

# Matthews Asia Funds | Annual Report

December 31, 2019 | matthewsasia.com

## ASIA FIXED INCOME STRATEGIES

Matthews Asia Total Return Bond Fund  
Matthews Asia Credit Opportunities Fund

## ASIA GROWTH AND INCOME STRATEGIES

Matthews Asian Growth and Income Fund  
Matthews Asia Dividend Fund  
Matthews China Dividend Fund

## ASIA VALUE STRATEGY

Matthews Asia Value Fund

## ASIA GROWTH STRATEGIES

Matthews Asia Growth Fund  
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Matthews China Fund  
Matthews India Fund  
Matthews Japan Fund  
Matthews Korea Fund

## ASIA SMALL COMPANY STRATEGIES

Matthews Asia Small Companies Fund  
Matthews China Small Companies Fund



Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Funds' annual and semi-annual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Funds' website [matthewsasia.com](http://matthewsasia.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Funds electronically anytime by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, by calling 800.789.ASIA (2742).

You may elect to receive all future reports in paper free of charge. If you invest through a financial intermediary, you can contact your financial intermediary to request that you continue to receive paper copies of your shareholder reports. If you invest directly with a Fund, you can call 800.789.ASIA (2742) to let the Fund know you wish to continue receiving paper copies of your shareholder reports. Your election to receive reports in paper will apply to all Funds held in your account if you invest through your financial intermediary or all Funds held directly with Matthews Asia Funds.



**Matthews Asia**

# Investor Class Performance and Expenses (December 31, 2019)

| Investor Class                                   | Average Annual Total Return <sup>†</sup> |         |          | Since Inception | Inception Date | 2019 Annual Operating Expenses* | 2019 Annual Operating Expenses after Fee Waiver and Expense Reimbursement** | Prospectus Expense Ratios <sup>‡</sup> | Prospectus Expense Ratios after Fee Waiver and Expense Reimbursement <sup>‡</sup> |
|--|--|---------|----------|-----------------|----------------|---------------------------------|---|--|---|
|  | 1 year                                   | 5 years | 10 years |                 |                |                                 |   |  |   |
| <b>ASIA FIXED INCOME STRATEGIES</b>              |  |         |          |                 |                |                                 |   |  |   |
| Asia Total Return Bond Fund (MAINX) <sup>§</sup> | 13.00%                                   | 5.12%   | n.a.     | 4.97%           | 11/30/11       | 1.08%                           | 1.07% <sup>1</sup>  | 1.15%                                  | 1.15% <sup>1</sup>  |
| Asia Credit Opportunities Fund (MCRDX)           | 13.34%                                   | n.a.    | n.a.     | 6.09%           | 4/29/16        | 1.24%                           | 1.12% <sup>1</sup>  | 1.37%                                  | 1.15% <sup>1</sup>  |
| <b>ASIA GROWTH AND INCOME STRATEGIES</b>         |  |         |          |                 |                |                                 |   |  |   |
| Asian Growth and Income Fund (MACSX)             | 17.26%                                   | 4.25%   | 5.65%    | 8.96%           | 9/12/94        | 1.08%                           | 1.08%   | 1.08%                                  | 1.08%   |
| Asia Dividend Fund (MAPIX)                       | 11.17%                                   | 7.17%   | 7.74%    | 8.52%           | 10/31/06       | 1.03%                           | 1.02% <sup>2</sup>  | 1.02%                                  | 1.01% <sup>2</sup>  |
| China Dividend Fund (MCDFX)                      | 15.00%                                   | 10.54%  | 9.73%    | 9.84%           | 11/30/09       | 1.15%                           | 1.15%   | 1.15%                                  | 1.15%   |
| <b>ASIA VALUE STRATEGY</b>                       |  |         |          |                 |                |                                 |   |  |   |
| Asia Value Fund (MAVRX)                          | 8.23%                                    | n.a.    | n.a.     | 8.41%           | 11/30/15       | 1.85%                           | 1.42% <sup>3</sup>  | 1.77%                                  | 1.50% <sup>3</sup>  |
| <b>ASIA GROWTH STRATEGIES</b>                    |  |         |          |                 |                |                                 |   |  |   |
| Asia Growth Fund (MPACX)                         | 26.18%                                   | 8.24%   | 8.88%    | 9.25%           | 10/31/03       | 1.09%                           | 1.09%   | 1.10%                                  | 1.10%   |
| Pacific Tiger Fund (MAPTX)                       | 10.72%                                   | 6.30%   | 7.50%    | 8.48%           | 9/12/94        | 1.08%                           | 1.05% <sup>2</sup>  | 1.07%                                  | 1.04% <sup>2</sup>  |
| Asia ESG Fund (MASGX)                            | 12.55%                                   | n.a.    | n.a.     | 4.75%           | 4/30/15        | 1.54%                           | 1.42% <sup>3</sup>  | 2.20%                                  | 1.50% <sup>3</sup>  |
| Emerging Asia Fund (MEASX)                       | -1.01%                                   | 2.34%   | n.a.     | 4.13%           | 4/30/13        | 1.65%                           | 1.46% <sup>3</sup>  | 1.66%                                  | 1.48% <sup>3</sup>  |
| Asia Innovators Fund (MATFX)                     | 29.60%                                   | 8.90%   | 10.22%   | 4.12%           | 12/27/99       | 1.19%                           | 1.19%   | 1.19%                                  | 1.19%   |
| China Fund (MCHFEX)                              | 34.56%                                   | 10.35%  | 5.79%    | 9.92%           | 2/19/98        | 1.09%                           | 1.09%   | 1.10%                                  | 1.10%   |
| India Fund (MINDX)                               | -0.88%                                   | 3.82%   | 7.48%    | 10.04%          | 10/31/05       | 1.11%                           | 1.11%   | 1.09%                                  | 1.09%   |
| Japan Fund (MJFOX)                               | 26.08%                                   | 10.20%  | 9.75%    | 6.22%           | 12/31/98       | 0.93%                           | 0.93%   | 0.91%                                  | 0.91%   |
| Korea Fund (MAKOX)                               | 3.80%                                    | 4.59%   | 6.82%    | 5.61%           | 1/3/95         | 1.15%                           | 1.15%   | 1.14%                                  | 1.14%   |
| <b>ASIA SMALL COMPANY STRATEGIES</b>             |  |         |          |                 |                |                                 |   |  |   |
| Asia Small Companies Fund (MSMLX)                | 17.38%                                   | 2.32%   | 6.04%    | 9.83%           | 9/15/08        | 1.60%                           | 1.45% <sup>3</sup>  | 1.51%                                  | 1.46% <sup>3</sup>  |
| China Small Companies Fund (MCSMX)               | 35.41%                                   | 11.76%  | n.a.     | 6.31%           | 5/31/11        | 1.62%                           | 1.42% <sup>3</sup>  | 1.97%                                  | 1.50% <sup>3</sup>  |

<sup>†</sup> Annualized performance for periods of at least one year, otherwise cumulative.

\* Before fee waivers and expense reimbursement.

\*\* Expense ratio represents the actual expense ratio a shareholder would have paid if they had been invested the entire year.

<sup>‡</sup> These figures are from the Funds' prospectus dated as of April 30, 2019, and may differ from the actual expense ratios for fiscal year 2019, as shown in the financial highlights section of this report.

<sup>§</sup> The Fund's name changed from Matthews Asia Strategic Income Fund to Matthews Asia Total Return Bond Fund on January 31, 2020.

1 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. Any amount waived with respect to the Fund pursuant to this agreement is not subject to recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

2 Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2021 and may be terminated (i) at any time by the Board of Trustees upon 60 days' prior written notice to Matthews; or (ii) by Matthews at the annual expiration date of the agreement upon 60 days' prior written notice to the Trust, in each case without payment of any penalty.

3 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

# Institutional Class Performance and Expenses (December 31, 2019)

| Institutional Class                              | Average Annual Total Return <sup>†</sup> |         |          | Since Inception | Inception Date | 2019 Annual Operating Expenses* | 2019 Annual Operating Expenses after Fee Waiver and Expense Reimbursement** | Prospectus Expense Ratios <sup>‡</sup> | Prospectus Expense Ratios after Fee Waiver and Expense Reimbursement <sup>‡</sup> |
|--|--|---------|----------|-----------------|----------------|---------------------------------|---|--|---|
|  | 1 year                                   | 5 years | 10 years |                 |                |                                 |   |  |   |
| <b>ASIA FIXED INCOME STRATEGIES</b>              |  |         |          |                 |                |                                 |   |  |   |
| Asia Total Return Bond Fund (MINCX) <sup>§</sup> | 13.20%                                   | 5.37%   | n.a.     | 5.19%           | 11/30/11       | 0.97%                           | 0.90% <sup>1</sup>  | 0.96%                                  | 0.90% <sup>1</sup>  |
| Asia Credit Opportunities Fund (MICPX)           | 13.69%                                   | n.a.    | n.a.     | 6.34%           | 4/29/16        | 1.07%                           | 0.90% <sup>1</sup>  | 1.18%                                  | 0.90% <sup>1</sup>  |
| <b>ASIA GROWTH AND INCOME STRATEGIES</b>         |  |         |          |                 |                |                                 |   |  |   |
| Asian Growth and Income Fund (MICSX)             | 17.46%                                   | 4.40%   | n.a.     | 4.60%           | 10/29/10       | 0.94%                           | 0.94%   | 0.93%                                  | 0.93%   |
| Asia Dividend Fund (MIPIX)                       | 11.35%                                   | 7.29%   | n.a.     | 6.52%           | 10/29/10       | 0.93%                           | 0.92% <sup>2</sup>  | 0.91%                                  | 0.90% <sup>2</sup>  |
| China Dividend Fund (MICDX)                      | 15.16%                                   | 10.71%  | n.a.     | 8.87%           | 10/29/10       | 1.01%                           | 1.01%   | 1.01%                                  | 1.01%   |
| <b>ASIA VALUE STRATEGY</b>                       |  |         |          |                 |                |                                 |   |  |   |
| Asia Value Fund (MAVAX)                          | 8.35%                                    | n.a.    | n.a.     | 8.65%           | 11/30/15       | 1.74%                           | 1.24% <sup>3</sup>  | 1.54%                                  | 1.25% <sup>3</sup>  |
| <b>ASIA GROWTH STRATEGIES</b>                    |  |         |          |                 |                |                                 |   |  |   |
| Asia Growth Fund (MIAPX)                         | 26.34%                                   | 8.44%   | n.a.     | 7.41%           | 10/29/10       | 0.94%                           | 0.94%   | 0.93%                                  | 0.93%   |
| Pacific Tiger Fund (MIPTX)                       | 10.90%                                   | 6.48%   | n.a.     | 6.11%           | 10/29/10       | 0.93%                           | 0.91% <sup>2</sup>  | 0.90%                                  | 0.88% <sup>2</sup>  |
| Asia ESG Fund (MISFX)                            | 12.74%                                   | n.a.    | n.a.     | 4.99%           | 4/30/15        | 1.41%                           | 1.24% <sup>3</sup>  | 2.01%                                  | 1.25% <sup>3</sup>  |
| Emerging Asia Fund (MIASX)                       | -0.85%                                   | 2.57%   | n.a.     | 4.36%           | 4/30/13        | 1.51%                           | 1.25% <sup>3</sup>  | 1.50%                                  | 1.25% <sup>3</sup>  |
| Asia Innovators Fund (MITEX)                     | 29.71%                                   | 9.09%   | n.a.     | 11.88%          | 4/30/13        | 1.05%                           | 1.05%   | 1.02%                                  | 1.02%   |
| China Fund (MICFX)                               | 34.90%                                   | 10.53%  | n.a.     | 4.63%           | 10/29/10       | 0.91%                           | 0.91%   | 0.91%                                  | 0.91%   |
| India Fund (MIDNX)                               | -0.76%                                   | 4.02%   | n.a.     | 4.86%           | 10/29/10       | 0.94%                           | 0.94%   | 0.90%                                  | 0.90%   |
| Japan Fund (MIJFX)                               | 26.10%                                   | 10.29%  | n.a.     | 9.91%           | 10/29/10       | 0.88%                           | 0.88%   | 0.85%                                  | 0.85%   |
| Korea Fund (MIKOX)                               | 4.01%                                    | 4.73%   | n.a.     | 6.26%           | 10/29/10       | 1.05%                           | 1.05%   | 1.02%                                  | 1.02%   |
| <b>ASIA SMALL COMPANY STRATEGIES</b>             |  |         |          |                 |                |                                 |   |  |   |
| Asia Small Companies Fund (MISMX)                | 17.65%                                   | 2.54%   | n.a.     | 3.61%           | 4/30/13        | 1.46%                           | 1.24% <sup>3</sup>  | 1.37%                                  | 1.25% <sup>3</sup>  |
| China Small Companies Fund (MICHX) <sup>5</sup>  | 35.68%                                   | n.a.    | n.a.     | 8.66%           | 11/30/17       | 1.51%                           | 1.24% <sup>3</sup>  | 1.79%                                  | 1.25% <sup>3</sup>  |

<sup>†</sup> Annualized performance for periods of at least one year, otherwise cumulative.

