



Matthews Asia

Tap Asia's Full Growth Potential with our Dividend Approach



With an investment approach allocating more than half the portfolio to small and mid-cap companies, the Matthews Asia ex Japan Dividend Fund sets itself apart.

30 September 2020

Why Asian Dividends?

Asia is extraordinarily diverse. It contains frontier markets, emerging markets and developed markets, meaning investors can find income-oriented companies throughout the region. Yet many investors adopt a narrow approach and focus on more-developed countries, such as Australia and Singapore, and on large-cap companies.

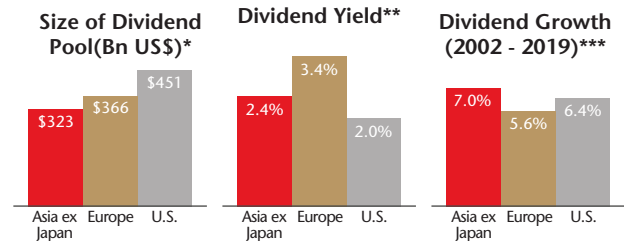
Since its launch in November 2015, the Matthews Asia ex Japan Dividend Fund has followed a different path. With over half of the portfolio invested in dividend-paying small- and mid-cap companies across the region, it seeks to capture the full dividend potential of Asia.

Small- and mid-cap companies in Asia have been a significant driver of Fund performance. In general, these companies have not yet realized their full growth potential and are often overlooked from an income point of view. In some areas of Asia, they also tend to be under-researched and therefore offer potential alpha opportunities.

In addition, an allocation to the small- and mid-cap area of the market can help investors to capitalize on Asia's domestic consumption story and its burgeoning middle class. The secular trend of rising disposable income is a structural tailwind for business and should propel their multiyear growth.

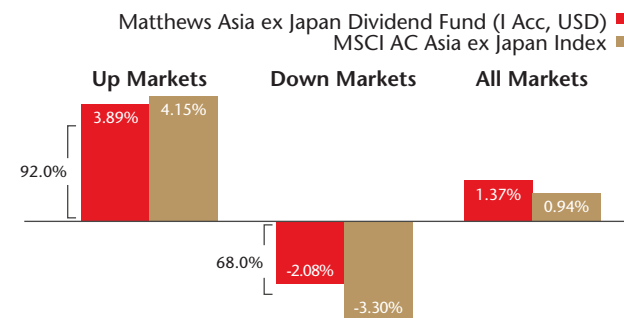
The companies we seek to invest in range from small- and mid-caps that may be yielding 2%, to solid businesses that may yield 4% to 5% but potentially are growing their dividends at a 15% rate. We see more opportunities in consumer-related businesses, as opposed to companies that are more export-oriented or cyclical in their nature.

Asia offers Growth and Income



*2020 dividends by index members as of April 2020; Europe (Bloomberg European 500 Index), Asia ex Japan (MSCI AC Asia ex Japan Index), U.S. (S&P 500 Index).
 **Trailing Dividend yield estimates for 2020 as of September 30, 2020 based on FactSet aggregates. Estimates are provided for illustrative purposes only, do not reflect actual dividend yields and are not guarantees of future results. There is no guarantee any estimates or projections will be realized.
 ***Compound annual growth rate (CAGR) based on index constituents of Europe (Bloomberg European 500 Index), Asia ex Japan (MSCI AC Asia ex Japan Index), U.S. (S&P 500 Index) as of 12/31/02, excluding those that are no longer in existence as of calendar year 2019.
 Sources: FactSet Research Systems, MSCI, S&P, Bloomberg

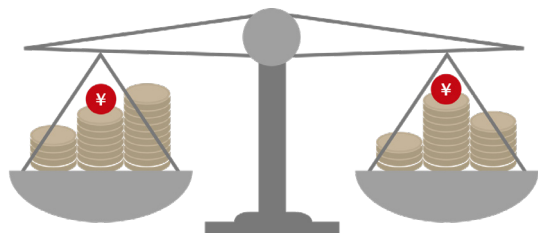
The Fund Captured Asia's Growth with Downside Protection



30 November 2015 to 30 September, 2020
 Sources: Morningstar, Zephyr StyleADVISOR
 The up and down capture is a measure of how well a manager was able to replicate or improve on phases of positive average monthly benchmark returns, and how adversely the manager was affected by phases of negative average monthly benchmark returns. Inception to date, the Fund had a 92.0% upside capture and a 68.0% downside capture.
 All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than performance shown. Investors investing in funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. Performance details provided are based on a NAV to NAV basis, and are net of management fees and other expenses. Index is for comparative purposes only and it is not possible to invest directly in an index. Please see the important information section for index definition.

