

# Matthews Emerging Markets Small Companies Fund

Investor

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## Commentary

Period ended September 30, 2025

### Market Environment

- Emerging markets delivered robust performance, returning 11%<sup>1</sup> in the quarter against a benign global economic backdrop supported by a weaker U.S. dollar and a cut in U.S. interest rates. Easing concerns over U.S. tariffs and accelerating optimism around artificial intelligence (AI) also contributed to gains.
- North Asia led regional returns with sustained global demand for semiconductors from Taiwan and South Korea amid ongoing AI buildout. Latin America also generated robust gains as Mexico's market benefited from the government's extended U.S. tariff negotiations and Brazil was supported by a loosening in the global macro environment.
- China was one of the best performing emerging markets as geopolitical tensions with the U.S. moderated and authorities continued to target domestic stimulus measures and promote private enterprise. In contrast, Southeast Asian markets were negatively impacted by political instability. India's market fell amid slowing economic growth and the U.S.'s decision to double tariffs on most of India's exports over its continued purchase of Russian oil.

### Contributors and Detractors

- For the quarter ended September 30, 2025, the Matthews Emerging Markets Small Companies Fund returned 2.78% (Investor Class) and 2.82% (Institutional Class) while its benchmark, the MSCI Emerging Markets Small Cap Index, returned 5.51% over the same period.
- On a country basis, the top three contributors to relative performance were India due to stock selection, Vietnam due to an off-benchmark allocation and Saudi Arabia due to an underweight allocation. The top three detractors were China/Hong Kong, Brazil and Poland due to stock selection.
- On a sector basis, the top three contributors to relative performance were information technology (IT) and consumer discretionary due to stock selection, and utilities due to zero allocation. The top three detractors were health care, industrials and financials due to stock selection.
- The largest contributors to absolute performance included Eugene Technology, a wafer fab tool manufacturer, CarTrade Tech, an Indian online car trade platform provider, and Gold Circuit Electronics, a Taiwanese manufacturer of printed circuit boards (PCB). The top three detractors included Bandhan Bank, an Indian commercial bank, Hugel, a South Korean maker of beauty and cosmetics products, and InPost, a Poland's e-commerce logistics and delivery platform.

### Outlook

- We view a broadly supportive economic environment; however, investors should be mindful of potential headwinds. Stronger growth in the U.S. could restrict further rate cuts while a slowdown could emerge if tariffs have a bigger economic impact.
- Within emerging markets, our preference remains for North Asia, particularly South Korea, which is benefiting from growth across technology and industrial sectors as well as ongoing corporate reforms. In Latin America, Brazil is also compelling because of the potential for significant interest rate cuts and signs of left-leaning domestic politics moving to the center.
- In India, structural opportunities remain but it is unclear as to the degree to which rate reductions and tax cuts will stimulate near-term economic growth and consumer spending, and we remain concerned about elevated valuations.
- While we are constructive for the rest of 2025, we believe careful positioning will be critical. Some markets, including China, have generated returns driven more by multiple expansion, for example, from depressed valuations or from rising AI sentiment, rather than from improving fundamentals.

<sup>1</sup>Source: MSCI Emerging Markets Index, as of Sept. 30, 2025.

[View the Fund's Top 10 holdings](#) as of September 30, 2025. Current and future holdings are subject to change and risk.

## Average Annual Total Returns - MSMLX as of 09/30/2025

1YR	3YR	5YR	10YR	Since Inception	Inception Date
1.25%	12.32%	10.15%	9.29%	10.48%	09/15/2008

*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 [matthewsasiasia.com](http://matthewsasiasia.com)*

## Fees & Expenses

Gross Expense Ratio	1.45%
Net Expense Ratio	1.35%

Matthews has contractually agreed to waive fees and reimburse expenses to limit the Total Annual Fund Operating Expenses until April 30, 2026. Please see the Fund's prospectus for additional details.

*Investing in international and emerging markets may involve additional 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 securities involves greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets. The Fund is non-diversified as it concentrates its investments in small sized companies. Investing in small- and mid-size companies is more risky and volatile than investing in large companies as they may be more volatile and less liquid than larger companies.*

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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.

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.

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