\* Before fee waivers and expense reimbursement.

\*\* Expense ratio represents the actual expense ratio a shareholder would have paid if they had been invested the entire year.

<sup>‡</sup> These figures are from the Funds' prospectus dated as of April 30, 2019, and may differ from the actual expense ratios for fiscal year 2019, as shown in the financial highlights section of this report.

<sup>§</sup> The Fund's name changed from Matthews Asia Strategic Income Fund to Matthews Asia Total Return Bond Fund on January 31, 2020.

<sup>1</sup> Matthews has contractually agreed to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90%. Any amount waived with respect to the Fund pursuant to this agreement is not subject to recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

<sup>2</sup> Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2021 and may be terminated (i) at any time by the Board of Trustees upon 60 days' prior written notice to Matthews; or (ii) by Matthews at the annual expiration date of the agreement upon 60 days' prior written notice to the Trust, in each case without payment of any penalty.

<sup>3</sup> Matthews has contractually agreed to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25%. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

**Past Performance:** All performance quoted in this report is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the returns quoted. If certain of the Funds' fees and expenses had not been waived, returns would have been lower. For the Funds' most recent month-end performance, please call 800.789.ASIA (2742) or visit [matthewsasia.com](http://matthewsasia.com).



Cover photo: Asian Palace

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*This report has been prepared for Matthews International Funds (d/b/a Matthews Asia Funds) shareholders. It is not authorized for distribution to prospective investors unless accompanied or preceded by a current Matthews Asia Funds prospectus, which contains more complete information about the Funds' investment objectives, risks and expenses. Additional copies of the prospectus or summary prospectus may be obtained at [matthewsasia.com](http://matthewsasia.com). Please read the prospectus carefully before you invest or send money.*

*The views and opinions in this report were current as of December 31, 2019. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of a Fund's future investment intent. Current and future portfolio holdings are subject to risk.*

*Statements of fact are from sources considered reliable, but neither the Funds nor the Investment Advisor makes any representation or guarantee as to their completeness or accuracy.*

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\*The Fund's name changed from Matthews Asia Strategic income Fund to Matthews Asia Total Return Bond Fund on January 31, 2020.

**Investment Risk:** Mutual fund shares are not deposits or obligations of, or guaranteed by, any depository institution. Shares are not insured by the FDIC, Federal Reserve Board or any government agency and are subject to investment risks, including possible loss of principal amount invested. 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. Fixed income investments are subject to additional risks, including, but not limited to, interest rate, credit and inflation risks. In addition, single-country and sector funds may be subject to a higher degree of market risk than diversified funds because of a concentration in a specific industry, sector or geographic location. Investing in small and mid-size companies is more risky than investing in large companies as they may be more volatile and less liquid than larger companies. Please see the Funds' Prospectuses and Statement of Additional Information for more risk disclosure.

# Message to Shareholders from the President of Matthews Asia Funds

Dear Valued Shareholder,

Asian markets were volatile through the first nine months of the year amid U.S.–China trade tensions, intensified geopolitical tensions, and slowing economic growth. However, markets—global, Asian, emerging and developed alike—posted strong results in the final quarter of the year. The uptick in sentiment in the fourth quarter, largely driven by positive trade rhetoric, helped drive markets higher, especially in December. Chinese equities were some of the region’s strongest performers in the fourth quarter, after negative returns in the prior quarter when stocks suffered as investors remained sidelined watching the televised protests in Hong Kong and reading about the U.S.–China trade dispute.

We are accustomed to these kinds of swings in markets, given our long history of focusing on Asia. This strengthens our resolve to remain focused on our core investment principles with a bottom-up approach and long-range view. Amid the volatile environment, I am proud of the continued positive absolute performance delivered across most of the Matthews Asia Funds.

## Asia Dominates Emerging Markets

Over the past year we saw investors pay increasing attention towards China. In particular, the inclusion of China’s domestically listed A shares in many emerging market indices has been one of the major drivers of investors’ interest to learn more about the country’s investment opportunities and how to consider allocating to China within a diversified portfolio. As an Asia specialist, we believe an important part of our role is to provide investors with thoughtful insights and perspectives on the region based on in-depth knowledge and experience. With China contributing to Asia’s dominant weight in many emerging market indices, with Asia representing over 70% of the MSCI Emerging Market Index and China alone representing over one-third of the Index weight, more and more investors are realizing that to get emerging markets right, you have to get Asia right. We will continue to evaluate how to enhance our firm’s investment capabilities in order to provide investors with compelling investment opportunities.

## Corporate Governance

With the growing inclusion of China’s domestic A-shares into major global indexes, China’s equity markets have attracted attention from investors worldwide. However, there are still investor concerns on governance practices. It is important to note that China’s regulatory environment around corporate governance has made significant strides forward. The country has taken many steps to give investors more confidence to invest in the country’s capital markets by focusing policy on corporate governance reforms. Policy-makers introduced laws and policies in recent years to promote better ESG (Environmental, Social and Governance) practices and disclosure among corporations. As active managers, assessing a company’s governance is a key part of our investment process as we believe the quality of corporate governance is a key factor in long-term business sustainability. Strong corporate governance as well as good ESG practices may show little direct link to short-term stock performance, but we believe they are critical to delivering long-term, risk-adjusted shareholder value.

## 2020 and Beyond

Although the U.S. and China have differing political and economic ideologies, the phase-one trade deal that was recently reached is an important step. However, some near-term market uncertainty is already on the horizon as we enter the new year, with weakened investor sentiment continuing amid worries over the coronavirus, COVID-19, and the impact on China’s economy. But along with volatility and uncertainty come opportunities for active investors. Our investment team will continue to do its utmost in identifying well-managed, sustainable businesses, trading at reasonable valuations, on behalf of our clients. I encourage you to visit [matthewsasia.com](http://matthewsasia.com) for our current perspectives and market updates from members of our investment team, including our latest thoughts on the coronavirus and its possible impact on China’s markets, consumers and the global economy.

Finally, during 2019 we welcomed Robert J. Horrocks, PhD, our firm’s Chief Investment Officer, as a Trustee on the Matthews Asia Funds Board of Trustees. We are delighted to have Robert join the Board of Trustees and incorporate his investment experience and insights into Board governance considerations. At Matthews Asia, and among my fellow Matthews Asia Funds Board of Trustees, we take pride in our role and our reputation as a firm and a governing body. We are mindful of our fiduciary duty to you—our valued shareholder—and of the importance of our role to engage in industry governance matters so that we can understand how changes may impact you. Jon Zeschin, our Chairman of the Board of Trustees, has served as Chairman of the Independent Directors Council (IDC) Governing Council and fellow Trustee, Gale Caruso, is also on the Governing Council of IDC. Additionally, Jon and I have been members of Investment Company Institute’s (ICI) Board of Governors over the past several years. We hope knowing that members of the Matthews Asia Funds Board of Trustees are engaged and involved to represent and provide effective advocacy on your behalf provides confidence in our commitment to our fiduciary duty to do what’s best for you.

As always, thank you for being a valued shareholder.



William J. Hackett  
President of Matthews Asia Funds

# Message to Shareholders from the Investment Advisor

Dear Valued Investors,

The last quarter of 2019 brought some promise to the markets—a partial resolution of the U.S.–China trade dispute as well as denouement in the violence on the fringes of the Hong Kong protest movement, after pro-democracy candidates won in local elections. The strong rally in the market was also backed by better economic news coming from the U.S., which appeared to have skirted a recession, and renewed hopes for continued moderate fiscal and monetary stimulus across the Asian region.

In some respects, however, 2019 was a difficult year for investors with the highly concentrated nature of the market's returns within large-cap growth companies, particularly in the technology and consumer discretionary sectors. For example, companies like Tencent and Alibaba—already large positions in the MSCI All Country Asia ex Japan Index—had particularly strong final quarters to 2019. In turn, many of the smaller, more cheaply valued stocks and many small company stocks lagged far behind the indices. These effects were a drag on some of our portfolios. China's A share markets rallied in the final quarter, too, albeit not as powerfully as they had in the first three months of the year. Indeed, it was China that led the year-end rally: India and Japan both lagging. So the concentration of market performance was not just in sectors, but also in countries, and that meant just a few stocks have driven the majority of the benchmark performance over the past three years.

The performance of “large-cap growth” in Asia over the past few years in one sense is unsurprising—as growth expectations decline and the yield curve flattens, large-cap growth stocks tend to outperform. And yet the scale of this outperformance—particularly acute in the latter stages of 2019—has been surprising. In addition, the duration of the outperformance of growth over value in Asia has been unusual. The so-called “jobless recovery” in global economies caused a gradual, incessant flattening of the yield curve and a frustration of growth expectations that pushed investors to pay higher and higher multiples for growth and to declare value investing to be dead. It is perhaps not too much of an exaggeration to say that some investors were rewarded over the past year for almost entirely ignoring valuations. That made the markets playgrounds for the speculator and the momentum trader—it made them a much harder environment for the fundamental investor.

At Matthews Asia, we have always focused on fundamental investing. None of our portfolios fit easily into momentum-driven or trading markets. However, we do have portfolios that invest a higher portion of their assets in emerging businesses and sectors; indeed, the best performing portfolios were those that focused on faster-growing companies with less tested business models, often in technology and health care. We do not seek to time style swings—only to try and understand them and so we are in a position to be more mindful of some of the risks and the opportunities in the markets. As some stocks were beaten down or ignored due to a combination of trade worries, Hong Kong politics and slow growth, valuations in parts of the market became noticeably cheap, as cheap as other areas of the market seemed expensive. The overall level of the region's price-to-earnings ratio, a little above average, masked the underlying polarized nature of valuations. So, as we look to 2020, being mindful of some of these disparities, trading in portfolios may rise as we manage risks and take advantage of new opportunities.

