

The Case for Asia Dividend Investing

Income, growth and diversification across a broad and evolving opportunity set

Executive Summary

Many portfolios are increasingly concentrated in U.S. equities amid elevated uncertainty and wide valuation dispersion. Asia dividend investing may offer another source of return and diversification.

The opportunity extends beyond traditional high-yield sectors. Asia's diverse universe of dividend-paying companies may provide access to income across multiple industries and markets.

Asia potential return drivers include higher starting yields, dividend growth and earnings growth. A further source of potential return is the region's shift toward stronger capital discipline. Governance reforms and greater focus on shareholder returns are also supporting higher dividends, share repurchases and improved capital allocation in several Asian markets.

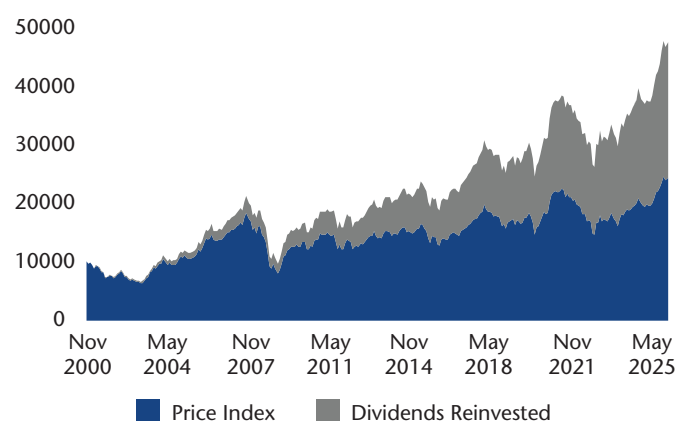
A balanced, research-driven approach can combine these sources of return while providing a more resilient investment experience.

Why Asia Dividends?

Dividends have historically been a meaningful component of long-term equity returns. Reinvested distributions can contribute to the compounding of returns, while current income represents another component of total return.

The chart below illustrates the total return profile of the MSCI All Country Asia Pacific Index, showing price appreciation in blue and the impact of reinvested dividends in gray.

GROWTH OF \$10,000 FOR THE MSCI ALL COUNTRY ASIA PACIFIC INDEX



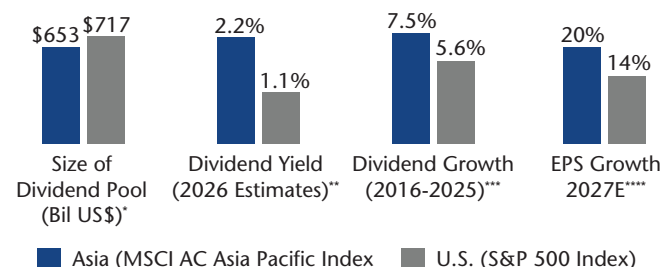
Source: Bloomberg, as of December 31, 2025. **Past performance is not indicative of future results.** Indexes are unmanaged and it is not possible to invest directly in an index.

From 2016 to 2025, dividends grew at 7.5% in Asia versus 5.6% in the United States. As shown in the chart below, Bloomberg estimates a higher dividend yield for Asia and stronger earnings growth for Asia. Together, these factors may provide multiple sources of return:

- Higher starting yields may enhance current income
- Faster dividend growth may help income keep pace over time
- Attractive earnings growth may support dividend growth and capital appreciation.

DIVIDENDS—HOW ASIA COMPARES TO THE U.S.

Dividend pool, yield, growth and expected earnings growth



Source: Bloomberg. *2025 dividends by index members as of December 2025; Asia (MSCI AC Asia Pacific Index) and U.S. (S&P 500 Index). **Dividend yield estimates for 2026 as of September 9, 2026 from Bloomberg. There is no guarantee estimates or projections will be realized. The dividend yield is the weighted average sum of the dividends that are estimated to be paid in 2026E by each member security in the index, divided by the current price as of the report date. ***Compound annual growth rate (CAGR) based on index constituents of Asia (MSCI AC Asia Pacific Index) and the U.S. (S&P 500 Index) as of 12/31/16, excluding those that are no longer in existence as of fiscal year 2025. ****EPS Growth estimates for 2027 sourced from Bloomberg as of September 9, 2026. **Past performance is not indicative of future results.** Past yields are no guarantee of future yields. Indexes are unmanaged and it is not possible to invest directly in an index.