Although the Fund is benchmarked against the MSCI All Country Asia ex Japan Index, its investment strategy is bottom-up driven and unconstrained. In our experience, countries such as Vietnam, Indonesia, Thailand and Bangladesh increasingly offer attractive dividend opportunities. As China's economy matures, we believe these emerging and frontier economies will become more mainstream in Asia portfolios. The Matthews Asia ex Japan Dividend Fund has had a meaningful exposure to frontier and emerging markets since inception. This has not only been beneficial for Fund performance, but also has helped to mitigate macroeconomic risks.

The Fund Balances Dividend Payers with Dividend Growers



Dividend Payers

Often found in **mature industries**, such as telecoms, utilities, infrastructure assets and consumer staples.

Dividend Growers

Often **small- to mid-cap** companies that occupy strong market positions in areas that cater to the growing middle class, such as consumption, services and health care.

The Fund's exposure to Vietnam, for example, proved particularly useful in 2018 as a way to offset wider macro concerns regarding China and the trade dispute. Its market is slowly opening up to foreign investors and the Vietnamese government continues to pursue economic reforms, including the privatization of many state-owned enterprises. With a growing, young population, and much lower wages than China, manufacturing companies increasingly are establishing operations in the country. These conducive conditions in the domestic market may also help these companies to grow their underlying cash earnings in a strong manner and some companies are delivering healthy double-digit growth on their dividends as a result.

Our approach to dividend investing balances stable, high dividend-yielding stocks with slightly more cyclical, but higher dividend, growth stocks. This flexible approach not only allows us to capture investment opportunities, but has also helped navigate market volatility, such as we saw in 2018.

Stable dividend payers—the traditional dividend stocks—are often found in mature industries such as telecoms, utilities,

infrastructure assets and consumer staples. They are typically large-cap, mature businesses that deliver a relatively consistent and stable dividend payout. Dividend growers, on the other hand, represent a sizeable part of the portfolio and are often small- to mid-cap companies that occupy strong positions in areas such as consumption, services and health care.

Since launch, the portfolio's balance between stable and fast-growing dividend stocks has shifted depending on market condition. This has helped navigate volatility and capture Asia's growth upside, while providing some downside protection. At the end of September 2020, the portfolio maintained a roughly 60% -40% split in favor of dividend growers over dividend payers.¹

In all cases, we use dividends as a lens through which we seek to identify high-quality, financially healthy companies with prudent capital-allocation policies. We look for companies that offer meaningful yields, have sustainable business models and that demonstrate the propensity to pay increasing dividends over time. Only companies with strong financials that include solid balance sheets, low financial leverage and improving cash flows and dividend payout ratios are considered.

As always, we are mindful about how much we pay for the shares of businesses. Overall, we think a dividend approach focused across the whole of Asia gives us a better chance to access high-quality growth businesses, with dividends being that stamp of quality. In our view, Asia equities today provide intriguing opportunities for investors, anchored by attractive dividend yields and improving dividend growth prospects.

1. Sources: Matthews Asia, Bloomberg

Fund Snapshot Matthews Asia Funds Asia ex Japan Dividend Fund

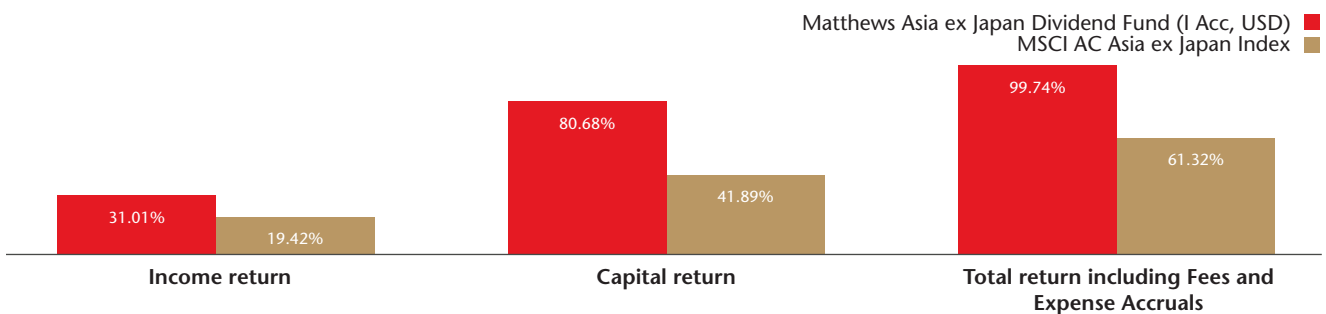


From left to right: Sherwood Zhang, Co-Manager, Robert Horrocks, Co-Manager, Joyce Li, Co-Manager and Yu Zhang, Lead Manager