An important question as we go into the new year is whether these trends are likely to continue. Over the closing weeks of 2019, there were hints that some of these trends may be losing steam. The disparity in valuations between fast- and slow-growing companies had become quite stark. Some popular and high-flying stocks faltered badly as they marginally missed earnings forecasts. A reversal in the yield curve, which had inverted but then started to steepen, suggested that the economic environment might be changing. Fiscal and monetary stimulus from China, joining that from other countries across the region, could drive rising margins and a broadening of earnings growth that will make growth seem less scarce and investors less willing to be cavalier about valuations of some companies.

I am optimistic overall about 2020. Slow growth in the global economy outside of Asia, may simply work to create a moderately softer U.S. dollar. That softening of the dollar ought to create a beneficial environment for Asia's economies to continue their stimulus measures. Even though Chinese stocks had a strong 2019, that may just mean they have momentum going into 2020 and the continued favorable environment means that the rally has a good chance of continuing. For now, it is being led by China. Given the fact that the Japanese rally is much longer in the tooth and the Indian economy is suffering from weakening nominal demand, it would not be too optimistic to expect China's leadership to continue their stimulus into the New Year. But should growth broaden across the region, it would bring back the kind of liquid financial conditions that have traditionally favored smaller capitalization stocks. What is less certain is whether global asset allocators yet believe in this trend, and so they appear to be staying on the sidelines. If this bullish trend is to continue, it must climb that wall of suspicion.

We will remain dedicated to finding the best companies that, based on our intuition and knowledge of the region, we believe will dominate their industries in years to come. As always, we will temper our enthusiasm for the region's growth with a proper focus on the quality of each company's governance and the price we are being asked to pay.



Robert Horrocks, PhD  
Chief Investment Officer

# Matthews Asia Total Return Bond Fund†

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Total Return Bond Fund returned 13.00% (Investor Class) and 13.20% (Institutional Class), while its benchmark, the Markit iBoxx Asian Local Bond Index, returned 8.99%. For the fourth quarter, the Fund returned 3.53% (Investor Class) and 3.42% (Institutional Class) versus 2.80% for the Index.

We would also like to inform you that effective January 31, 2020, the Fund name was changed from the Matthews Asia Strategic Income Fund to the Matthews Asia Total Return Bond Fund to better reflect the Fund's investment objective, which has always been total return over the long term with an emphasis on income, and to conform with the naming convention of its global peer group. Effective the same date, the Fund's benchmark was also changed to a blended benchmark comprised of 50% Markit iBoxx Asian Local Bond Index and 50% J.P. Morgan Asia Credit Index to better reflect the Fund's investment strategy. Additionally, the Fund's distribution frequency was changed from quarterly to monthly as it reflects the standard of our global peers, the majority of which distribute on a monthly basis.

### Market Environment:

2019 was a tale of trial, caused by political and economic turbulence. By the fourth quarter, it also was a tale of triumph. The year started with a strong rally, which was cut short by a surprise escalation in the trade war by the Trump administration in May. Negativity in the markets was compounded by rapidly declining global manufacturing PMI, a key gauge of global activity, which had been declining since late 2018 and slipped to contractionary levels (i.e., below 50) by May.

Acknowledging growing risks, the U.S. Federal Reserve put rate hikes on pause and eventually cut rates twice. U.S. Treasury yields decreased by 102 basis points in the first three quarters of 2019. The Fed action was supportive of the U.S. and global economies, though not enough to curb growing fears of recession. Yields across Asian local government markets came down, helped by dovishness from the Fed, which allowed other central banks to cut rates.

In many ways the fourth quarter, December in particular, was a reversal of much of the previous six months. On December 12, the White House indicated that a "phase one" trade deal had been reached, paving the way for a risk-on rally into year end. Asian equities outperformed the S&P 500 Index. Within fixed income, high yield outperformed investment grade bonds. In fact, returns for U.S. Treasuries were negative, in a quick reversal of their strong performance throughout 2019. The risk-on mood also helped local currency assets outperform, driven by stronger foreign exchange (FX) versus the U.S. dollar (USD).

Markets saw the partial trade deal as a positive development because a December tariff increase was taken off the table, and the initial agreement was seen as boding well for a permanent tariff détente. With Trump and Xi increasingly aware of the economic costs of the trade war, both appeared to be turning more pragmatic. All of this warranted a re-rating of risk in the markets.

Within Asian local government markets, almost all countries posted positive returns in the fourth quarter—except Hong Kong and India, both driven by idiosyncratic issues. In Hong Kong, protests depressed economic sentiment. In India, the increase in inflation, driven by food prices, hampered policymakers' ability to further ease policy, which was needed for the economy to recover from a crisis in the non-banking financial sector.

### Performance Contributors and Detractors:

For 2019, USD-denominated high yield positions, particularly Chinese property companies, were the top-returning holdings in the portfolio. Since sentiment around Chinese property became negative in 2018, it set the sector up for out performance in 2019 as many of the risks impacting the sector faded throughout 2019. These risks included de-leveraging efforts in China, rising U.S. interest rates and escalation of the U.S.–China trade war. South Korea FX and rates were the biggest detractors, generating negative returns. South Korea was the main target of

(continued)

## PORTFOLIO MANAGERS

**Teresa Kong, CFA**  
Lead Manager

**Satya Patel**                      **Wei Zhang**  
Co-Manager                      Co-Manager

## FUND FACTS

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MAINX     | MINCX         |
| CUSIP   | 577125503 | 577125602     |
| Inception                                       | 11/30/11  | 11/30/11      |
| NAV   | \$11.12   | \$11.12       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.08%     | 0.97%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.07%     | 0.90%         |

### Portfolio Statistics

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 39              |
| Net Assets                      | \$116.7 million |
| Modified Duration <sup>3</sup>  | 4.86            |
| Portfolio Turnover <sup>4</sup> | 84.38%          |

### Benchmark

J.P. Morgan Asia Credit Index\*

## OBJECTIVE

Total return over the long term with an emphasis on income.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in debt and debt-related instruments issued by governments, quasi-governmental entities, supra-national institutions, and companies in Asia. Asia consists of all countries and markets in Asia, such as China and India, and includes developed, emerging, and frontier countries and markets in the Asian region. The Fund's investments in debt securities may be denominated in any currency, may be of any quality or may be unrated, and may have no stated maturity or duration target.

† The Fund's name changed from Matthews Asia Strategic Income Fund to Matthews Asia Total Return Bond Fund on January 31, 2020.

\* Effective January 31, 2020, the Fund changed its benchmark to a blended benchmark comprised of 50% Markit iBoxx Asian Local Bond Index and 50% J.P. Morgan Asia Credit Index. Prior to January 31, 2020, the Fund's benchmark was the Markit iBoxx Asian Local Bond Index. Matthews believes that the blended benchmark is more appropriate in light of the Fund's current investment strategy. The Markit iBoxx Local Bond Index performance reflects the returns of the discontinued predecessor HSBC Asia Local Bond Index up to December 31, 2012 and the returns of the successor Markit iBoxx Local Bond Index thereafter.

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g. custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. Any amount waived with respect to the Fund pursuant to this agreement is not subject to recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

3 Modified duration measures the percent change in value of the fixed income portion of the portfolio in response to a 1% change in interest rates. In a multi-currency denominated portfolio with sensitivities to different interest rate regimes, modified duration will not accurately reflect the change in value of the overall portfolio from a change in any one interest rate regime.

4 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|   | Average Annual Total Returns |        |         |         |                 | Inception Date |
|---|------------------------------|--------|---------|---------|-----------------|----------------|
|   | 3 Months                     | 1 Year | 3 Years | 5 Years | Since Inception |                |
| Investor Class (MAINX)  | 3.53%                        | 13.00% | 5.85%   | 5.12%   | 4.97%           | 11/30/11       |
| Institutional Class (MINCX)   | 3.42%                        | 13.20% | 6.10%   | 5.37%   | 5.19%           | 11/30/11       |
| Markit iBoxx Asian Local Bond Index <sup>5</sup>  | 2.80%                        | 8.99%  | 6.41%   | 3.55%   | 3.06%           |                |
| 50% Markit iBoxx Asian Local Bond Index, 50% J.P. Morgan Asia Credit Index <sup>5</sup> | 1.97%                        | 10.18% | 5.89%   | 4.25%   | 4.39%           |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## INCOME DISTRIBUTION HISTORY

|                  | 2019   |        |        |        |        | 2018   |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                  | Q1     | Q2     | Q3     | Q4     | Total  | Q1     | Q2     | Q3     | Q4     | Total  |
| Investor (MAINX) | \$0.08 | \$0.10 | \$0.14 | \$0.12 | \$0.44 | \$0.12 | \$0.10 | \$0.07 | \$0.00 | \$0.29 |
| Inst'l (MINCX)   | \$0.09 | \$0.11 | \$0.14 | \$0.12 | \$0.46 | \$0.13 | \$0.11 | \$0.08 | \$0.00 | \$0.31 |

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit [matthewsasiasia.com](http://matthewsasiasia.com).

### 30-DAY YIELD:

Investor Class: 4.99% (4.99% excluding waivers)  
Institutional Class: 4.83% (4.73% excluding waivers)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/19, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

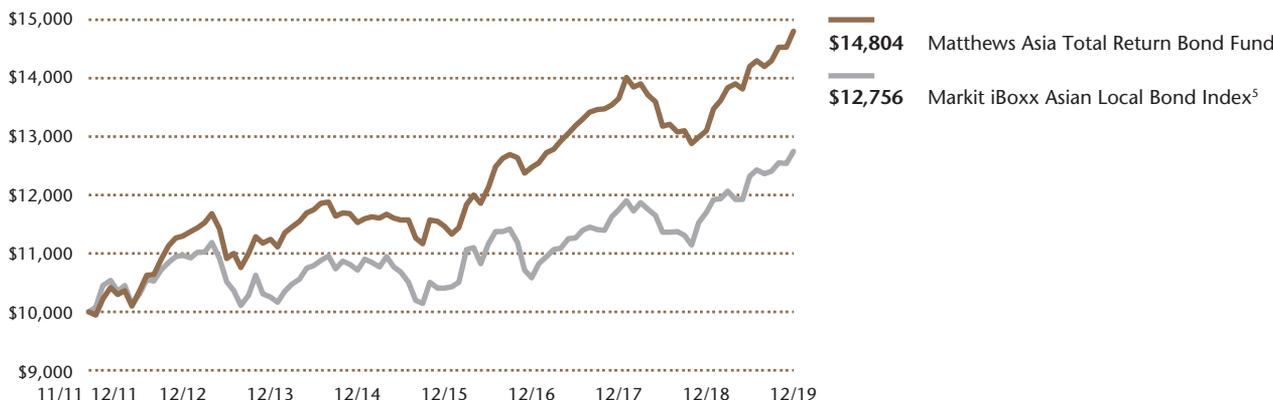
Source: BNY Mellon Investment Servicing (US) Inc.

### YIELD TO WORST: 5.68%

Yield to worst is the lowest yield that can be received on a bond assuming that the issuer does not default. It is calculated by utilizing the worst case assumptions for a bond with respect to certain income-reducing factors, including prepayment, call or sinking fund provisions. It does not represent the yield that an investor should expect to receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>5</sup> It is not possible to invest directly in an index. Source: Index data from HSBC, Markit iBoxx and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definitions. Effective January 31, 2020, the Fund changed its benchmark to a blended benchmark comprised of 50% Markit iBoxx Asian Local Bond Index and 50% J.P. Morgan Asia Credit Index. Prior to January 31, 2020, the Fund's benchmark was the Markit iBoxx Asian Local Bond Index. Matthews believes that the blended benchmark is more appropriate in light of the Fund's current investment strategy. The Markit iBoxx Asian Local Bond Index performance reflects the returns of the discontinued predecessor HSBC Asian Local Bond Index up to December 31, 2012 and the returns of the successor Markit iBoxx Asian Local Bond Index thereafter.

