Matthews Asia

Matthews Emerging Markets Equity Fund

Investor

Commentary

Period ended March 31, 2025

Market Environment

- Emerging markets 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 asset class but that didn't happen.
- At the country level, performance was mixed. China, Brazil and Mexico led the markets 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. In more peripheral markets, Southeast Asia should have benefited from a weakening U.S. dollar but was hurt by political disruption while Latin America delivered robust returns supported by the macro environment.
- As the quarter progressed, optimism toward emerging markets as whole 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 Emerging Markets Equity Fund returned 1.69%, (Investor Class) and 1.69% (Institutional Class) while its benchmark, the MSCI Emerging Markets Index, returned 3.01% over the same period.
- On a country basis, the top three contributors to relative performance were Taiwan due to an overweight allocation, South Korea due to stock selection and Malaysia due to zero allocation. The top three detractors were India due to an underweight allocation and stock selection, and United Arab Emirates and Brazil due to stock selection.
- On a sector basis, the top two contributors to relative performance were real estate due to stock selection and industrials due to an underweight allocation and stock selection. The top three detractors were materials due to an underweight allocation, information technology (IT) due to stock selection and communication services due to an overweight allocation and stock selection.
- The largest contributors to absolute performance included Alibaba Group, the largest e-commerce platform company in China, Tencent Holdings, a Chinese online gaming and social media conglomerate, and SK Hynix, a South Korean supplier of dynamic random-access memory (DRAM) chips. The top three detractors included Taiwan Semiconductor Manufacturing Co. (TSMC), a globally leading chipmaker, Infosys, a leading Indian consulting company, and Mahindra & Mahindra, an Indian auto and farm equipment manufacturer.

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 emerging markets.
- 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.
- We believe emerging markets will be supported by a pick-up in earnings on valuations that are still cheap. Thus, we think there are opportunities for experienced active managers to pick their spots and focus on fundamentals.

Top 10 holdings as of March 31, 2025. Current and future holdings are subject to change and risk.

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

1YR	3YR	5YR	10YR	Since Inception	Inception Date
8.52%	3.03%	N.A.	N.A.	9.35%	04/30/2020

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	1.70%
Net Expense Ratio	1.12%

Matthews has contractually agreed to waive fees and reimburse expenses to limit the Total Annual Fund Operating Expenses until April 30, 2025. Please see the Fund’s prospectus for additional details.

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

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 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.

Fund holdings are subject to change and risk. For current holdings, please visit each Fund's individual overview page.

The views and information discussed in this report are as of the date of publication, are subject to change and may not reflect current views. The views expressed are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific investment vehicles.

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 Asia and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information. Matthews International Capital Management, LLC is the advisor to the Matthews Asia Funds.

Matthews Asia Funds are distributed in the United States by Foreside Funds Distributors LLC

Matthews Asia Funds are distributed in Latin America by Picton S.A.