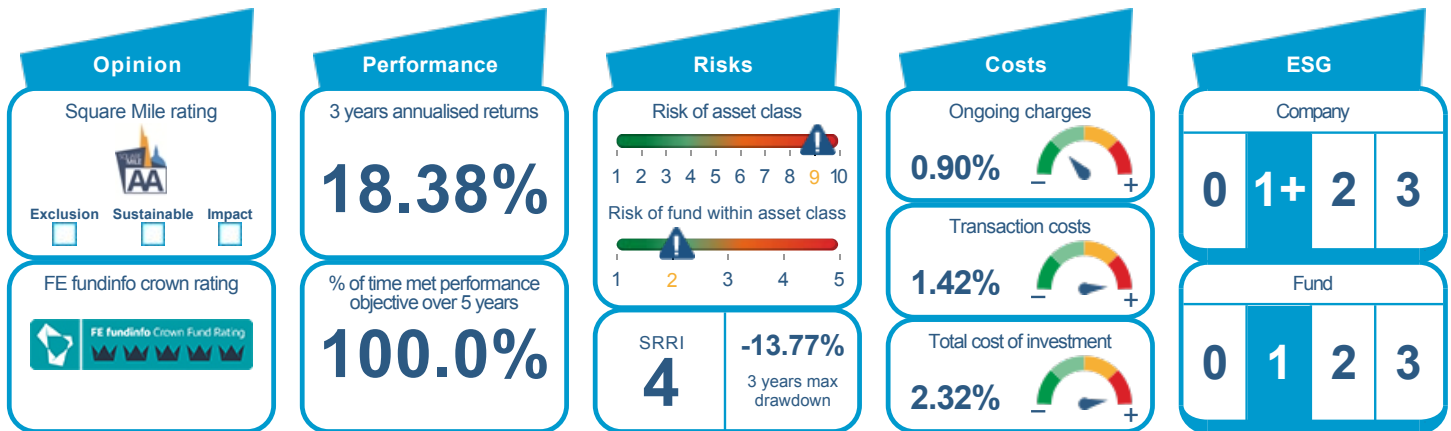


Matthews Asia ex Japan Dividend I Inc GBP

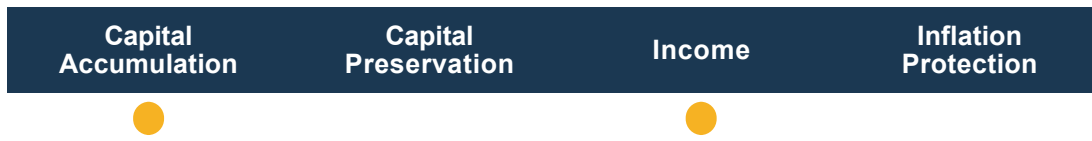
July 2021
Investment Research



Overview

The focus of this fund is on delivering long-term total returns, which is a combination of income and capital growth, through an equity portfolio consisting of Asian companies. Investments will include large, medium and small sized companies, though the exposure to the latter two is likely to be quite sizeable, subject to the stock opportunity set.

Note that this fund invests in developing markets and as such, income and capital growth are not guaranteed and are vulnerable to movements in stock markets. For UK based investors, this fund invests overseas and therefore it will include foreign exchange rate risks.



Square Mile Expected Outcome

We believe the fund should be able to deliver long-term total returns ahead of the MSCI AC Asia Ex Japan index over rolling five year periods.

Domicile: Luxembourg	Asset Class: Equity
IA Sector: IA Asia Pacific Excluding Japan	Launch Date: 30/11/2015
Fund Size (as at 31 May 2021): £323.7m	Yield: 1.18%
Distribution Pay Date: Mar 26, Jun 25, Sep 29, Dec 17 (Final)	Fund Manager: -
Ongoing Charge Figure: 0.90%	
Transaction Cost ex Ante: 1.42%	



Fund Opinion

Launched at the end of November 2015, this fund is managed in a similar manner to the Matthews Asia Dividend fund, which dates back to October 2006 (with the inception of the US domiciled fund) and is run by the same management team, who follow a similar approach that is focused on total returns. The lead manager of this fund, Yu Zhang, is an accomplished investor. He is supported by a strong team with three co-managers and three dedicated analysts. The longer-term investment culture at Matthews and overall support that the firm provide to their investment teams is of a very high level, which is an essential feature to have for strategies which invest in developing markets.

The fund's current size allows the managers the ability to invest to a significant degree in medium and smaller sized firms and to enter the more emerging Asian and frontier markets. Such exposures are dependent on the opportunity set the managers find at any given time. Nevertheless, they believe that these companies have yet to reach their full growth potential and are often overlooked from an income perspective.