## TOP TEN HOLDINGS

|  | Sector                   | Currency          | % of Net Assets |
|--|--------------------------|-------------------|-----------------|
| Sri Lanka Government Bond, 7.850%, 03/14/2029                | Foreign Government Bonds | U.S. Dollar       | 4.8%            |
| HSBC Holdings PLC, 6.375%, 12/29/2049                        | Financials               | U.S. Dollar       | 4.6%            |
| Debt and Asset Trading Corp., 1.000%, 10/10/2025             | Financials               | U.S. Dollar       | 4.5%            |
| PB International BV, 7.625%, 01/26/2022                      | Consumer Discretionary   | U.S. Dollar       | 4.5%            |
| Wanda Properties International Co., Ltd., 7.250%, 01/29/2024 | Real Estate              | U.S. Dollar       | 4.5%            |
| Network i2i, Ltd., 5.650%, 04/15/2068                        | Communication Services   | U.S. Dollar       | 4.2%            |
| CIFI Holdings Group Co., Ltd., 6.550%, 03/28/2024            | Real Estate              | U.S. Dollar       | 4.0%            |
| ABJA Investment Co. Pte, Ltd., 5.450%, 01/24/2028            | Materials                | U.S. Dollar       | 3.7%            |
| Logan Property Holdings Co., Ltd., 5.250%, 02/23/2023        | Real Estate              | U.S. Dollar       | 3.3%            |
| Malaysia Government Bond, 4.642%, 11/07/2033                 | Foreign Government Bonds | Malaysian Ringgit | 3.0%            |
| <b>% OF ASSETS IN TOP TEN</b>                                |                          |                   | <b>41.1%</b>    |

## Matthews Asia Total Return Bond Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

selling due to trade war and global slowdown fears since it is heavily reliant on manufacturing and open to trade.

For the fourth quarter, the biggest contributor to outperformance came from USD-denominated high yield bonds. Local currency assets also did well, driven primarily by FX returns. Our top Asian FX positions were in Chinese renminbi and Indonesian rupiah, which were the top contributors to FX performance in absolute terms.

In terms of rates, the underweight to overall duration contributed to out-performance as U.S. Treasuries and government yields around the world rose in the fourth quarter. In absolute terms, our local rates positions in Indonesia and India were the biggest contributors, as these benefited from the risk-on sentiment.

In terms of USD-denominated high yield, the top contributors came from the Chinese property sector and Bharti Airtel. After the Supreme Court of India settled a long-standing case on telecom sector taxes, Bharti Airtel said it planned to raise new equity and convertible bonds to shore up its balance sheet, leading to a sharp rebound in bond prices.

Among the biggest detractors to returns were our positions in Perusahaan Listrik Negara (PLN), Debt and Asset Trading and Baozun. PLN and Debt and Asset Trading are both quasi-sovereigns of Indonesia and Vietnam, respectively. Baozun was added after a sell-off and we will allow time for our investment thesis to play out.

#### **Notable Portfolio Changes:**

For the first three quarters of 2019, the main impetus of change for the portfolio was toward weathering a protracted trade war and downshift in economic activity. To that end, we looked to add interest-rate duration, in both the U.S. and Asian countries. We shifted out of some lower-quality, higher-yielding bonds toward higher-quality bonds, such as PLN, Cikarang Listrindo and local currency rates in Malaysia, Thailand, Indonesia and India. In addition, we reduced our FX exposure to Asian currencies, with the biggest underweight relative to the Index coming from the Korean won.

As the outlook brightened, we made a number of changes to the portfolio in the fourth quarter. In currencies, we added to our exposure to Chinese renminbi, believing that the market had priced in too much negativity around a trade deal. We also added to our exposure to Chinese corporates, taking on new positions in Baozun, iQIYI, Sino Ocean, and Far East Horizon.

In rates, we exited our position in Indian five-year swaps, which had gained from multiple Reserve Bank of India policy-rate cuts throughout the year. We felt that the risk/reward going forward was more balanced and thus took profits.

We believed that most of the gains in U.S. duration had already been realized and chose to pare back our U.S. rate duration and rate sensitivity. To that end, we exited our positions in PLN, Cikarang Listrindo, and Standard Chartered perpetual bonds.

Finally, we initiated a position in Bharti Airtel, an Indian telecom company that is one of the top operators in the country.

#### **Outlook:**

Looking to 2020, we have learned from 2019 that political risks ebb and flow, but fundamental analysis remains key to outperformance. The market is seemingly struggling to price geopolitical risks. We expect this to present opportunities to drive returns through security selection. In 2019, fundamental analysis drove our conviction to hold higher-beta securities in the portfolio—be it high yield over investment grade, or long-dated bonds over short-dated ones—which helped the Fund outperform.

Market fundamentals give us reason to be optimistic heading into 2020. Global Manufacturing PMI is showing signs that it might have bottomed in the fourth quarter of 2019, paving the way for outperformance of cyclical sectors. For Asia, which is driven by manufacturing, this is a welcome sign. Semiconductors sales, which are heavily correlated to global growth and growth in Asia, seem to be rebounding. In terms of valuation, Asian currencies and Asian high yield continue to look attractive. Thus, we believe stronger fundamental tailwinds could drive Asian fixed income to outperform its global counterparts in 2020.

#### **CURRENCY ALLOCATION (%)<sup>6,7</sup>**

|                   |      |
|-------------------|------|
| US Dollar         | 53.6 |
| China Renminbi    | 10.9 |
| Indonesian Rupiah | 6.0  |
| Singapore Dollar  | 5.8  |
| South Korean Won  | 5.3  |
| Indian Rupee      | 5.1  |
| Malaysian Ringgit | 4.1  |
| Thailand Baht     | 3.9  |
| Philippines Peso  | 3.6  |
| Vietnam Dong      | 1.8  |

#### **COUNTRY ALLOCATION (%)<sup>6,7,8</sup>**

|   |      |
|---|------|
| China/Hong Kong                         | 43.5 |
| India                                   | 14.6 |
| Indonesia                               | 14.6 |
| Vietnam                                 | 6.2  |
| Philippines                             | 5.9  |
| Sri Lanka                               | 4.8  |
| Malaysia                                | 4.0  |
| South Korea                             | 0.3  |
| Cash and Other Assets, Less Liabilities | 6.0  |

#### **SECTOR ALLOCATION (%)<sup>6,7</sup>**

|   |      |
|---|------|
| Real Estate                             | 23.3 |
| Foreign Government Bonds                | 20.2 |
| Financials                              | 20.0 |
| Communication Services                  | 10.0 |
| Consumer Discretionary                  | 6.0  |
| Materials                               | 3.7  |
| Energy                                  | 3.7  |
| Utilities                               | 2.5  |
| Industrials                             | 2.4  |
| Health Care                             | 2.3  |
| Cash and Other Assets, Less Liabilities | 6.0  |

Please note: Foreign Government Bonds category includes Supranationals.

#### **ASSET TYPE BREAKDOWN (%)<sup>6,7</sup>**

|   |      |
|---|------|
| Non-Convertible Corporate Bonds         | 61.7 |
| Government Bonds                        | 24.8 |
| Convertible Corporate Bonds             | 7.5  |
| Cash and Other Assets, Less Liabilities | 6.0  |

6 Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

7 Cash and other assets may include forward currency exchange contracts and certain derivative instruments that have been marked-to-market.

8 Not all countries where the Fund may invest are included in the benchmark index.

Schedule of Investments<sup>a</sup>

NON-CONVERTIBLE CORPORATE BONDS: 61.7%

|   | Face Amount <sup>*</sup> | Value             |
|---|--------------------------|-------------------|
| <b>CHINA/HONG KONG: 36.0%</b>   |                          |                   |
| HSBC Holdings PLC<br>6.375% <sup>b</sup> , 03/30/25 <sup>c</sup>                    | 4,900,000                | \$5,328,750       |
| Wanda Properties International Co., Ltd.<br>7.250%, 01/29/24 <sup>d</sup>           | 5,300,000                | 5,215,624         |
| CIFI Holdings Group Co., Ltd.<br>6.550%, 03/28/24 <sup>d</sup>                      | 4,500,000                | 4,611,483         |
| Logan Property Holdings Co., Ltd.<br>5.250%, 02/23/23 <sup>d</sup>                  | 3,900,000                | 3,894,974         |
| Franshion Brilliant, Ltd.<br>5.750% <sup>b</sup> , 01/17/22 <sup>c,d</sup>          | 3,400,000                | 3,367,696         |
| KWG Group Holdings, Ltd.<br>5.875%, 11/10/24 <sup>d</sup>                           | 3,400,000                | 3,257,208         |
| King Talent Management, Ltd.<br>5.600% <sup>b</sup> , 12/04/22 <sup>c,d</sup>       | 3,500,000                | 3,151,646         |
| China Huaneng Group Co., Ltd.<br>3.950%, 04/21/26                                   | CNY 20,000,000           | 2,879,837         |
| CITIC Telecom International Finance, Ltd.<br>6.100%, 03/05/25 <sup>d</sup>          | 2,300,000                | 2,391,840         |
| KWG Group Holdings, Ltd.<br>7.875%, 09/01/23 <sup>d</sup>                           | 2,050,000                | 2,148,326         |
| CIFI Holdings Group Co., Ltd.<br>7.750%, 09/20/20 <sup>d</sup>                      | CNY 12,000,000           | 1,751,213         |
| Agricultural Bank of China, Ltd.<br>4.300%, 04/11/29 <sup>d</sup>                   | CNY 10,000,000           | 1,464,137         |
| Sino-Ocean Land Treasure III, Ltd.<br>4.900% <sup>b</sup> , 09/21/22 <sup>c,d</sup> | 1,400,000                | 1,223,571         |
| Honghua Group, Ltd.<br>6.375%, 08/01/22 <sup>d</sup>                                | 1,100,000                | 1,100,326         |
| Deutsche Bank AG<br>5.600% <sup>b</sup> , 04/10/25 <sup>d</sup>                     | CNY 2,000,000            | 261,612           |
| <b>Total China/Hong Kong</b>  |                          | <b>42,048,243</b> |
| <b>INDIA: 14.6%</b>   |                          |                   |
| Network i2i, Ltd.<br>5.650% <sup>b</sup> , 01/15/25 <sup>c,f</sup>                  | 5,000,000                | 4,940,000         |
| ABJA Investment Co. Pte, Ltd.<br>5.450%, 01/24/28 <sup>d</sup>                      | 4,440,000                | 4,330,553         |
| Bajaj Finance, Ltd., Series 246<br>8.538%, 06/07/22                                 | INR 200,000,000          | 2,870,716         |
| Housing Development Finance Corp., Ltd.<br>9.000%, 11/29/28                         | INR 190,000,000          | 2,825,747         |
| ICICI Bank UK PLC<br>5.375% <sup>b</sup> , 09/26/28 <sup>d</sup>                    | SGD 2,750,000            | 2,091,999         |
| <b>Total India</b>  |                          | <b>17,059,015</b> |
| <b>INDONESIA: 8.7%</b>  |                          |                   |
| PB International BV<br>7.625%, 01/26/22 <sup>d</sup>                                | 5,100,000                | 5,222,391         |
| Indika Energy Capital III Pte, Ltd.<br>5.875%, 11/09/24 <sup>d</sup>                | 3,300,000                | 3,169,438         |
| Modernland Overseas Pte, Ltd.<br>6.950%, 04/13/24 <sup>d</sup>                      | 1,900,000                | 1,710,856         |
| <b>Total Indonesia</b>  |                          | <b>10,102,685</b> |
| <b>PHILIPPINES: 2.4%</b>  |                          |                   |
| Royal Capital BV<br>4.875% <sup>b</sup> , 05/05/24 <sup>c,d</sup>                   | 2,800,000                | 2,831,153         |
| <b>Total Philippines</b>  |                          | <b>2,831,153</b>  |
| <b>TOTAL NON-CONVERTIBLE CORPORATE BONDS</b>  |                          | <b>72,041,096</b> |
| (Cost \$70,190,257)   |                          |                   |

