Matthews Asia

Four Things to Know about Active ETFs

Actively managed exchange-traded funds (ETFs) are another way for investors to access portfolios of securities, with the benefit of professional oversight. They offer some of the benefits of both mutual funds and passive—or index-based—ETFs. Active ETFs allow investors a choice in how to invest, with the same trading flexibility and potential for tax efficiency as passive ETFs combined with the active security selection from experienced portfolio managers.

Active ETFs offer the potential for:

1. Outperformance

Active ETFs are managed by an experienced portfolio management team, who seek to outperform an index by selecting companies they believe are positioned for long-term growth. Passive ETFs are designed to closely track an index and typically won't outperform it.

2. Tax efficiency

ETFs, including active ETFs, typically don't distribute capital gains as they're structured differently than mutual funds. For taxable investment accounts, investors can better manage their taxable income.

3. Flexibility and Control

Active ETFs may be purchased and sold throughout the trading day, giving investors better control over the price at which they can buy and sell their shares. ETFs have a lower minimum investment—a single share—which means that it's easy to get started

4. Transparency

ETFs, including active ETFs, provide daily view of the portfolio holdings. Investors know every day what they own and how the underlying securities in the fund change over time. ETFs also offer transparency into trading costs that are represented in the bid/ask spread each investor pays when buying or selling the fund.

ETFs may trade at a premium or discount to NAV Shares of any ETF are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

Important Information

You should carefully consider the investment objectives, risks, charges and expenses of the Matthews Asia Funds before making an investment decision. A prospectus or summary prospectus with this and other information about the Funds may be obtained by visiting matthewsasia.com. Please read the prospectus carefully before investing.

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, emerging and frontier markets involve risks such as economic, social and political instability, market illiquidity, currency fluctuations, high levels 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. Investing in small- and mid-size companies is more risky than investing in larger companies as they may be more volatile and less liquid than large companies. In addition, single-country and sector funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific industry, sector or geographic location. Pandemics and other public health emergencies can result in market volatility and disruption.

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