



## Matthews Asia Perspective

### Off to a Wild Beginning in 2018



**Robert Horrocks, PhD**  
Chief Investment Officer  
Matthews Asia

It has been a crazy start to 2018, with some big price moves!

First, of course, bitcoin. As I write this, the cryptocurrency is down 50% from its peak. Where will it stop? No one knows because no one can articulate a sensible fundamental value, in my view.

Elsewhere, the main trends of 2017 have continued. Mega-cap technology names are performing strongly. Also in favor have been some of the region's biotechnology companies—sometimes because of real advances in technology and sometimes because of little more than hope. Chinese financials also have performed well, more due to the reflationary Chinese economy than a fundamental change in business. In Japan, shares of factory automation and robotics companies have soared, too, as investors have been attracted by the potential demand from a strengthening global economic cycle.

I would not argue that the rallies in some of these thematic growth sectors are entirely analogous to bitcoin. They are not because, unlike cryptocurrencies, these companies do have a fundamental value. In my mind, however, I find it impossible to completely separate the two phenomena in terms of the kind of market sentiment that is driving prices.

If the market is driven by Greed and Fear, most certainly Greed is in the driver's seat right now (next to its passenger, Hope). Part of me wants to celebrate because for too long Asia has been ignored by global investors. Another part of me cries "Beware!" I believe Asia will remain the world's fastest-growing region over the next few years and I remain optimistic about the environment for corporate profits and investment in Asia. At times now, however, it seems as if people are willing to buy growth "at any price" or to put too much confidence in businesses that are not fully tested. All but ignored are the solid businesses that perhaps do not have such exciting stories behind them or such potentially fast growth ahead of them.

This both concerns me and excites me. It concerns me because I don't want Asia to be perceived as a short-term trade. That is, somewhere you invest just for the thrill of a few months or a year and for the promise of maybe making high returns (or losing your shirt). It excites me because for long-term investors, this is where you start to see some potential bargains. The promise of bargains comes at a cost, however, and that cost is patience. It seems to me that the investment world is running short on patience—and that ought to make it a valuable thing to possess.

So, yes, a crazy start to 2018. Exactly the time when we need to be mindful of valuation and keep our heads!

*Investments involve risk.*

*Past performance is no guarantee of future results. Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation.*

#### Disclosure and Notes

This document is not for public distribution and is for institutional and professional investors only and may not be reproduced in any form or transmitted to any person without authorization from the issuer.

The information contained herein has been derived from sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews International Capital Management, LLC ("Matthews Asia") and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information. The views and information discussed herein are as of the date of publication, are subject to change and may not reflect current views. The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles. This document does not constitute investment advice or an offer to provide investment advisory or investment management services, or the solicitation of an offer to provide investment advisory or investment management services, in any jurisdiction in which an offer or solicitation would be unlawful under the securities law of that jurisdiction.

Matthews Asia is a U.S.-based investment adviser registered with the U.S. Securities and Exchange Commission who has not represented and will not represent that it is otherwise registered with any other regulator or regulatory body.

In Hong Kong, this document is issued by Matthews Global Investors (Hong Kong) Limited and has not been reviewed by the Securities and Futures Commission in Hong Kong.

In Singapore, this document is available to, and intended for Institutional Investors under Section 304 of the Securities and Futures Act ("SFA"), and to Relevant Persons pursuant to section 305 of the SFA, as those terms are used under the relevant law. It should not be circulated or distributed to the retail public in Singapore.

In the UK, this document is only made available to professional clients and eligible counterparties as defined by the Financial Conduct Authority ("FCA"). Under no circumstances should this document be forwarded to anyone in the UK who is not a professional client or eligible counterparty as defined by the FCA. Issued in the UK by Matthews Global Investors (UK) Limited ("Matthews Asia (UK)"), which is authorised and regulated by the FCA, FRN 667893.