Matthews Asia

Matthews India Fund

Investor

Commentary

Period ended March 31, 2025

Market Environment

- India's market was challenged as earnings disappointed amid softening economic growth. Since the formation of the coalition government last year, Prime Minister Modi's supply side growth agenda has been somewhat diluted and there has been a drop in government fiscal spend. Monetary policy has also been relatively tight, and this has impacted businesses and consumers, particularly as it relates to unsecured credit.
- There was a large differentiation across sectors in terms of where the earnings revisions were made during the quarter. Larger financials and telecommunications held up well while the pain was felt acutely in infrastructure and consumer discretionary areas. Consumer staples were also weak.
- Negative sentiment rose across the board including for quality large-cap stocks while small- and mid-cap stocks in particular experienced steep corrections. While valuations have come down and this rebalancing is to be welcomed, we think there is more downside for mid- and small-cap stocks as they were trading on very high valuations.

Contributors and Detractors

- For the quarter ended March 31, 2025, the Matthews India Fund returned -6.28%, (Investor Class) and -6.20% (Institutional Class) while its benchmark, the MSCI India Index, returned -2.90% over the same period.
- On a sector basis, the top three contributors to relative performance were financials due to an overweight allocation, real estate due to an underweight allocation and communication services due to stock selection. The top three detractors were consumer discretionary, industrials and health care due to stock selection.
- The largest contributors to absolute performance included Bajaj Finance, a financial services company, Shriram Finance, a financials company, and ICICI Bank, a bank and financial services company. The top three detractors included Infosys, a consulting services firm, Eternal Ltd., operator of Zomato, a leading online restaurant booking and food delivery company, and Swiggy Ltd., a consumer discretionary company.

Outlook

- The rolling out of new U.S. tariffs may cause volatility in India's markets and impact some of the country's exports to the U.S. It may also disrupt global supply chains for goods and services that have end markets in the U.S that India is part of. However, some of India's exports could be shielded as its information technology (IT) services and generic pharmaceuticals may fall outside the tariff regime.
- The good news is that Indian stock valuations have dropped such that they are in line with long-term averages which should help support equity prices going forward. In addition, analysts are beginning to upgrade economic growth estimates on the back of a slight pickup in private consumption and expectations of renewed government expenditures and an easing monetary environment.
- Recent budget announcements also highlight a middle-class tax cut which could add small marginal support to consumption, especially in rural areas. In a global economy that is increasingly becoming subject to tariffs and trade barriers, we think domestic demand-driven markets like India will potentially be more resilient than markets that are more closely correlated to the U.S.

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

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

1YR	3YR	5YR	10YR	Since Inception	Inception Date
-1.35%	6.50%	18.48%	5.59%	9.77%	10/31/2005

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	1.14%

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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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