Matthews Asia

Matthews Asia Growth Fund

Investor

Commentary

Period ended March 31, 2025

Market Environment

- Asia performed better than expected in the first quarter of 2025 thanks in part to a more favorable macro environment. Many investors had expected the strength in the dollar and U.S. equity market to continue into 2025 and contribute to a weaker performance in the region but that didn't happen.
- At the country level, performance was mixed. China led markets in Asia higher while Taiwan and India faced pressure. China technology shares were buoyed by the success of the DeepSeek artificial intelligence (AI) platform which in turn spurred a selloff in U.S. big tech stocks and negatively impacted Taiwan, a market that is almost a direct play in a narrow area of technology driven by AI.
- India's market was challenged as earnings disappointed amid softening economic growth caused by weaker government spending and tight monetary policy. Sentiment toward Japanese equities was impacted by concerns that a stronger yen along with rising rates may dampen export demand. Earnings remained robust in the quarter and buybacks and dividends continued to support total returns.
- In more peripheral markets, Southeast Asia should have benefited from a weakening U.S. dollar but was hurt by political disruption. As the quarter progressed, optimism toward the region receded as U.S. economic data deteriorated and concerns gathered over the prospect of new far-ranging reciprocal U.S. tariffs and a trade-related global economic slowdown.

Contributors and Detractors

- For the quarter ended March 31, 2025, the Matthews Asia Growth Fund returned -0.63%, (Investor Class) and -0.57% (Institutional Class) while its benchmark, the MSCI All Country Asia Pacific Index, returned 0.97% over the same period.
- On a country basis, the top three contributors to relative performance were Singapore due to stock selection, China/Hong Kong due to an overweight allocation and stock selection and the Philippines due to stock selection. The top three detractors were India and Japan due to stock selection and Vietnam due to an off-benchmark allocation.
- On a sector basis, the top three contributors to relative performance were communication services and real estate due to stock selection, and utilities due to zero allocation. The top three detractors were industrials, consumer discretionary and financials due to stock selection.
- The largest contributors to absolute performance included Alibaba Group, the largest e-commerce platform company in China, Sea, a Singapore-based provider of PC and mobile digital content, and Tencent Holdings, a Chinese online gaming and social media conglomerate. The top three detractors included Taiwan Semiconductor Manufacturing Co. (TMSC), a globally leading chipmaker, Eternal Ltd., operator of Zomato, a leading Indian online restaurant booking and food delivery company, and Recruit Holdings, a Japanese human resources (HR) company.

Outlook

- Front and center to our outlook is the impact of U.S. tariffs on the global economy and markets. The Trump administration's tariff policy has shown itself to be fluid and unpredictable. We may see some new tariffs rolled back in certain markets and a different picture coming into focus in the coming weeks and months.
- At this point, what we can conclude is that from a U.S. perspective, the administration's tariff policy is growth negative and inflation positive. It probably means that inflation stays around 3% and that has implications for the Federal Reserve's interest rate policy and in turn for markets in Asia.
- When the global economy is under pressure, we believe domestic drivers are more important than global drivers. For Asia, that means we need to be cautious of markets that are correlated to the U.S. and of companies that are selling into the US. Domestic demand-driven markets like India and China, which rely less on the global economy, we think will be more resilient.
- Many investors are expecting the Federal Reserve to maintain a rate-cutting trajectory this year which would be a tailwind for Asia. We believe markets will also be supported by a pick-up in earnings on valuations that are still

cheap. We think there are opportunities for experienced active managers to pick their spots and focus on fundamentals.

View the Fund's Top 10 holdings as of March 31, 2025. Current and future holdings are subject to change and risk.

Average Annual Total Returns - MPACX as of 03/31/2025

1YR	3YR	5YR	10YR	Since Inception	Inception Date
0.31%	-1.74%	2.39%	2.64%	6.56%	10/31/2003

All performance quoted is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing market conditions so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have been lower if certain of the Fund's fees and expenses had not been waived. For the Fund's most recent month-end performance visit matthewsasia.com

Fees & Expenses

Gross Expense Ratio	1.13%

Investments in Asian securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Investing in emerging and frontier markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets.
