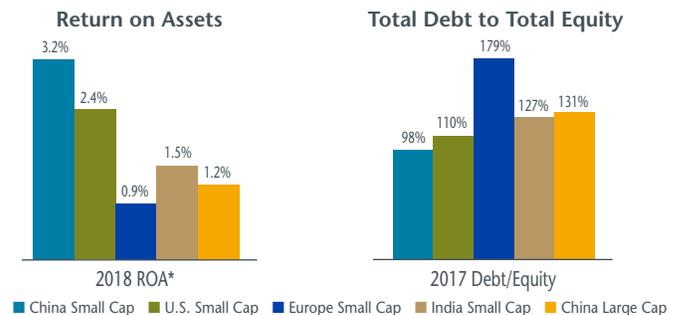
Small caps have historically been less volatile over the long run



Indexes are unmanaged and it is not possible to invest directly in an index. Volatility is the standard deviation of returns. Past performance is no guarantee of future results. Source: Bloomberg, as of 5 January 2018

4. Chinese Small Companies Don't Depend on Leverage for Returns

China's smaller firms may offer high returns at low leverage



*Estimates as of 11 July 2018 for China Small Cap (MSCI China Small Cap Index), India Small Cap (MSCI India Small cap Index), U.S. Small Cap (Russell 2000 Index), China Large Cap (MSCI China Index) and Europe Small Cap (MSCI Europe Small Cap Index) for companies that provided ROA estimates. There is no guarantee that estimated ROA will be realized. Indexes are unmanaged and it is not possible to invest directly in an index. Universe includes Chinese companies listed on the Hong Kong Exchange, and B shares listed on Shanghai and Shenzhen exchanges. Source: Bloomberg

The value of an investment in the Fund can go down as well as up and possible loss of principal is a risk of investing. Investments in international and emerging market securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. The Fund invests in holdings denominated in foreign currency, and is exposed to the risk that the value of the foreign currency will increase or decrease. The Fund invests primarily in equity securities, which may result in increased volatility. Investments in a single-country fund may be subject to a higher degree of market risk than diversified funds because of concentration in a specific country. The Fund invests in smaller companies, which are more volatile and less liquid than larger companies. These and other risks associated with investing in the Fund can be found in the Prospectus.

*Overall Morningstar Ratings are reflective of the I (ACC) USD share class.

MATTHEWS CHINA SMALL COMPANIES FUND

Strategy Highlights

- ✿ **China's smaller companies:**
 - are poised to benefit from China's shift toward a consumption-driven market-based "new economy" that is less capital intensive
 - can drive strong return on invested capital
- ✿ **Smaller companies provide opportunities:**
 - for the potential for higher growth at lower valuations as they are less well-known
 - the historical volatility of small-cap stocks* in China is actually lower than the overall China market†
- ✿ **Small companies in China may lack access to capital and, thus, must be more:**
 - competitive
 - innovative
 - capital-efficient than their larger peers to survive and thrive
- ✿ **Rigorous due diligence**
 - Our investment team maintains a rigorous due diligence process, including on-the-ground assessments of both business and management team quality

*MSCI China Small Cap Index

†MSCI China Index

Why Matthews Asia?

- ✿ **25 years of Experience Investing in Asian Equity Markets**
We have invested in Asian equity markets, including small caps, since 1991 through multi-year market cycles.
- ✿ **Specialist Firm Focused Solely on Investing in Asia**
Independent and privately owned, Matthews Asia has a 45+ person investment team dedicated to investing in Asia.
- ✿ **Clear Investment Philosophy**
We believe that a long-term investment horizon and benchmark-agnostic approach provides value creation opportunities for our clients.
- ✿ **Research-driven, Bottom-up Approach**
Our disciplined process is anchored in an active, bottom up approach to stock picking. Our dedicated investment team holds over 2,500 company meetings per year.

FUND FACTS (USD)

Class I (ACC) Shares

Total Fund Assets

\$84.6 million

Total # of Positions

49

Inception

29 February 2012

ISIN

LU0721876877 (USD)

Benchmark

MSCI China Small Cap Index

Important Information

For Institutional/Professional Investors Only

The Fund is a sub-fund of Matthews Asia Funds SICAV, an umbrella fund, with segregated liability between sub-funds, established as an open-ended investment company with variable capital and incorporated with limited liability under the laws of Luxembourg.

Investment involves risk. Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. This document is not a Prospectus/Offering Document and does not constitute an offer to the public. No public offering or advertising of investment services or securities is intended to have taken effect through the provision of these materials. This is not intended for distribution or use in any jurisdiction in which such distribution, publication, issue or use is not lawful. Investors should not invest in a Fund solely based on the information in this document. An investment in Matthews Asia Funds may be subject to risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. The current prospectus, Key Investor Information Document or other offering documents ("Offering Documents") contain this and other information and can be obtained by visiting global.matthewsasia.com. Please read the Offering Documents carefully before investing as they explain the risks associated with investing in international and emerging markets. It is the responsibility of any persons wishing to subscribe for shares to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of shares, and any foreign exchange restrictions that may be relevant thereto.

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Overall Morningstar Ratings are reflective of the Class I (ACC) USD Shares. Fund ratings represent an opinion only and are not a recommendation to buy or sell any fund.

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The MSCI China Index is a free float-adjusted market capitalization-weighted index of Chinese equities that include China-affiliated corporations and H shares listed on the Hong Kong exchange, and B shares listed on the Shanghai and Shenzhen exchanges. **The MSCI India Small Cap Index** is a free float-adjusted market capitalization-weighted small cap index of the India market. With 255 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Indian equity universe. **The MSCI Europe Small Cap Index** captures small cap representation across the 15 Developed Markets (DM) countries in Europe. With 985 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in the European equity universe. **The Russell 2000 Index** measures the performance of the small-capitalization segment of the U.S. stock market.

Indexes are unmanaged and for comparative purposes only. It is not possible to invest directly in an index.

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