 <p>Yield as of 30/09/2020* 1.85%</p>	 <p>Fund size as of 30/09/2020 \$265.50m</p>	 <p>Number of holdings 50 to 80</p>
<p>Inception date 30 November 2015</p>	<p>Cap range All Cap</p>	<p>Benchmark MSCI All Country Asia ex Japan Index</p>

*The Dividend Yield (trailing) is the weighted average sum of the dividends paid by each equity security held by the Fund over the last 12 months divided by the current price as of report date. The annualised dividend yield for the Fund is for the equity only portion of the Fund and does not reflect the actual yield an investor in the Fund would receive. There can be no guarantee that companies that the Fund invests in, and which have historically paid dividends, will continue to pay them or to pay them at the current rate in the future. A positive distribution yield does not imply positive return, and past yields are no guarantee of future yields.
Source: FactSet Research Systems, Bloomberg, Matthews Asia

Returns Breakout (Cumulative Returns 30/11/2015 - 30/09/2020)



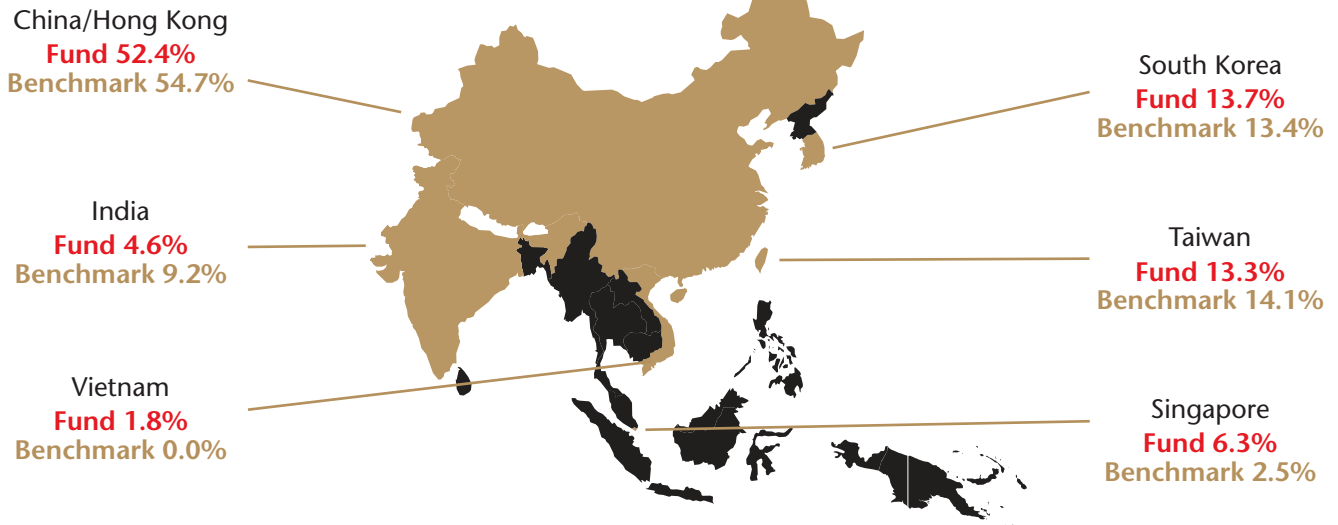
Past performance is no guarantee of future results. Returns are calculated with a holdings-based methodology using software supplied by FactSet Research Systems, Inc. Income Return and Capital Return are for positions only and exclude fees and expense accruals. Returns will not equate to the standard, published performance for the Fund. The characteristics shown may not be representative of the Fund's current or future investments. Indexes are unmanaged and it is not possible to invest directly in an index. Please see the Important Information section for index definition.
Source: FactSet Research Systems, Inc.



Ratings as of 30/09/2020
Fund ratings represent an opinion only and are not a recommendation to buy or sell any fund. Past performance is no guarantee of future results.

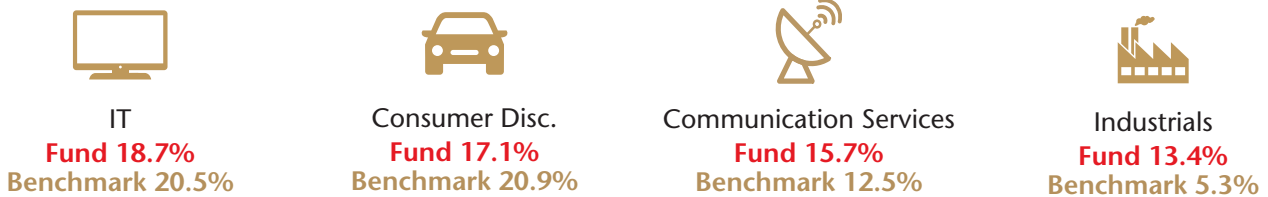
Top Country Allocations as of 30/09/2020