The managers' experience in running the larger sized US domiciled fund, which also invests across the market-cap spectrum, gives us confidence in their investment capability and they have built a good track record since launch, which reassures us that they should be able to deliver on this fund's longer-term objectives. We consider this to be a strong Asian offering for long-term investors seeking to access the region's income and growth potential, through a sensibly managed fund with a well-designed investment framework.

Fund Description

Matthews International Capital Management is a San Francisco-based asset manager specialising in Asian investment. It was established in 1991 and is one of the largest US based managers dedicated to the Asian equity markets. The investment team is well-resourced with over 40 fund managers and analysts. As the business and product mix has grown over time, the broader team has evolved into smaller sub-teams that are now dedicated to specific strategies. Nevertheless, the group employs an investment philosophy that is consistently applied across the fund range.

The fund's lead manager, Yu Zhang, joined Matthews in 2007 and also has responsibility for a number of the company's other Asia Dividend strategies. He is closely supported by the group's CIO, Robert Horrocks, and co-managers, Sherwood Zhang and Joyce Li. The four are part of a strong team of portfolio managers, analysts and strategists who specialise in the greater Asia Pacific region.

Matthews seek to be long-term investors, and a common feature across all their portfolios, is the belief that Asia's long-term growth prospects remain strong and investing in higher quality businesses that grow with the development of the region's middle-class lifestyles provides a good backdrop for returns. The managers of this fund look for companies that can be held through the investment cycle. They seek companies which tend to generate stable dividend yields as well as those with businesses that have a greater sensitivity to the economic cycle, but which offer faster dividend growth potential. The allocation to these two types of firms will change over time and will depend on where the team find the most attractive opportunities, but, crucially a company's ability and willingness to pay dividends must be present for the managers to invest.

The team regularly go to the region to see company management and indeed, these visits are a critical component of the investment process as they help the team to understand the environment companies are operating in. These visits can generate new ideas, but idea generation can also come from the interaction with the wider team at Matthews or through filtering the investable universe of stocks using a set of valuation metrics or company metrics. The team will consider a plethora of factors before investing, such as the strength of a company's balance sheet, the sustainability and competitiveness of its business and the ability to maintain reasonable rates of long-term growth. Close attention is paid to the incentive structure of the management team and their attitude towards minority shareholders, their ability to meet business milestones as well as their approach to capital allocation, and within this, the importance of dividend payments.

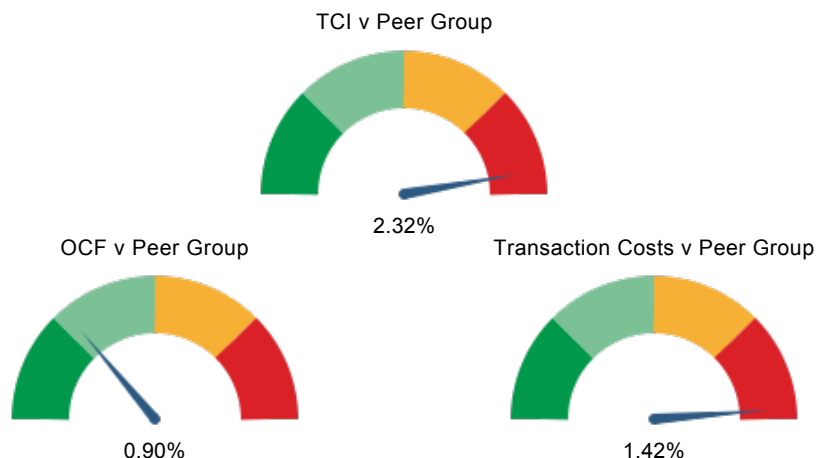
This fund has the flexibility to invest across a range of sectors, markets and companies of different market capitalisations, but, investments are made purely on the merits of a company's attractiveness, and not on a stock's weight in the MSCI AC Asia ex Japan index. The portfolio will comprise of 50 to 80 holdings with initial positions generally small (less than 1-1.5% of the portfolio's assets) and are built up over time as the managers' conviction increases. One of the features of this fund is that it will have a bias to smaller and medium sized companies and therefore a lower weighting in large and mega cap companies listed in the region.

Risk Summary

The fund scores high in terms of its asset class risk as it is essentially exposed to developing markets and these can exhibit significant volatility at times. The level of natural income which the fund distributes is not guaranteed and may fluctuate over time. The team are ultimately focusing on identifying companies with attractive absolute dividend yields and companies with the potential to grow their dividends, but this fund's portfolio can look very different from the index, which is used solely as a performance comparator. Moreover, whilst the managers are aware of prevailing economic trends and market dynamics, they will be focusing purely on the opportunities, threats and risks that these might have on companies' business models.