FOREIGN GOVERNMENT OBLIGATIONS: 24.8%

|  | Face Amount <sup>*</sup> | Value             |
|--|--------------------------|-------------------|
| <b>VIETNAM: 6.3%</b>   |                          |                   |
| Debt and Asset Trading Corp.<br>1.000%, 10/10/25 <sup>d</sup>  | 6,969,000                | \$5,296,440       |
| Vietnam Government Bond<br>5.200%, 01/12/22                    | VND 43,000,000,000       | 1,987,337         |
| <b>Total Vietnam</b>   |                          | <b>7,283,777</b>  |
| <b>INDONESIA: 5.9%</b>   |                          |                   |
| Indonesia Government Bond<br>9.000%, 03/15/29                  | IDR 38,000,000,000       | 3,052,758         |
| Indonesia Government Bond<br>8.250%, 05/15/29                  | IDR 34,550,000,000       | 2,682,867         |
| Indonesia Government Bond<br>8.375%, 04/15/39                  | IDR 15,000,000,000       | 1,156,132         |
| <b>Total Indonesia</b>   |                          | <b>6,891,757</b>  |
| <b>SRI LANKA: 4.8%</b>   |                          |                   |
| Sri Lanka Government Bond<br>7.850%, 03/14/29 <sup>d</sup>     | 5,500,000                | 5,567,629         |
| <b>Total Sri Lanka</b>   |                          | <b>5,567,629</b>  |
| <b>MALAYSIA: 4.0%</b>  |                          |                   |
| Malaysia Government Bond<br>4.642%, 11/07/33                   | MYR 13,000,000           | 3,506,048         |
| Malaysia Government Bond<br>3.478%, 06/14/24                   | MYR 4,800,000            | 1,186,863         |
| <b>Total Malaysia</b>  |                          | <b>4,692,911</b>  |
| <b>PHILIPPINES: 3.5%</b>                                       |                          |                   |
| Republic of Philippines<br>3.900%, 11/26/22                    | PHP 123,000,000          | 2,425,559         |
| Republic of Philippines<br>6.250%, 01/14/36                    | PHP 70,000,000           | 1,670,287         |
| <b>Total Philippines</b>                                       |                          | <b>4,095,846</b>  |
| <b>SOUTH KOREA: 0.3%</b>                                       |                          |                   |
| Korea Treasury Bond<br>3.500%, 03/10/24                        | KRW 400,000,000          | 373,531           |
| <b>Total South Korea</b>                                       |                          | <b>373,531</b>    |
| <b>TOTAL FOREIGN GOVERNMENT OBLIGATIONS</b>                    |                          | <b>28,905,451</b> |
| (Cost \$27,567,559)  |                          |                   |
| <b>CONVERTIBLE CORPORATE BONDS: 7.5%</b>                       |                          |                   |
| <b>CHINA/HONG KONG: 7.5%</b>                                   |                          |                   |
| Luye Pharma Group, Ltd., Cnv.<br>1.500%, 07/09/24 <sup>d</sup> | 2,500,000                | 2,644,150         |
| Weibo Corp., Cnv.<br>1.250%, 11/15/22                          | 2,400,000                | 2,245,500         |
| iQIYI, Inc., Cnv.<br>2.000%, 04/01/25 <sup>f</sup>             | 2,150,000                | 2,134,131         |
| Baozun, Inc., Cnv.<br>1.625%, 05/01/24 <sup>f</sup>            | 1,900,000                | 1,755,814         |
| <b>Total China/Hong Kong</b>                                   |                          | <b>8,779,595</b>  |
| <b>TOTAL CONVERTIBLE CORPORATE BONDS</b>                       |                          | <b>8,779,595</b>  |
| (Cost \$8,479,724)   |                          |                   |

Schedule of Investments<sup>a</sup> (continued)

CONVERTIBLE CORPORATE BONDS (continued)

|  | Value                       |
|--|-----------------------------|
| <b>TOTAL INVESTMENTS: 94.0%</b>                          | <b>\$109,726,142</b>        |
| (Cost \$106,237,540)                                     |                             |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 6.0%</b> | <b><u>6,987,522</u></b>     |
| <b>NET ASSETS: 100.0%</b>                                | <b><u>\$116,713,664</u></b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Security is a fixed-to-float security, which carries a fixed coupon until a certain date, upon which it switches to a floating rate. Reference rate and spread are provided if the rate is currently floating.
- c Perpetual security with no stated maturity date. First call date is disclosed.
- d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.

f Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$8,829,945, which is 7.57% of net assets.

\* All Values in USD unless otherwise specified

|               |   |
|---------------|---|
| 3M MYR-KLIBOR | Three Month Kuala Lumpur Interbank Offered Rate |
| 6M THB-THBFIX | Six Month Thai Baht Interest Rate Fixing        |
| Cnv.          | Convertible                                     |
| CNY           | Chinese Renminbi (Yuan)                         |
| IDR           | Indonesian Rupiah                               |
| INR           | Indian Rupee                                    |
| KRW           | Korean Won                                      |
| MYR           | Malaysian Ringgit                               |
| OTC           | Over-the-counter                                |
| PHP           | Philippine Peso                                 |
| SGD           | Singapore Dollar                                |
| THB           | Thai Baht                                       |
| USD           | U.S. Dollar                                     |
| VND           | Vietnamese Dong                                 |

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

| Currency Purchased                 | Currency Sold   | Counterparty              | Settlement Date | Unrealized Appreciation (Depreciation) |
|------------------------------------|-----------------|---------------------------|-----------------|--|
| THB 127,529,500                    | USD 4,150,000   | Merrill Lynch & Co., Inc. | 01/21/20        | \$138,758                              |
| KRW 6,677,976,000                  | USD 5,680,000   | Merrill Lynch & Co., Inc. | 01/31/20        | 102,048                                |
| SGD 6,169,883                      | USD 4,515,000   | Merrill Lynch & Co., Inc. | 01/31/20        | 73,502                                 |
| INR 200,000,000                    | USD 2,787,456   | JPMorgan Chase & Co.      | 03/06/20        | 2,289                                  |
| CNY 21,793,000                     | USD 3,100,000   | Merrill Lynch & Co., Inc. | 05/05/20        | 19,325                                 |
| CNY 21,135,000                     | USD 3,000,000   | Merrill Lynch & Co., Inc. | 06/23/20        | 21,301                                 |
|                                    |                 |                           |                 | <u>357,223</u>                         |
| CNY 21,446,348                     | USD 3,112,000   | Merrill Lynch & Co., Inc. | 01/06/20        | (33,141)                               |
| USD 2,980,937                      | CNY 21,446,348  | Merrill Lynch & Co., Inc. | 01/06/20        | (97,922)                               |
| USD 2,701,972                      | INR 200,000,000 | JPMorgan Chase & Co.      | 03/06/20        | (87,773)                               |
|                                    |                 |                           |                 | <u>(218,836)</u>                       |
| <b>Net Unrealized Appreciation</b> |                 |                           |                 | <b><u>\$138,387</u></b>                |

OTC INTEREST RATE SWAPS\*

| Floating Rate Paid by Fund |             | Fixed Rate Received by Fund |             | Counterparty          | Termination Date | Notional Amount (000) | Value            | Upfront Premium Paid (Received) | Unrealized Appreciation |
|----------------------------|-------------|-----------------------------|-------------|-----------------------|------------------|-----------------------|------------------|---------------------------------|-------------------------|
| Rate                       | Frequency   | Rate                        | Frequency   |                       |                  |                       |                  |                                 |                         |
| 3M MYR-KLIBOR, 3.340%      | Quarterly   | 3.300%                      | Quarterly   | Bank of America, N.A. | 06/19/2024       | MYR 13,000            | \$7,148          | —                               | \$7,148                 |
| 6M THB-THBFIX, 1.167%      | Semi-annual | 1.610%                      | Semi-annual | Bank of America, N.A. | 06/21/2024       | THB 281,000           | 154,825          | —                               | 154,825                 |
| 6M THB-THBFIX, 1.271%      | Semi-annual | 1.265%                      | Semi-annual | Bank of America, N.A. | 09/04/2024       | THB 210,000           | 5,891            | —                               | 5,891                   |
| <b>Total</b>               |             |                             |             |                       |                  |                       | <b>\$167,864</b> | <b>—</b>                        | <b>\$167,864</b>        |

\* Swaps are not centrally cleared.

See accompanying notes to financial statements.

# Matthews Asia Credit Opportunities Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Credit Opportunities Fund returned 13.34% (Investor Class) and 13.69% (Institutional Class), while its benchmark, the J.P. Morgan Asia Credit Index, returned 11.35%. For the fourth quarter, the Fund returned 2.15% (Investor Class) and 2.18% (Institutional Class) versus 1.15% for the Index.

We would also like to inform you that effective January 31, 2020, the Fund's distribution frequency was changed from quarterly to monthly as it reflects the standard of our global peers, the majority of which distribute on a monthly basis.

### Market Environment:

Despite the U.S.–China trade conflict and a challenging macro environment, returns were stellar for Asian credit in 2019. Trade war disruptions, slowing growth, low inflation and dovish central banks pushed risk-free interest rates to record lows. Credit spreads also started the year higher than historical averages. As trade de-escalation began in the fall, credit spreads began falling. Asian high yield credit spreads tightened 70 basis points (0.7%) in all of 2019, and tightened 50 basis points (0.50%) just in the fourth quarter. This combination of falling credit spreads and U.S. interest rates led to one of the decade's best years for returns.

U.S. dollar-denominated bonds of Chinese issuers performed particularly well in the fourth quarter, benefiting from positive trade news and supportive domestic policies. Growth in China had been slowing for some time, with third-quarter growth at 6%. With this, Chinese policymakers acknowledged that the 6% growth target should become more flexible and that the focus should be on quality growth, not just the quantity of growth. We think this translates into less credit-fueled stimulus as we have seen in the past. We expect policymakers to continue to be accommodative, however, with the goal of managing a smooth growth transition. Consumption, employment and higher value-add sectors will be the prime focus.

Indian financials topped headlines in 2019 as bad loans from banks and non-bank financial companies (NBFCs) caused liquidity and solvency issues for a few issuers. Given the credit crisis, lending dropped sharply, especially for commercial loans, and impacted growth. Nevertheless, as poorly managed banks retreated from the markets, we were able to invest in bonds of well-run lenders facing less competition and gaining market share.

### Performance Contributors and Detractors:

In terms of sectors, the top contributors to performance in 2019 were Chinese property developers, frontier Asian government bonds and long-dated and high-quality bonds. Long-dated and high-quality bonds, such as HSBC, Debt and Asset Trading, Perusahaan Listrik Negara (PLN) and Indonesia Asahan Aluminium Persero (InAlum), benefited from a nearly yearlong decline in risk-free yields.

