



Matthews Pacific Tiger Fund

I (Acc)

Commentary

Period ended 31 March 2022

For the quarter ending 31 March 2022, the Matthews Pacific Tiger Fund returned -10.51%, while its benchmark, the MSCI All Country Asia ex Japan Index, returned -7.95% over the same period.

Market Environment:

2022 got off to a choppy start in Asian markets, led by North Asian equities. The confluence of a spike in Covid cases and resulting policy of enforced lockdowns and uncertainties around ADR delisting dragged down Chinese equities which were the worst performing in the region. On the flip side, rate sensitive stocks powered the Singaporean and Indonesian financials to deliver strong absolute returns in the first quarter, while Energy was the best performing sector in the region.

Small caps managed to provide a bit of shelter although the returns were still negative during the quarter. Asian currencies remained somewhat resilient in the face of geopolitical concerns, rising rates in the US, and spiking energy prices.

Meanwhile, tourism- and consumption- oriented economies like Indonesia and Thailand are attracting foreign investor (FII) flows as the recovery from COVID-19 is starting to gain hold, and equity valuations in those countries remain relatively attractive. However, other countries like India have experienced FII outflows offset by increasing allocation to equities by domestic entities.

Performance Contributors and Detractors:

During the quarter, allocation and stock selection in India and Southeast Asia countries such as the Philippines and Indonesia contributed to relative performance, where we see sustained recovery signs in the domestic economy from the COVID-19. The largest contributor, PVR Limited, a leading film exhibition player in India, saw its share price surge after the company announced it is set to merge with Inox Leisure Limited to create the largest multiplex chain in India. Indonesia's largest automotive group, PT Astra International Tbk was another top contributor. PT Astra International Tbk continues to post strong earnings growth as demand for the automotive are recovered from the pandemic shock.

On the other hand, a combination of factors drove the negative stock selection effect during the quarter. In particular, the continued rotation from growth towards value stocks impacted IT related holdings like Tencent and Taiwan Semiconductor Manufacturing Company. Furthermore, the continuation of stringent COVID containment policies in China are hurting the earnings and cash flow prospects for several holdings in the portfolio like Meituan which was one of the leading detractors from relative performance. Meituan is a high-conviction holding and we believe that the recent increase in regulatory and compliance costs within the industry will increase the moat around their delivery business, while their offerings in travel, in-store marketing continue to strengthen.

The ongoing uncertainty around Chinese ADR's also created volatility for several of the internet-oriented holdings in the portfolio causing an absolute decline in the net asset value of the portfolio. Post the quarter-end, there were some signs that US and Chinese authorities are looking to resolve their outstanding differences on the issue of auditing process.

Notable Portfolio Changes:

Over the quarter, we made a few changes as part of their efforts to position the portfolio for sustainable growth and at the same time to manage risks proactively, exiting a few positions by balancing between the progress in

companies' operational milestones and valuation. Kakaopay and Krafton are two examples. Compared to the demanding valuation, Kakaopay's expected profitability path and Krafton's newly launched game progress were delayed with weak visibility. In addition, we exited a solar glass maker, Xinyi Solar, due to its capital allocation decision. Corporate governance is the one of the most important criteria for the strategy and we believed that the capital allocation decision was unfavorable for the interest of the minority shareholders.

With some of the regulatory headwinds easing for internet platform companies in China, the team is looking to take advantage of the cheaper valuation for stocks like Meituan which have a dominant presence in their sector.

On the flip side, some of the Indian holdings were trimmed during the quarter as valuation multiples continue to expand.

Outlook:

Since the start of the year, fresh set of challenges are testing consumers and companies across Asia. Higher energy prices may start impacting corporate profitability and eroding consumer spending power if energy prices remain elevated for an extended period. In China, the uneven recovery from COVID-19 has delayed a recovery in consumption although the health of the consumer balance sheet remains strong, and the government is starting to offer subsidies to rejuvenate domestic spending. In other parts of Asia, the recovery from COVID-19 is continuing to gain traction and portfolio managers believe earnings may post strong growth in coming periods. Considering the volatility in stock prices, portfolio managers are encouraged by the combination of attractive valuations, and the prospects of steady growth across many parts of the region.

