

# Matthews Emerging Markets Sustainable Future 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 Sustainable Future Fund returned -0.50% (Investor Class) and -0.42% (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 Brazil due to stock selection, Thailand due to zero allocation and Taiwan due to an underweight allocation. The top three detractors were India, China/Hong Kong and South Africa due to stock selection.
- On a sector basis, the top three contributors to relative performance were consumer staples and health care due to stock selection and energy due to zero allocation. The top three detractors were consumer discretionary, financials and communication services due to an underweight allocation and stock selection.
- The largest contributors to absolute performance included JD Health International, a Chinese online healthcare platform, YDUQS Participacoes, a Brazilian on-campus and distance-learning education company, and Full Truck Alliance, a Chinese freight marketplace operator. The top three detractors included Swiggy Ltd., an Indian consumer discretionary company, Taiwan Semiconductor Manufacturing Co. (TSMC), a globally leading chipmaker, and M31 Technology, a Taiwanese silicon intellectual property (IP) provider.

### 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.

[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 - MASGX as of 03/31/2025

1YR	3YR	5YR	10YR	Since Inception	Inception Date
-3.79%	0.81%	13.38%	N.A.	5.97%	04/30/2015

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

## Fees & Expenses

Gross Expense Ratio	1.23%
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*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. Matthews Emerging Markets Sustainable Future Fund's consideration of ESG factors in making its investment decisions may impact the Fund's relative investment performance positively or negatively.*

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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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