Almost all of the bonds in the portfolio finished positive for the year. One exception was our holding of Baozun, added late in the fourth quarter after a sell-off.

The biggest contributor to performance in the fourth quarter came from the overweight to BB- and B-rated securities. In terms of sectors, Chinese property developers did particularly well in the fourth quarter, as the trade deal improved market sentiment and Chinese policymakers focused on supporting domestic growth. Another sector to outperform was Sri Lanka and Pakistan government bonds, as the default risk of these two frontier holdings looked reasonable compared to other frontier emerging market countries.

(continued)

### PORTFOLIO MANAGERS

**Teresa Kong, CFA**  
Lead Manager

**Satya Patel**  
Lead Manager

### FUND FACTS

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MCRDX     | MICPX         |
| CUSIP   | 577130677 | 577130669     |
| Inception                                       | 4/29/16   | 4/29/16       |
| NAV   | \$10.57   | \$10.57       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.24%     | 1.07%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.12%     | 0.90%         |

### Portfolio Statistics

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 36             |
| Net Assets                      | \$92.4 million |
| Modified Duration <sup>3</sup>  | 3.96           |
| Portfolio Turnover <sup>4</sup> | 81.08%         |

### Benchmark

J.P. Morgan Asia Credit Index

### OBJECTIVE

Total return over the long term.

### STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in debt and debt-related instruments issued by companies as well as governments, quasi-governmental entities, and supra-national institutions in Asia. Debt and debt-related instruments typically include bonds, debentures, bills, securitized instruments (which are vehicles backed by pools of assets such as loans or other receivables), notes, certificates of deposit and other bank obligations, bank loans, senior secured bank debt, convertible debt securities, exchangeable bonds, credit-linked notes, inflation-linked instruments, repurchase agreements, payment-in-kind securities and derivative instruments with fixed income characteristics. Asia consists of all countries and markets in Asia, such as China and Indonesia, in addition to the developed, emerging, and frontier countries and markets in the Asian region.

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. Any amount waived with respect to the Fund pursuant to this agreement is not subject to recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

3 Modified duration measures the percent change in value of the fixed income portion of the portfolio in response to a 1% change in interest rates. In a multi-currency denominated portfolio with sensitivities to different interest rate regimes, modified duration will not accurately reflect the change in value of the overall portfolio from a change in any one interest rate regime.

4 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

| Investor Class                             | Average Annual Total Returns |        |         |                 | Inception Date |
|--|------------------------------|--------|---------|-----------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | Since Inception |                |
| Investor Class (MCRDX)                     | 2.15%                        | 13.34% | 5.89%   | 6.09%           | 4/29/16        |
| Institutional Class (MICPX)                | 2.18%                        | 13.69% | 6.13%   | 6.34%           | 4/29/16        |
| J.P. Morgan Asia Credit Index <sup>5</sup> | 1.15%                        | 11.35% | 5.33%   | 4.73%           |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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](http://matthewsasia.com).*

## INCOME DISTRIBUTION HISTORY

|                  | 2019   |        |        |        |        | 2018   |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                  | Q1     | Q2     | Q3     | Q4     | Total  | Q1     | Q2     | Q3     | Q4     | Total  |
| Investor (MCRDX) | \$0.10 | \$0.10 | \$0.13 | \$0.11 | \$0.44 | \$0.09 | \$0.09 | \$0.06 | \$0.10 | \$0.33 |
| Inst'l (MICPX)   | \$0.10 | \$0.11 | \$0.14 | \$0.11 | \$0.46 | \$0.09 | \$0.09 | \$0.06 | \$0.11 | \$0.36 |

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit [matthewsasia.com](http://matthewsasia.com).

### 30-DAY YIELD:

Investor Class: 4.64% (4.68% excluding waivers)  
Institutional Class: 4.75% (4.72% excluding waivers)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/19, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

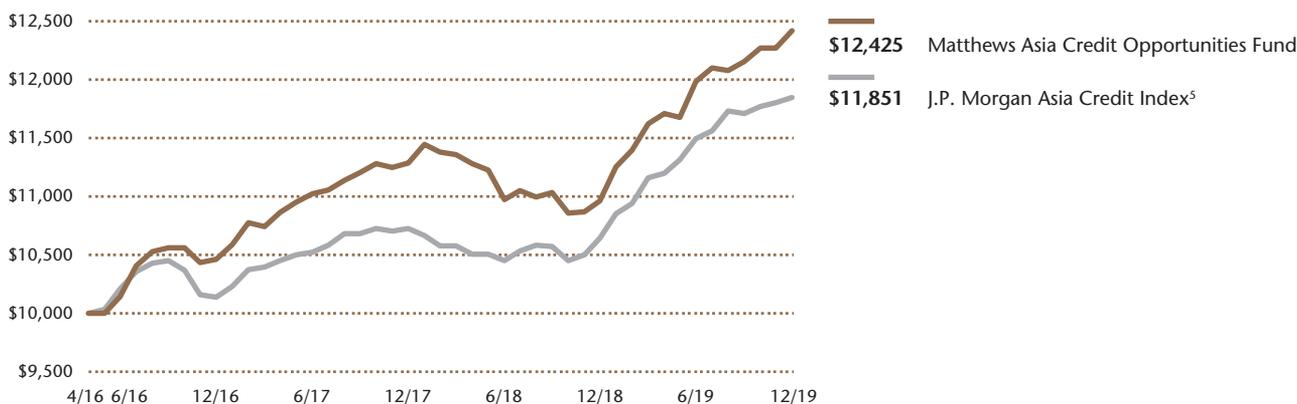
Source: BNY Mellon Investment Servicing (US) Inc.

### YIELD TO WORST: 5.87%

Yield to worst is the lowest yield that can be received on a bond assuming that the issuer does not default. It is calculated by utilizing the worst case assumptions for a bond with respect to certain income-reducing factors, including prepayment, call or sinking fund provisions. It does not represent the yield that an investor should expect to receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions, or redemption of Fund shares. Values are in US\$.

<sup>5</sup> It is not possible to invest directly in an index. Source: Index data from J.P. Morgan and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

## TOP TEN HOLDINGS

|   | Sector                   | Currency    | % of Net Assets |
|---|--------------------------|-------------|-----------------|
| King Talent Management, Ltd., 5.600%, 06/04/2068        | Financials               | U.S. Dollar | 5.0%            |
| Pakistan Government Bond, 6.875%, 12/05/2027            | Foreign Government Bonds | U.S. Dollar | 4.8%            |
| Sino-Ocean Land Treasure III, Ltd., 4.900%, 03/21/2068  | Real Estate              | U.S. Dollar | 4.8%            |
| Indika Energy Capital III Pte, Ltd., 5.875%, 11/09/2024 | Energy                   | U.S. Dollar | 4.8%            |
| Honghua Group, Ltd., 6.375%, 08/01/2022                 | Energy                   | U.S. Dollar | 4.8%            |
| Network i2i, Ltd., 5.650%, 04/15/2068                   | Communication Services   | U.S. Dollar | 4.5%            |
| PB International BV, 7.625%, 01/26/2022                 | Consumer Discretionary   | U.S. Dollar | 4.0%            |
| Debt and Asset Trading Corp., 1.000%, 10/10/2025        | Financials               | U.S. Dollar | 3.9%            |
| Franshion Brilliant, Ltd., 5.750%, 07/17/2067           | Real Estate              | U.S. Dollar | 3.4%            |
| Standard Chartered PLC, 7.750%, 04/02/2068              | Financials               | U.S. Dollar | 3.4%            |
| <b>% OF ASSETS IN TOP TEN</b>                           |                          |             | <b>43.4%</b>    |

# Matthews Asia Credit Opportunities Fund

## Portfolio Manager Commentary (unaudited) (continued)

Security selection also added to performance, with Bharti Airtel and Softbank among the top contributors. Softbank rebounded in the fourth quarter as negative headlines from its Vision Fund investments faded and the company rationalized these investments. Finally, convertible bonds such as iQIYI, an online video platform in China, helped to boost returns, supported by equity rallies in the fourth quarter.

Among the biggest detractors to returns in the fourth quarter were our positions in PLN, Baozun and Debt and Asset Trading. PLN and Debt and Asset Trading are both quasi-sovereigns of Indonesia and Vietnam, respectively.

### Notable Portfolio Changes:

At the beginning of 2019, we added several Chinese property companies that we believed were oversold in the prior year. These included CIFI and Shimao. For the next few quarters of 2019, the main direction of change for the portfolio was toward weathering a protracted trade war and downshift in economic activity. To that end, we looked to add higher-quality companies that could withstand volatility, as well as bonds with longer duration. For instance, we added PLN and InAlum in the second quarter, and Luye Pharma in the third quarter.

Most of the positions we exited in the year were convertible bond holdings that reached our price target. These included China Mengniu Dairy, CP Foods Holdings, Ctrip.com International, Johnson Electric Holdings and Zhongsheng Group. We also exited our holdings of Softbank Group bonds in the fourth quarter, taking profits as news flow turned more positive after the failed WeWork initial public offering.

Amid signs of a global economic recovery and a de-escalation of the U.S.–China trade conflict, we added more Chinese issuers in the fourth quarter. These included the convertible bonds of iQIYI and Baozun. These gave us exposure to the consumer and tech-driven parts of the Chinese economy. We also added positions in Sino-Ocean, a large property developer, Far East Horizon, an equipment-leasing company, and Honghua, a private equipment manufacturer for oil and gas drilling.

### Outlook:

With global risk-free yields at near-term lows, we believe the search for yield that was a defining characteristic of the past decade will continue to be a positive tailwind for Asian high yield bonds. Asian high yield bonds continue to look cheap relative to U.S. high yield bonds on a spread basis. Asian high yield spreads are at 535 basis points, 79 basis points above their long-run average. By comparison, U.S. high yield spreads are at 324 basis points, 189 basis points below their long-run average. In fact, the difference in spreads between Asia and the U.S. is near its all-time highs. We believe this is a sign of value in Asia and that strong fundamental tailwinds could drive Asian fixed income to outperform its global counterparts in 2020.

Given the constructive and stable economic fundamentals in China, we continue to view China as the most important driver of returns for Asia high yield bonds in 2020. While headlines have focused on defaults in China, the reality is that the overall default rate in China remains in-line with global peers at less than 2%. It is important to distinguish idiosyncratically driven and systemically driven defaults. We view more idiosyncratic defaults as a positive for the market, allowing bond prices to more accurately reflect credit quality and, therefore, rewarding good credit selectors. We do not see these idiosyncratic defaults as signs of systemic or sectorwide defaults in China. In fact, we see signs of more policy easing compared to 2018 and 2019, which will provide macroeconomic support and reduce systemic risks.