Value for Money

This fund's ongoing charge figure is lower than the median within its peer group. However, when one considers the total cost of investment (TCI) it rises significantly and is one of the most expensive within the peer group. The reason for the higher charges is the fund's investment into smaller companies which have higher transaction fees. Whilst we acknowledge the high charges, we believe the opportunities available to the managers more than compensate for this and think the fund offers investors reasonable value for money.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.				

Responsible Investing Approach

Exclusion	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	18.38%
Annualised Volatility	15.13%
Max Drawdown	-13.77%
Max Gain	16.50%
Max Loss	-9.93%
Sharpe Ratio	1.25
Sortino Ratio	1.15

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 11 Jun 2021)

£24.2

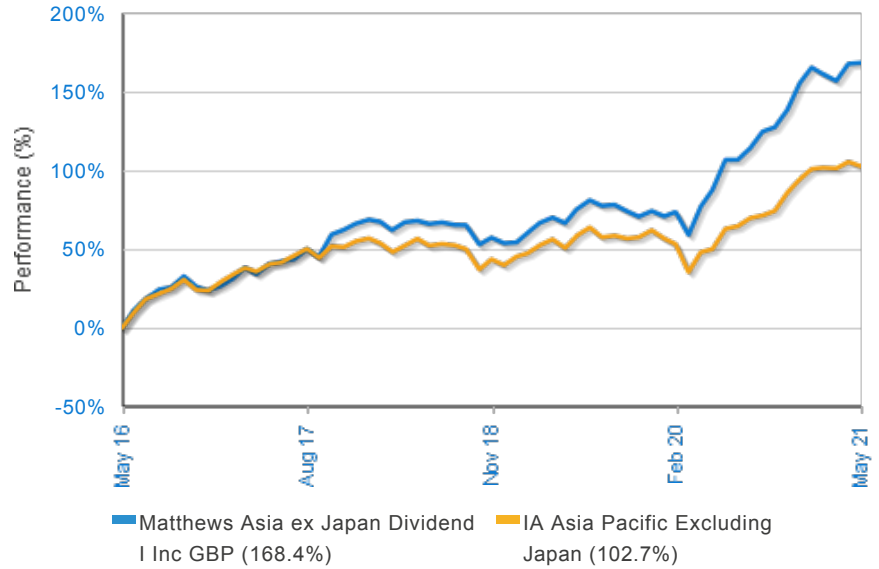
Benchmark

MSCI AC Asia Ex Japan

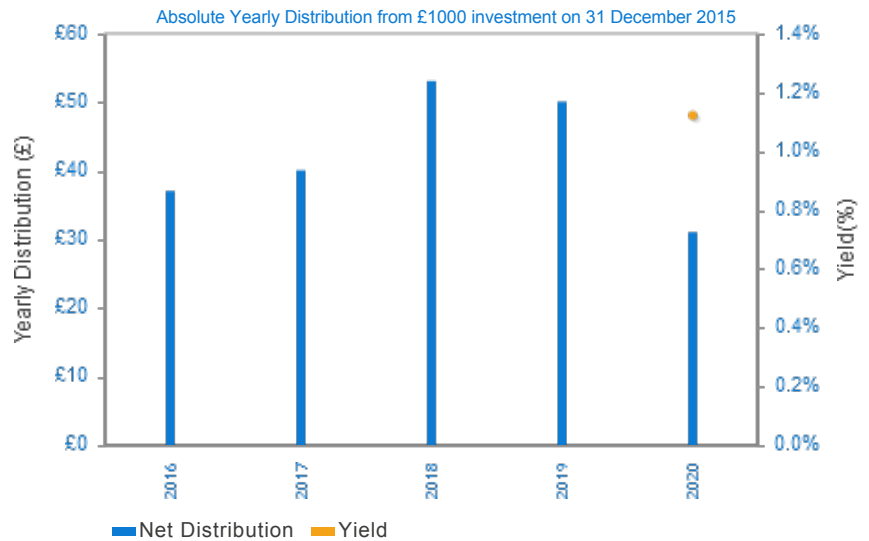
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	61.4	48.5	2
12-24m	-4.6	-11.3	1
24-36m	2.8	3.1	1
36-48m	17.1	7.3	2
48-60m	37.3	35.1	1