Diversification beyond U.S.-centric portfolios

Asia spans developed and emerging markets, multiple economic cycles and a broad mix of industries, providing investors with differentiated sources of exposure outside the U.S. In the correlation matrix table below we compare the historical correlations of the Matthews Asia Dividend Fund with the S&P 500, MSCI EAFE and MSCI Emerging Markets indices. The Matthews Asia Dividend Fund has historically exhibited lower correlations with the S&P 500 and MSCI EAFE, which may provide diversification benefits when combined with these exposures in a broader portfolio.

ILLUSTRATIVE CORRELATION MATRIX

Asia dividend exposure relative to major U.S. and emerging-market benchmarks

S&P 500 Index	1.00			
MSCI EAFE ETF Index	0.83	1.00		
MSCI EM Index	0.69	0.80	1.00	
Matthews Asia Dividend Institutional	0.68	0.81	0.91	1.00

Source: Morningstar Direct, 10-year period ended September 30, 2026, in USD net return.

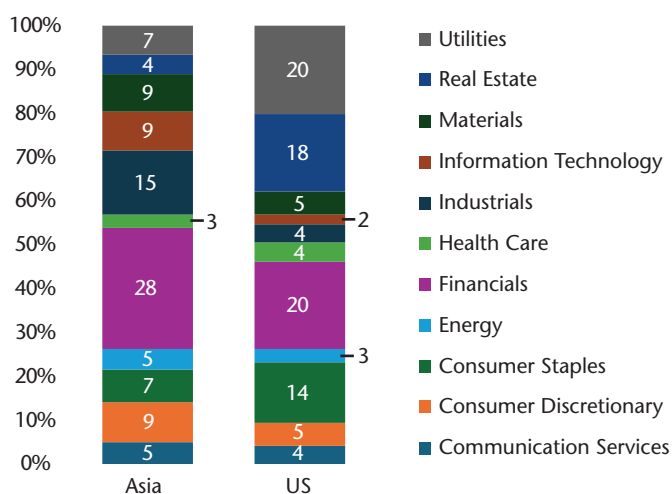
Breadth, Resilience and Structural Improvements

A deep and differentiated opportunity set

Asia is home to a substantially larger number of companies with dividend yields above 3% than in the U.S. As of 9/1/2026 the MSCI Asia Pacific Index had 526 companies with a yield greater than 3% compared to only 96 for the MSCI USA Index. And, as the chart below illustrates, the opportunities Asia span a broad range of sectors. This breadth allows investors to seek yield, dividend growth and capital appreciation across different industries, business models and stages of development.

WHERE ARE THE 3%+ YIELD OPPORTUNITIES?

Companies with dividend yields above 3% by sector



Source: Bloomberg, as of September 1, 2026.

Potential for resilience

Dividend-oriented companies often possess characteristics such as healthy cash flows, stronger balance sheets, disciplined capital allocation and more predictable earnings. While no equity strategy is immune to market declines, these characteristics may help moderate drawdowns and improve downside protection relative to broader markets.

A structural improvement story

Across Asia, many management teams and policymakers are placing greater emphasis on capital efficiency and shareholder value. The pace and nature of these changes vary by market, but the recurring themes are higher payouts, share buybacks, asset sales, reduced cross-shareholdings and stronger governance.

JAPAN	Governance initiatives and the Tokyo Stock Exchange's 2023 focus on companies trading below 1x price-to-book have encouraged dividends, buybacks, asset sales and lower cross-shareholdings.
KOREA	The Corporate Value-Up Program, launched in 2024, seeks to address the Korea Discount and improve shareholder returns.
ACROSS ASIA	China, Singapore, Malaysia and Thailand have introduced initiatives focused on capital efficiency, market development and corporate value creation.

What Makes a Great Dividend Company?

Successful dividend investing is not simply a search for the highest yield. Sustainable dividends are typically supported by cash generation, balance-sheet strength, earnings visibility and disciplined capital allocation. The most attractive dividend opportunities can be viewed across three complementary categories.

