



# Matthews China Dividend Fund

I (Acc)

## Commentary

Period ended 30 June 2024

### Market Environment

- China's market performed well in the second quarter, helped by positive sentiment generated by government initiatives to support the real estate sector and strong exports which compensated for lackluster domestic consumption.
- The government's move to enable provinces to buy real estate inventory from developers and use it for social housing has been notable as it should begin to take the stress off developers' balance sheets and provide a meaningful tailwind. That said, China remains an economy with many challenges and macro indicators remained mixed. On the retail side there has been improvement, but overall consumer sentiment is still quite weak.
- In the quarter, we focused on companies that are producing better earnings. In large sectors, like digital and e-commerce companies, there have been improvements in improvements on the revenue side. More generally, margins are starting to widen, and we are seeing companies with good dividends and good dividend yield support with low valuations.

### Contributors and Detractors

- For the quarter ended June 30, 2024, the China Dividend Fund returned 8.36%, (I Acc USD) while its benchmark, the MSCI China Index, returned 7.16% over the same period.
- On a sector basis, the top three contributors to relative performance were industrials, real estate and energy due to stock selection. The top three detractors were financials due to stock selection, consumer staples due to an overweight allocation and utilities due to an underweight allocation.
- The largest contributors to absolute performance during the quarter included Tencent Holdings, an online gaming, and social media conglomerate, Yangzijiang Shipbuilding Holdings, one of China's largest privately owned shipbuilding company and China Suntien Green Energy, a natural gas supplier. The top three detractors to performance included Wuliangye Yibin, a baijiu distillery, Yuexiu Property Company Limited, Chinese real estate company, and Galaxy Entertainment Group, a developer and operator of entertaining facilities.

### Outlook

- China continues to face several economic and external headwinds; however, we see opportunities in stocks that are improving earnings and in companies with robust dividend yield support and share buybacks.
- While there might be moderate catalysts for growth on the macro front, in our view there is unlikely to be a big fiscal or monetary stimulus for the economy as such moves in the past have left China with large debt burdens.
- In terms of geopolitics, and particularly related to the upcoming U.S. presidential election, we think a lot of expectations are priced into the markets but there will likely be volatility as signals emerge over the potential winner. It could be that the election provides an opportunity to reduce positions in China or, as we near the election, valuations in China equities may decline and the market may overreact to the election outcome, in which case there could be opportunities to increase exposure.

### Rolling 12 Month Returns For the period ended 30/06/2024 - I (Acc)

Name	2024	2023	2022	2021	2020	Inception Date
Matthews China Dividend Fund (USD)	-8.64%	-11.66%	-23.15%	35.14%	2.85%	31/01/2013
MSCI China Index (USD)	-1.43%	-16.69%	-31.70%	27.54%	13.28%	

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