### CURRENCY ALLOCATION (%)<sup>6,7</sup>

|           |       |
|-----------|-------|
| US Dollar | 100.0 |
|-----------|-------|

### COUNTRY ALLOCATION (%)<sup>6,7,8</sup>

|   |      |
|---|------|
| China/Hong Kong                         | 45.9 |
| Indonesia                               | 16.6 |
| India                                   | 7.5  |
| Vietnam                                 | 5.4  |
| Pakistan                                | 4.8  |
| Sri Lanka                               | 4.7  |
| Australia                               | 2.5  |
| Philippines                             | 2.3  |
| Cash and Other Assets, Less Liabilities | 10.2 |

### SECTOR ALLOCATION (%)<sup>6,7</sup>

|   |      |
|---|------|
| Real Estate                             | 24.0 |
| Financials                              | 17.6 |
| Foreign Government Bonds                | 11.0 |
| Energy                                  | 9.5  |
| Communication Services                  | 7.9  |
| Consumer Discretionary                  | 6.8  |
| Materials                               | 5.7  |
| Health Care                             | 2.5  |
| Utilities                               | 2.4  |
| Industrials                             | 2.3  |
| Cash and Other Assets, Less Liabilities | 10.2 |

### ASSET TYPE BREAKDOWN (%)<sup>6,7</sup>

|   |      |
|---|------|
| Non-Convertible Corporate Bonds         | 66.6 |
| Government Bonds                        | 15.0 |
| Convertible Corporate Bonds             | 8.2  |
| Cash and Other Assets, Less Liabilities | 10.2 |

<sup>6</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

<sup>7</sup> Cash and other assets may include forward currency exchange contracts and certain derivative instruments that have been marked-to-market.

<sup>8</sup> Not all countries where the Fund may invest are included in the benchmark index.

Schedule of Investments<sup>a</sup>

NON-CONVERTIBLE CORPORATE BONDS: 66.6%

|  | Face Amount <sup>*</sup> | Value             |
|--|--------------------------|-------------------|
| <b>CHINA/HONG KONG: 37.6%</b>  |                          |                   |
| King Talent Management, Ltd.<br>5.600% <sup>b</sup> , 12/04/22 <sup>c,d</sup>                | 5,100,000                | \$4,592,399       |
| Sino-Ocean Land Treasure III, Ltd.<br>4.900% <sup>b</sup> , 09/21/22 <sup>c,d</sup>          | 5,100,000                | 4,457,292         |
| Honghua Group, Ltd. 6.375%, 08/01/22 <sup>d</sup>  | 4,400,000                | 4,401,305         |
| Franshion Brilliant, Ltd. 5.750% <sup>b</sup> , 01/17/22 <sup>c,d</sup>                      | 3,200,000                | 3,169,596         |
| Standard Chartered PLC 7.750% <sup>b</sup> , 04/02/23 <sup>c,d</sup>                         | 2,850,000                | 3,152,812         |
| CIFI Holdings Group Co., Ltd.<br>6.550%, 03/28/24 <sup>d</sup>                               | 2,600,000                | 2,664,413         |
| HSBC Holdings PLC 6.375% <sup>b</sup> , 03/30/25 <sup>c</sup>                                | 2,400,000                | 2,610,000         |
| Wanda Properties International Co., Ltd.<br>7.250%, 01/29/24 <sup>d</sup>                    | 2,400,000                | 2,361,792         |
| KWG Group Holdings, Ltd. 5.875%, 11/10/24 <sup>d</sup>                                       | 2,400,000                | 2,299,206         |
| Logan Property Holdings Co., Ltd.<br>5.250%, 02/23/23 <sup>d</sup>                           | 1,500,000                | 1,498,067         |
| Wanda Group Overseas, Ltd.<br>7.500%, 07/24/22 <sup>d</sup>                                  | 1,500,000                | 1,438,957         |
| KWG Group Holdings, Ltd. 7.875%, 09/01/23 <sup>d</sup>                                       | 1,300,000                | 1,362,353         |
| CITIC Telecom International Finance, Ltd.<br>6.100%, 03/05/25 <sup>d</sup>                   | 462,000                  | 480,448           |
| KWG Group Holdings, Ltd. 7.400%, 03/05/24 <sup>d</sup>                                       | 300,000                  | 306,309           |
| <b>Total China/Hong Kong</b>   |                          | <b>34,794,949</b> |
| <b>INDONESIA: 16.6%</b>  |                          |                   |
| Indika Energy Capital III Pte, Ltd.<br>5.875%, 11/09/24 <sup>d</sup>                         | 4,600,000                | 4,418,005         |
| PB International BV 7.625%, 01/26/22 <sup>d</sup>  | 3,600,000                | 3,686,393         |
| PT Indonesia Asahan Aluminium Perser<br>6.757%, 11/15/48 <sup>d</sup>                        | 1,900,000                | 2,448,409         |
| Listrindo Capital BV 4.950%, 09/14/26 <sup>d</sup>   | 2,200,000                | 2,230,470         |
| Theta Capital Pte, Ltd. 6.750%, 10/31/26 <sup>d</sup>  | 1,500,000                | 1,343,124         |
| Modernland Overseas Pte, Ltd.<br>6.950%, 04/13/24 <sup>d</sup>                               | 1,400,000                | 1,260,631         |
| <b>Total Indonesia</b>   |                          | <b>15,387,032</b> |
| <b>INDIA: 7.6%</b>   |                          |                   |
| Network i2i, Ltd. 5.650% <sup>b</sup> , 01/15/25 <sup>c,e</sup>                              | 3,000,000                | 2,964,000         |
| ABJA Investment Co. Pte, Ltd.<br>5.450%, 01/24/28 <sup>d</sup>                               | 2,900,000                | 2,828,514         |
| Network i2i Ltd. 5.650% <sup>b</sup> , 01/15/25 <sup>c,d</sup>                               | 1,200,000                | 1,185,600         |
| <b>Total India</b>   |                          | <b>6,978,114</b>  |
| <b>AUSTRALIA: 2.5%</b>   |                          |                   |
| Australia & New Zealand Banking Group, Ltd.<br>6.750% <sup>b</sup> , 06/15/26 <sup>c,d</sup> | 2,000,000                | 2,282,500         |
| <b>Total Australia</b>   |                          | <b>2,282,500</b>  |
| <b>PHILIPPINES: 2.3%</b>   |                          |                   |
| Royal Capital BV 4.875% <sup>b</sup> , 05/05/24 <sup>c,d</sup>                               | 2,100,000                | 2,123,365         |
| <b>Total Philippines</b>   |                          | <b>2,123,365</b>  |
| <b>TOTAL NON-CONVERTIBLE CORPORATE BONDS</b>   |                          | <b>61,565,960</b> |
| (Cost \$60,288,011)  |                          |                   |

FOREIGN GOVERNMENT OBLIGATIONS: 15.0%

|   | Face Amount <sup>*</sup> | Value             |
|---|--------------------------|-------------------|
| <b>VIETNAM: 5.4%</b>  |                          |                   |
| Debt and Asset Trading Corp.<br>1.000%, 10/10/25 <sup>d</sup> | 4,789,000                | \$3,639,640       |
| Socialist Republic of Vietnam<br>5.500%, 03/12/28             | 1,380,000                | 1,358,776         |
| <b>Total Vietnam</b>  |                          | <b>4,998,416</b>  |
| <b>PAKISTAN: 4.9%</b>   |                          |                   |
| Pakistan Government Bond<br>6.875%, 12/05/27 <sup>d</sup>     | 4,300,000                | 4,474,494         |
| <b>Total Pakistan</b>   |                          | <b>4,474,494</b>  |
| <b>SRI LANKA: 4.7%</b>  |                          |                   |
| Sri Lanka Government Bond<br>7.850%, 03/14/29 <sup>d</sup>    | 2,300,000                | 2,328,281         |
| Sri Lanka Government Bond<br>6.125%, 06/03/25 <sup>d</sup>    | 900,000                  | 875,189           |
| Sri Lanka Government Bond<br>6.850%, 11/03/25 <sup>d</sup>    | 850,000                  | 849,931           |
| Sri Lanka Government Bond<br>6.825%, 07/18/26 <sup>d</sup>    | 300,000                  | 296,230           |
| <b>Total Sri Lanka</b>  |                          | <b>4,349,631</b>  |
| <b>TOTAL FOREIGN GOVERNMENT OBLIGATIONS</b>                   |                          | <b>13,822,541</b> |
| (Cost \$13,702,461)   |                          |                   |

CONVERTIBLE CORPORATE BONDS: 8.2%

|  |           |                   |
|--|-----------|-------------------|
| <b>CHINA/HONG KONG: 8.2%</b>                                   |           |                   |
| Baozun, Inc., Cnv. 1.625%, 05/01/24 <sup>e</sup>               | 2,800,000 | 2,587,515         |
| Luye Pharma Group, Ltd., Cnv.<br>1.500%, 07/09/24 <sup>d</sup> | 2,200,000 | 2,326,852         |
| Weibo Corp., Cnv. 1.250%, 11/15/22                             | 1,600,000 | 1,497,000         |
| iQIYI, Inc., Cnv. 2.000%, 04/01/25 <sup>e</sup>                | 1,200,000 | 1,191,143         |
| <b>Total China/Hong Kong</b>                                   |           | <b>7,602,510</b>  |
| <b>TOTAL CONVERTIBLE CORPORATE BONDS</b>                       |           | <b>7,602,510</b>  |
| (Cost \$7,463,915)   |           |                   |
| <b>TOTAL INVESTMENTS: 89.8%</b>                                |           | <b>82,991,011</b> |
| (Cost \$81,454,387)  |           |                   |

CASH AND OTHER ASSETS,  
LESS LIABILITIES: 10.2% **9,443,717**

NET ASSETS: 100.0% **\$92,434,728**

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Security is a fixed-to-float security, which carries a fixed coupon until a certain date, upon which it switches to a floating rate. Reference rate and spread are provided if the rate is currently floating.

## *Schedule of Investments<sup>a</sup> (continued)*

- c Perpetual security with no stated maturity date. First call date is disclosed.
  - d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
  - e Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$6,742,658, which is 7.29% of net assets.
- \* All Values in USD unless otherwise specified
- Cnv. Convertible
- USD U.S. Dollar

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Robert J. Horrocks, PhD**    **Kenneth Lowe, CFA**  
Lead Manager                      Lead Manager

**John Paul Lech**  
Co-Manager

**FUND FACTS**

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MACSX     | MICSX         |
| CUSIP                            | 577130206 | 577130842     |
| Inception                        | 9/12/94   | 10/29/10      |
| NAV                              | \$15.73   | \$15.70       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.08%     | 0.94%         |

**Portfolio Statistics**

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 63             |
| Net Assets                      | \$1.5 billion  |
| Weighted Average Market Cap     | \$71.7 billion |
| Portfolio Turnover <sup>2</sup> | 21.89%         |

**Benchmark**

MSCI AC Asia ex Japan Index

**OBJECTIVE**

Long-term capital appreciation. The Fund also seeks to provide some current income.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in dividend-paying common stock, preferred stock and other equity securities, and convertible securities as well as fixed-income securities, of any duration or quality, including high yield securities, of companies located in Asia, which consists of all countries and markets in Asia, including developed, emerging and frontier countries and markets in the Asian region.

# Matthews Asian Growth and Income Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asian Growth and Income Fund returned 17.26% (Investor Class) and 17.46% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 18.52%. For the fourth quarter of the year, the Fund returned 8.02% (Investor Class) and 8.04% (Institutional Class) versus 11.85% for the Index.

**Market Environment:**

2018's concerns over tightening monetary policy and reducing U.S. dollar liquidity were swiftly reversed in 2019 as central banks committed to returning to an easing path as inflation remained elusive and growth was patchy. Asian equities were volatile through the first nine months of the year, however, as this central bank largesse was offset by the U.S.–China trade war. Tensions stopped escalating in the fourth quarter as a “phase one” trade deal was agreed upon. This created a significantly more constructive environment for risk assets, leading to strong performance for Asia in the fourth quarter and for the full year.

The North Asian markets of Taiwan and China were particularly strong. Taiwan benefited from a major rally in information technology stocks, while China saw relief from easing trade tensions. Elsewhere, India struggled to keep pace with the rest of the region as GDP growth came in weaker than expected and Southeast Asia lagged.