1 DIVIDEND PAYERS	Mature businesses with stable cash flows, strong balance sheets and high earnings visibility. These companies may provide attractive income and defensive characteristics. Example: DBS Group Holdings: Over the past decade, DBS has expanded beyond its traditional commercial banking business and into a leading Asian wealth management franchise, expanding its return on equity (ROE) structurally. Supported by its strong deposit franchise, low credit costs, capital position and management's medium-term ROE target, DBS has returned capital to shareholders through dividends and share buybacks.
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2 DIVIDEND COMPOUNDERS	Companies that balance current distributions with reinvestment in the business. Earnings growth can support sustained dividend growth and potential capital appreciation. Example: Rio Tinto: Rio Tinto is one of the world's largest diversified mining companies with a portfolio of large-scale mining assets across iron ore, copper, aluminum, and other critical commodities. While its mature iron ore business generates substantial cash flow and supports shareholder returns, the company's management is increasingly investing in copper and lithium to capture demand from electrification and the energy transition.
3 SHAREHOLDER RETURN IMPROVERS	Businesses with relatively low payout ratios and capacity to expand dividends, share buybacks or other forms of capital return Example: Sumitomo Corporation: Historically, Sumitomo was viewed as a traditional asset-holding conglomerate, with a focus on retaining mature assets and prioritizing stability over capital efficiency. In recent years, management has demonstrated a greater willingness to exit underperforming assets and redeploy capital into higher-return opportunities, reflecting a stronger focus on return on equity and shareholder value creation.

The Matthews Asia Dividend Strategy

A balanced philosophy

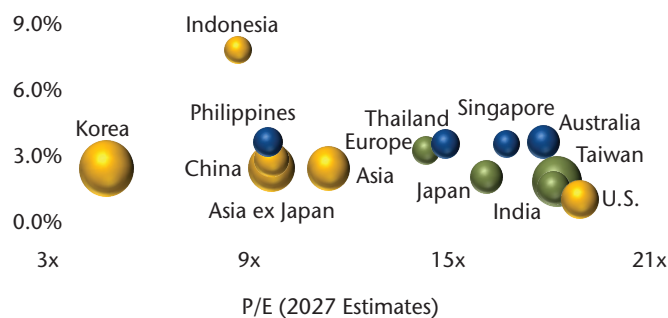
Launched in 2006, the Matthews Asia Dividend Fund (MAPIX/MIPIX), which is also available as an Active ETF (ADVE—Matthews Asia Dividend Active ETF) is not solely focused on the highest-yielding companies. It seeks a balanced portfolio of high-yield cash generators, dividend compounders and shareholder return improvers. The strategy aims to combine current income with an overall dividend yield higher than the market with capital appreciation and create multiple paths to long-term total return.

- **Dividend Payers:** Companies with above-market dividend yields where cash generation and balance-sheet strength support distributions.
- **Dividend Compounders:** Companies with the potential to grow earnings and dividends over time.
- **Shareholder Return Improvers:** Businesses with improving payout policies, governance or capital allocation.

ASIA DIVIDEND YIELD AND EARNINGS GROWTH

MSCI Indices

Dividend Yield



Payout Ratio: Blue 50+% Green 30-50% Amber 0-30%

Source: Bloomberg, as of October 2026. *Past performance is no guarantee of future results.* There is no guarantee that future dividend growth will be achieved. Past yields are no guarantee of future yields. 2027 P/E data are estimates. Size of the bubble is 2027E earnings growth. There is no guarantee estimates or projections will be realized. Data shown for Korea (MSCI Korea), China (MSCI China), Asia ex Japan (MSCI AC Asia ex Japan Index), Europe (MSCI Europe), ASEAN (MSCI ASEAN), Singapore (MSCI Singapore), Asia (MSCI AC Asia Pacific), Japan (MSCI Japan), Taiwan (MSCI Taiwan), Australia (MSCI Australia), U.S. (MSCI USA), and India (MSCI India). Indexes unmanaged and it is not possible to invest directly in an index. The economic and market forecasts presented herein have been generated as of October 6, 2026 and provided for informational purposes only. Forecasts are based on third-party sources or information and there can be no assurance or guarantee that the forecasts can or will be achieved.

Why active management matters

Asia is a diverse region where income, growth and governance improvements vary across countries, sectors and companies. Matthews' research process looks beyond headline yield to assess earnings growth, balance-sheet strength, management's capital-allocation decisions and the potential for governance reform. Direct engagement with management teams is also an important part of the research process.