Source: FactSet Research Systems



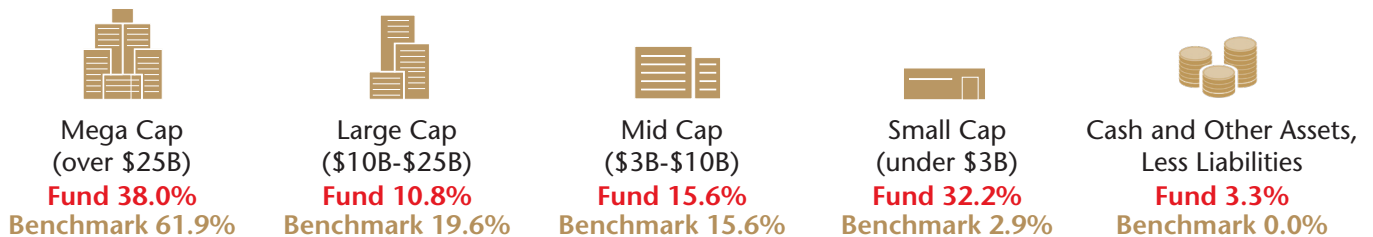
Top Sector Allocations as of 30/09/2020

Sector data based on MSCI's revised Global Industry Classification Standards. For more details, visit www.msci.com. Source: FactSet Research Systems



Market Cap Exposure as of 30/09/2020

Source: FactSet Research Systems



Risk Considerations

The value of an investment in the Fund can go down as well as up and possible loss of principal is a risk of investing. Investments in international and emerging market securities may involve risks such as social and political instability, market illiquidity, exchange rate fluctuations, a high level of volatility and limited regulation. The Fund invests in holdings denominated in foreign currencies, and is exposed to the risk that the value of the foreign currency will increase or decrease. The Fund invests primarily in equity securities, which may result in increased volatility. There is no guarantee that the Fund or the companies in its portfolio will pay or continue to pay dividends. These and other risks associated with investing in the Fund can be found in the Prospectus.

Contact us

To learn more about how the Matthews Asia ex Japan Dividend Fund can complement portfolios, visit global.matthewsasiasia.com or contact us directly



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ANNUAL RETURNS (for the 12 month period ended 30 September)

	2020	2019	2018	2017	2016
Matthews Asia ex Japan Dividend Fund (I Acc, USD)	31.32%	1.79%	11.01%	19.06%	n.a.
MSCI All Country Asia ex Japan Index (USD)	18.16%	-3.15%	1.74%	23.02%	n.a.

Source for 12 month period returns: Brown Brothers Harriman (Luxembourg) S.C.A.

All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than performance shown. Investors investing in funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal. Performance details provided are based on a NAV to NAV basis with any dividends reinvested, and are net of management fees and other expenses.

Important Information

For Institutional/Professional Investors Only

The Fund is a sub-fund of Matthews Asia Funds SICAV, an umbrella fund, with segregated liability between sub-funds, established as an open-ended investment company with variable capital and incorporated with limited liability under the laws of Luxembourg.

Investment involves risk. Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. This document is not a Prospectus/Offering Document and does not constitute an offer to the public. No public offering or advertising of investment services or securities is intended to have taken effect through the provision of these materials. This is not intended for distribution or use in any jurisdiction in which such distribution, publication, issue or use is not lawful. Investors should not invest in a Fund solely based on the information in this document. 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. The current prospectus, Key Investor Information Document or other offering documents ("Offering Documents") contain this and other information and can be obtained by visiting global.matthewsasia.com. Please read the Offering Documents carefully before investing as they explain the risks associated with investing in international and emerging markets. It is the responsibility of any persons wishing to subscribe for shares to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of shares, and any foreign exchange restrictions that may be relevant thereto.

An investment in the Matthews Asia Funds is not available in all jurisdictions. The Fund's shares may not be sold to citizens or residents of the United States or in any other state, country or jurisdiction where it would be unlawful to offer, solicit an offer for, or sell the shares. No securities commission or regulatory authority has in any way passed upon the merits of an investment in the Fund or the accuracy or adequacy of this information or the material contained herein or otherwise.

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The MSCI All Country Asia ex Japan Index is a free float-adjusted market capitalization-weighted index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand.

The S&P 500 Index is a broad market-weighted index dominated by blue-chip stocks in the U.S.

The Bloomberg European 500 Index is a free float capitalization-weighted index of the 500 most highly capitalized European companies.

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