Capital Growth

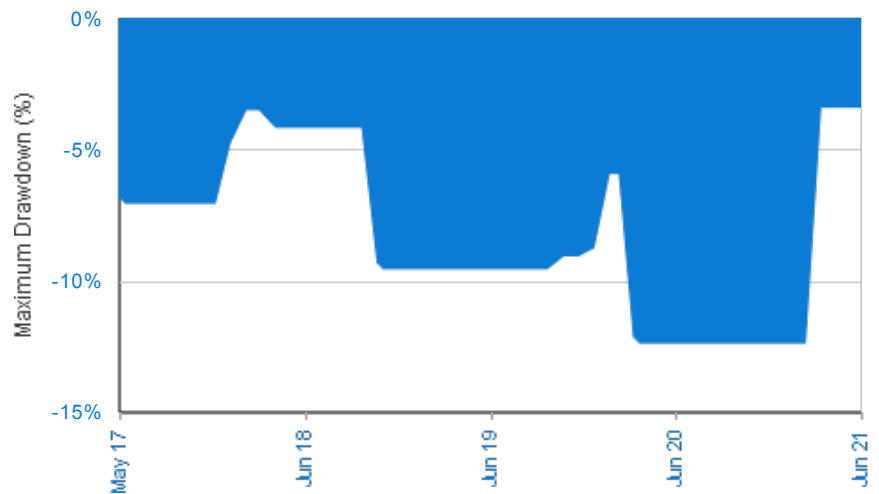


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



Top Ten Holdings

(Data as at 30 Apr 2021)

Company Name	%
TAIWAN SEMICONDUCTOR MANUFACTURING	3.7
TENCENT HLDGS LTD	3.3
LINK REAL ESTATE INVESTMENT TRUST UTS	2.9
POSCO	2.9
LG CHEM	2.8
KB FINANCIAL GROUP INC	2.5
MEDIA TEK INC	2.5
SITC INTERNATIONAL HLDGS CO	2.5
AIA GROUP LTD	2.4
SAMSUNG ELECTRONICS CO	2.4

Sector Breakdown

(Data as at 30 Apr 2021)



- Information Technology (18%)
- Industrials (17%)
- Financials (15%)
- Consumer Discretionary (12%)
- Communications (12%)
- Real Estate (11%)
- Health Care (6%)
- Materials (6%)
- Energy (1%)
- Other (2.2%)

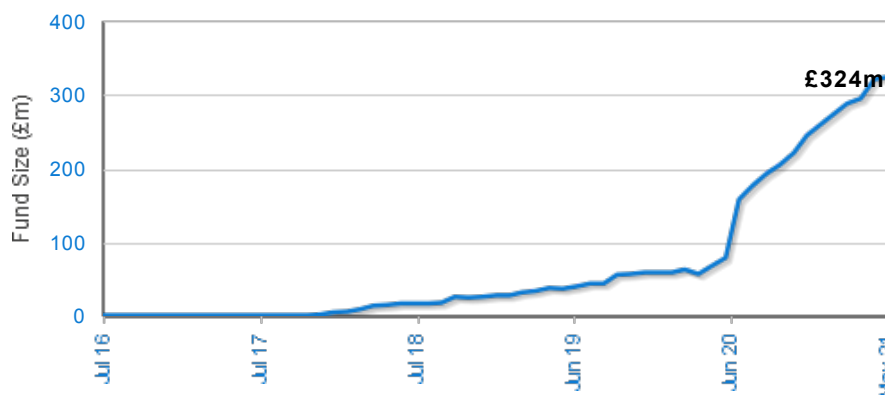
Geographic Breakdown

(Data as at 30 Apr 2021)



- Hong Kong & China (39%)
- Korea (22%)
- Taiwan (14%)
- India (6%)
- Vietnam (6%)
- Singapore (5%)
- Malaysia (4%)
- Indonesia (2%)
- Money Market (1%)
- Other (1.1%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk			●
Exchange Rate Risk	●		
Liquidity Risk		●	
Emerging Markets Risk	●		
Derivative Risk			●
Manager Risk	●		

Equity Risk

The fund is predominately invested in shares of Asian companies. Shares are volatile investments and this volatility is typically heightened at times of economic stress.

Interest Rate Risk

The fund is an equity fund. Higher interest rates may adversely affect valuations of shares.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund predominately invests abroad and it is exposed to foreign currencies. Currency markets may move sharply.

Liquidity Risk

The fund may include a sizeable exposure to less liquid and smaller companies, which could be difficult to sell at certain times. The risks of this happening are most acute at times of financial distress.

Emerging Markets Risk

The fund predominately invests in emerging regions. Economic, political, legal and market events in the region may have a material adverse effect on the fund price. Valuations in emerging market assets can be volatile.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities.

Manager Risk

The lead manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile would reappraise the rating if the lead manager were to leave.

FE Risk Rating: 80.00

SRRI: 4

Disclaimer

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