Seeking resilient investment experience

The Matthews Asia Dividend strategy seeks to participate in Asia's long-term growth while maintaining a disciplined approach to portfolio construction and risk management. Portfolio construction emphasizes valuation discipline, diversified sources of potential return and resilience across market environments. Risk management is integrated throughout our investment process, with weekly and monthly meetings dedicated to reviewing investment risks. Portfolio managers use measures such as Marginal Contribution to Active Risk (MCAR) to evaluate each position's contribution to active risk and return as they refine the portfolio.

Matthews has a long track record of investing in Asia, having launched its first investment vehicle for the Asia ex Japan region in 1994. The Matthews Asia Dividend Strategy was launched in 2006 and has maintained a consistent in its investment philosophy and process since inception.

Sean Taylor, CIO, and Sojung Park are responsible for day-to-day investment decisions for the strategy and have an average of 25 years of investment experience. The team conducts on-the-ground research with local companies and draws on the broader firm's country teams and knowledge platforms.

Conclusion

Asia offers several characteristics that may be attractive to dividend-focused investors, including the potential contribution of reinvested dividends to long-term total returns, relatively attractive dividend yields and growth compared with the U.S. Investors may also benefit from a combination of income and capital appreciation, while ongoing corporate governance reforms across several Asian markets, including efforts to improve shareholder returns and dividend payout policies, may provide additional support.

The Matthews Asia Dividend strategy combines dividend growth companies with stable yielding stocks, seeking to generate total return from both capital appreciation and current income. The strategy seeks to participate in the potential of Asia equity markets while maintaining a disciplined investment approach to portfolio construction, diversification and risk management across market cycles.

This diversified approach seeks to provide multiple potential drivers of return, moderate portfolio volatility over time, and to participate in Asia's long-term growth through disciplined and diversified portfolio construction.

Important Information

Carefully consider the investment objectives, risks, charges and expenses before investing. A prospectus or summary prospectus with this and other information about the Funds may be obtained by visiting matthewsasiasia.com. Please read the prospectus carefully before investing.

Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. Investments involve risks, including possible loss of principal. 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, which may adversely affect the value of the Fund's assets. 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.

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

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

Earnings Per Share (EPS) is the amount of annual profit (after tax and all other expenses) attributable to each share in a company. EPS is calculated by dividing profit by the average number of shares on issue. Price-to-Book Ratio (P/B Ratio) is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. A lower P/B ratio could mean that the stock is undervalued. Return on Equity (ROE) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested, and is calculated as net income divided by shareholder's equity. Marginal Contribution to Active Risk (MCAR) measures the sensitivity of a portfolio's active risk (tracking error) to a small change in the active weight of a specific security or asset class.

For the top 10 holdings as of 9/30/26 for the Matthews Asia Dividend Fund, visit <https://www.matthewsasiasia.com/funds/mutual-funds/asia/asia-dividend-fund/> and for the Matthews Asia Dividend Active ETF, visit <https://www.matthewsasiasia.com/funds/etfs/asia-dividend-active-etf/>. Holdings are subject to change. Dividends are not guaranteed and may fluctuate. Diversification cannot assure a profit or protect against loss in a down market.

The MSCI All Country Asia Pacific Index is a free float-adjusted market capitalization-weighted index of the stock markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand. The MSCI All Country Asia ex Japan Index is a free float-adjusted market capitalization-weighted index of the stock of markets of China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand. The MSCI All Country ASEAN Index captures large and mid cap representation across 4 Emerging Markets countries and 1 Developed Market country. The MSCI China Index is a free float-adjusted market capitalization-weighted index of Chinese equities that includes China-affiliated corporations and H shares listed on the Hong Kong Exchange, and B shares listed on the Shanghai and Shenzhen exchanges. The MSCI Japan Index is a free float-adjusted market capitalization-weighted index of Japanese equities listed in Japan. The MSCI Korea Index is a free float-adjusted market capitalization-weighted index of Korean equities listed in Korea. The MSCI Singapore Index is designed to measure the performance of the large and mid cap segments of the Singapore market. The MSCI Australia Index is a free float-adjusted, market capitalization-weighted index of equity market performance in Australia. The MSCI Taiwan Index is designed to measure the performance of the large and mid cap segments of the Taiwan market. The MSCI India Index is a free float-adjusted market capitalization index that is designed to measure the performance of the large and mid-cap segments of the Indian market. The MSCI USA Index is a free float adjusted market capitalization index that is designed to measure large and mid cap US equity market performance. The S&P 500 Index is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. Indexes unmanaged and it is not possible to invest directly in an index.

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