



Matthews Pacific Tiger Fund

I (Acc)

Commentary

Period ended 30 June 2024

Market Environment

- Markets in the region performed largely in line with our expectations in the second quarter, with Taiwan, India and China delivering positive performances. Inflation on the whole is not as high as in developed markets and in the absence of rate cuts from the U.S. Federal Reserve, a lot of positive performance was driven by fundamentals and earnings growth.
- The expansion of the artificial intelligence (AI) supply chain, led by large U.S. tech firms, was another supportive theme, particularly for semiconductor hubs in Asia. The last quarter also saw volatility in India's market triggered by Prime Minister Modi's failure to win a majority in the national elections which sparked worries that the economic strategy of the country could be challenged.
- Looking more closely at the region, Taiwan was driven by demand for hardware from the U.S. while South Korea experienced weakness in cyclical sectors and in certain areas – including electric vehicles (EV) and EV battery making – oversupply has hurt prices and equity performance. Chinese equities, meanwhile, performed well despite ongoing economic challenges, helped by the government's attempts to stabilize the real estate market and a cyclical pickup in some sectors.
- Indian equities recovered from the market's negative reaction to the election result when it became clear that Modi would form a coalition with allies. Indian local bonds also had their inaugural inclusion in the JPMorgan Government Bond Index-Emerging Markets (GBI-EM) index, which is expected to add significant foreign investor inflows in coming quarters.

Contributors and Detractors

- For the quarter ended June 30, 2024, the Pacific Tiger Fund returned 8.11%, (I Acc USD) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 7.3% over the same period.
- On a country basis, the top three contributors to relative performance were South Korea and China/Hong Kong due to stock selection and Vietnam due to an off-benchmark allocation. The top three detractors were Singapore due to stock selection, Philippines and Thailand due to an overweight allocation.
- On a sector basis, the top three contributors to relative performance were consumer discretionary, information technology (IT) and communication services due to stock selection. The top three detractors were financials and consumer staples due to stock selection and health care due to an overweight allocation.
- The largest contributors to absolute performance included Taiwan Semiconductor Manufacturing Co. (TSMC), a leading Taiwanese chipmaker, Tencent Holdings, a Chinese online gaming and social media conglomerate, and Mahindra & Mahindra, an Indian auto and farm equipment manufacturer. The top three detractors to performance included Union Bank of India Ltd., PT Bank Mandiri (Persero), an Indonesian bank, and LG Chem, a South Korean chemical company.

Outlook

- Post-COVID growth in the region is starting to come through and broaden out and this will pave the way for consistent earnings growth over the next few years, in our view. We also see more upside to equity performance driven by North Asia and underpinned by earnings growth and a widening of AI-related adoption. In South Korea, capital reform initiatives are welcome though we see them having more of a longer-term impact on values.
- Markets in the region should also benefit from the onset of a monetary easing cycle in the U.S. and the decline in the value of the U.S. dollar that would likely bring, in our view. In India, we think the market will continue to progress though it is still expensive. Under the new coalition government, we may see spending on growth spread out beyond infrastructure and CapEx which could yield more opportunities in consumption.
- In China, we are cognizant to potential catalysts for growth and to potential headwinds, such as increased volatility as we approach the U.S. presidential election in November.

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

Name	2024	2023	2022	2021	2020	Inception Date
Matthews Pacific Tiger Fund (USD)	4.31%	-5.74%	-26.36%	47.08%	-2.00%	30/04/2010
MSCI All Country Asia ex Japan Index (USD)	13.27%	-0.76%	-24.78%	40.03%	1.97%	
Matthews Pacific Tiger Fund (GBP)	4.35%	-9.73%	-15.68%	30.13%	1.36%	28/02/2011
MSCI All Country Asia ex Japan Index (GBP)	13.92%	-5.20%	-14.44%	25.25%	5.03%	
Matthews Pacific Tiger Fund (JPY)	15.76%	0.11%	-9.21%	50.88%	-1.98%	27/03/2017
MSCI All Country Asia ex Japan (JPY)	26.06%	5.58%	-7.93%	44.06%	2.11%	
Matthews Pacific Tiger Fund (EUR)	5.85%	-9.68%	-15.79%	38.50%	-0.61%	30/04/2019
MSCI All Country Asia ex Japan Index (EUR)	15.30%	-4.90%	-14.68%	32.62%	3.39%	

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

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