Rolling 12 Month Returns For the period ended 31/03/2022 - I (Acc)

Name	2022	2021	2020	2019	2018	Inception Date
Matthews Pacific Tiger Fund (USD)	-13.84%	66.84%	-18.68%	-2.00%	21.93%	30/04/2010
MSCI All Country Asia ex Japan Index (USD)	-14.42%	57.77%	-13.18%	-4.95%	26.16%	
Matthews Pacific Tiger Fund (GBP)	-9.64%	49.70%	-13.80%	5.32%	8.15%	28/02/2011
MSCI All Country Asia ex Japan Index (GBP)	-10.32%	41.79%	-8.76%	2.33%	12.45%	
Matthews Pacific Tiger Fund (JPY)	-5.38%	70.21%	-20.32%	1.97%	16.12%	27/03/2017
MSCI All Country Asia ex Japan (JPY)	-5.99%	61.49%	-15.32%	-1.07%	20.40%	
Matthews Pacific Tiger Fund (EUR)	-8.91%	55.80%	N.A.	N.A.	N.A.	30/04/2019
MSCI All Country Asia ex Japan Index (EUR)	-9.60%	47.29%	N.A.	N.A.	N.A.	

Sources: Brown Brothers Harriman (Luxembourg) S.C.A, Matthews Asia, FactSet Research Systems, Bloomberg

Performance figures discussed in the Fund Manager Commentary above reflect that of the Institutional Accumulation Class Shares and has been calculated in USD. Performance details provided for the Fund are based on a NAV-to-NAV basis, with any dividends reinvested, and are net of management fees and other expenses. Past performance information is not indicative of future performance. Investors may not get back the full amount invested.

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 Asia and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information.

Information contained herein is sourced from Matthews Asia unless otherwise stated. The views and opinions in this commentary were as of the report date, subject to change and may not reflect the writer's current views. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors, and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Fund's future investment intent. It should not be assumed that any investment will be profitable or

will equal the performance of any securities or any sectors mentioned herein. The information does not constitute a recommendation to buy or sell any securities mentioned.

Investors should not invest in the Fund solely based on the information in this material alone. Please refer to the Prospectus for further details of the risk factors.

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. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to 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. Pandemics and other public health emergencies can result in market volatility and disruption.

Matthews Asia is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries.

This website is owned and operated by Matthews International Capital Management, LLC, Matthews Global Investors (Hong Kong) Limited, Matthews Global Investors, LLC and Matthews Global Investors S.à.r.l. Your use of this website confirms that you have read and agree to the [Terms and Conditions of Use](#) of this website.

The information on this website is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security that may be referenced on or through this website. Unless otherwise specified, it is not intended to be directed to any person(s) in particular. Information from this website must not be used in any jurisdiction where prohibited by law and must not be used in a way that would be contrary to local law or legislation. No investment advice, tax advice, or legal advice is provided through this website, and you agree that this website will not be used by you for these purposes. No representation is given that shares, products, or services identified on, or accessible through, this website are suitable for any particular investor. An investment in the Matthews Asia Funds is not available to investors in all jurisdictions; it is not available to U.S. Persons.

Investors should ascertain from their professional advisers the consequences of investing in the Fund under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirement. Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before making an investment decision. The current [prospectus](#), [Key Investor Information Document](#) or [other offering documents](#) ("Offering Documents") contain this and other information. Applications for shares may only be made on the Fund's most recent [Offering Documents](#) which are available from Matthews International Capital Management, LLC. Please read the [Offering Documents](#) carefully before investing.

In Singapore, this website is available to, and intended for Institutional Investors under Section 304 of the Securities and Futures Act. It should not be circulated or distributed to the retail public in Singapore.

In the UK, this website 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.

If you are a resident of any other country, please go to matthewsasia.com

©2022 Matthews International Capital Management, LLC