**Performance Contributors and Detractors:**

Although the portfolio marginally underperformed its benchmark for the full year, absolute performance was robust. We view this as a solid outcome given the Strategy's more conservative investment approach.

The largest contributors to performance for both the quarter and the year came from the information technology sector, although an underweight here also caused it to be a drag on the portfolio's relative performance. Taiwan Semiconductor Manufacturing gained significantly as it solidified its position as the outright leader in leading-edge technology. Growth is expected to return to double-digit levels as silicon content demand should remain strong due to the major secular trends of 5G and high-performance computing. Shares of fellow chipmaker Samsung Electronics also rose as earnings are expected to improve in 2020 with memory prices bouncing back and 5G phone shipments increasing. Further, the company has been enhancing its corporate governance with much-improved dividends.

Similarly, the consumer discretionary sector helped absolute performance but was mildly negative for relative performance over both time periods. Appliance companies Midea Group and Zhejiang Supor in China's A-share market delivered strong performance as stock prices moved up alongside impressive fundamentals. The former gained on rising market share and strong operational efficiency, while the latter continued to deliver double-digit sales growth through online sales and an increased product offering. Additionally, the financial sector contributed to returns, with AIA Group notably strong. Shares of the company gained over the year despite protests in Hong Kong weighing on the near-term value of new business growth. The market appeared to be looking through this and toward AIA's continued growth in a liberalized Chinese insurance market, particularly given its new CEO and his experience in China.

The portfolio suffered a relative performance drag through the year from a decision not to invest in major benchmark constituent Alibaba, which gained rapidly. Although the decision impacted near-term relative performance, we remain far more focused on the Fund's absolute risk adjusted returns over the medium term.

*(continued)*

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          |                    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception    |                |
| Investor Class (MACSX)                   | 8.02%                        | 17.26% | 8.36%   | 4.25%   | 5.65%    | 8.96%              | 9/12/94        |
| Institutional Class (MICSX)              | 8.04%                        | 17.46% | 8.51%   | 4.40%   | n.a.     | 4.60%              | 10/29/10       |
| MSCI AC Asia ex Japan Index <sup>3</sup> | 11.85%                       | 18.52% | 13.08%  | 6.86%   | 6.33%    | 4.68% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## INCOME DISTRIBUTION HISTORY

|                  | 2019   |          |        | 2018   |          |        |
|------------------|--------|----------|--------|--------|----------|--------|
|                  | June   | December | Total  | June   | December | Total  |
| Investor (MACSX) | \$0.17 | \$0.18   | \$0.35 | \$0.22 | \$0.10   | \$0.32 |
| Inst'l (MICSX)   | \$0.18 | \$0.19   | \$0.38 | \$0.24 | \$0.11   | \$0.35 |

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit [matthewsasias.com](http://matthewsasias.com).

### 30-DAY YIELD:

1.72% (Investor Class) 1.82% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/19, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

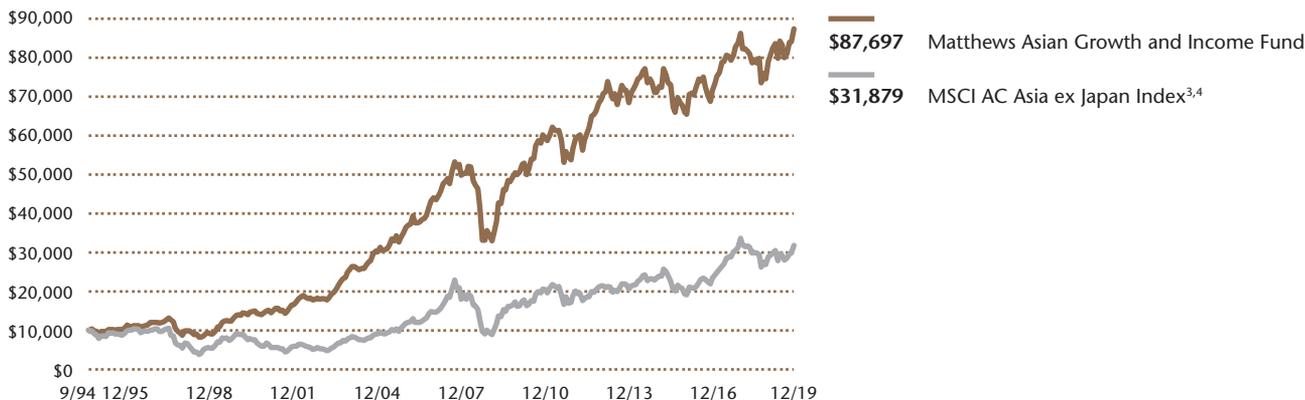
Source: BNY Mellon Investment Servicing (US) Inc.

### DIVIDEND YIELD: 3.19%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 12/31/19 divided by the current price of each equity as of 12/31/19. The annualized dividend yield for the Fund is for the equity-only portion of the portfolio. Please note that this is based on gross equity portfolio holdings and does not reflect the actual yield an investor in the Fund would receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems, Bloomberg, MICM

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

3 It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

4 Calculated from 8/31/94.

## TOP TEN HOLDINGS<sup>5</sup>

|  | Sector                 | Country         | % of Net Assets |
|--|------------------------|-----------------|-----------------|
| Taiwan Semiconductor Manufacturing Co., Ltd. | Information Technology | Taiwan          | 4.6%            |
| Tencent Holdings, Ltd.                       | Communication Services | China/Hong Kong | 3.7%            |
| AlA Group, Ltd.                              | Financials             | China/Hong Kong | 3.6%            |
| Samsung Electronics Co., Ltd.                | Information Technology | South Korea     | 2.8%            |
| Housing Development Finance Corp., Ltd.      | Financials             | India           | 2.3%            |
| Yum China Holdings, Inc.                     | Consumer Discretionary | China/Hong Kong | 2.0%            |
| Macquarie Korea Infrastructure Fund          | Financials             | South Korea     | 2.0%            |
| Singapore Telecommunications, Ltd.           | Communication Services | Singapore       | 1.9%            |
| LG Household & Health Care, Ltd., Pfd.       | Consumer Staples       | South Korea     | 1.9%            |
| Ascendas, REIT                               | Real Estate            | Singapore       | 1.9%            |
| <b>% OF ASSETS IN TOP TEN</b>                |                        |                 | <b>26.7%</b>    |

5 Holdings may combine more than one security from same issuer and related depositary receipts.

## Matthews Asian Growth and Income Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

More notably, detractors to performance came largely from Hong Kong. Industrial conglomerate Jardine Matheson was the largest of these, dropping as earnings disappointed with subsidiaries such as Mandarin Oriental, Dairy Farm and Astra sputtering on weak consumer sentiment. Shares of Pacific Textiles also declined as a warm winter led to poor orders from a major customer, causing sales and earnings to contract. Within the financial sector, Thailand's leading small and medium-sized enterprise-focused lender Kasikornbank struggled with poor earnings as most major metrics such as margins, loans and fee income disappointed.

#### **Notable Portfolio Changes:**

After what was a reasonably active year for the portfolio, including increasing our weighting within China and India, the fourth quarter saw significantly fewer changes and no new additions. We did decide to exit three holdings, however, including two convertible bonds.

One of these was our holding in Chinese social network site Weibo. The bond gained from spread tightening after issuing U.S. dollar notes that garnered it a rating from the major credit-rating agencies. This left little room for additional upside. We exited fellow convertible bond China Overseas Land & Investment to fund higher-conviction ideas. Within equities, we exited Indian tower company Bharti Infratel. Although we like the business model, the Indian telecom market's weak operators may weigh on tenancy ratios—a key driver of profitability. Despite the stock's attractive 6% dividend yield, we believe growth may remain elusive and that there are superior holdings available for the portfolio.

#### **Outlook:**

The backdrop for Asian equities appears reasonable as we look to 2020. Although there are differing political and economic ideologies between the U.S. and China, the recent trade deal is an important step to, at a minimum, pause the proposed dismantling of global supply chains that has been mooted for the past two years. Further, monetary policy is unlikely to create a headwind for asset values as recent behavior suggests that the central bank put is still very much in place. Fiscal policy is also a potential support as stimulus measures remain possibilities in countries such as China. Added to this is a returning growth gap between emerging and developed markets. These factors may help limit U.S. dollar strength.

If these are reasons to be constructive, one should also be cognizant of forces that are prospective volatility generators. U.S. elections, rising geopolitical tensions in the Middle East, high debt levels, the sheer length of the economic expansion and relatively high valuations all pose threats. For Asian equities, the market is currently trading at a relatively rich 14.1x P/E. High-growth companies are at even loftier valuations, suggesting that the rebound in EPS growth to around 14% that is expected this year is largely priced in.

Against this backdrop, it remains the Strategy's central case that volatility may remain elevated and returns less spectacular than in prior periods unless there is further valuation multiple expansion. We view this as somewhat favorable for investors such as ourselves. A focus on owning quality companies that are trading at attractive valuations and can deliver a balance of both growth and income should be well-placed to deliver for our clients over the medium term.

#### **COUNTRY ALLOCATION (%)<sup>6,7</sup>**

|   |      |
|---|------|
| China/Hong Kong                         | 40.5 |
| South Korea                             | 10.4 |
| Singapore                               | 10.4 |
| Taiwan                                  | 7.8  |
| India                                   | 5.5  |
| Australia                               | 5.4  |
| United States                           | 3.2  |
| France                                  | 3.1  |
| Indonesia                               | 2.8  |
| Malaysia                                | 2.3  |
| United Kingdom                          | 1.6  |
| Philippines                             | 1.4  |
| Thailand                                | 1.2  |
| Japan                                   | 1.2  |
| Vietnam                                 | 1.2  |
| Cash and Other Assets, Less Liabilities | 2.1  |

#### **SECTOR ALLOCATION (%)<sup>7</sup>**

|   |      |
|---|------|
| Financials                              | 19.6 |
| Consumer Discretionary                  | 17.2 |
| Information Technology                  | 13.8 |
| Industrials                             | 10.7 |
| Communication Services                  | 10.4 |
| Consumer Staples                        | 10.0 |
| Real Estate                             | 7.3  |
| Health Care                             | 4.7  |
| Materials                               | 2.7  |
| Utilities                               | 1.4  |
| Cash and Other Assets, Less Liabilities | 2.1  |

#### **MARKET CAP EXPOSURE (%)<sup>7</sup>**

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 48.6 |
| Large Cap (\$10B–\$25B)                 | 16.8 |
| Mid Cap (\$3B–10B)                      | 21.2 |
| Small Cap (under \$3B)                  | 11.3 |
| Cash and Other Assets, Less Liabilities | 2.1  |

#### **ASSET TYPE BREAKDOWN (%)<sup>7,8</sup>**

|   |      |
|---|------|
| Common Equities and ADRs                | 86.9 |
| Convertible Corporate Bonds             | 9.2  |
| Preferred Equities                      | 1.9  |
| Cash and Other Assets, Less Liabilities | 2.1  |

<sup>6</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

<sup>8</sup> Bonds are not included in the MSCI All Country Asia ex Japan Index.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 86.9%

|  | Shares     | Value              |
|--|------------|--------------------|
| <b>CHINA/HONG KONG: 35.7%</b>                              |            |                    |
| Tencent Holdings, Ltd.                                     | 1,121,900  | \$54,048,831       |
| AIA Group, Ltd.  | 5,037,600  | 52,985,308         |
| Yum China Holdings, Inc.                                   | 600,800    | 28,844,408         |
| Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.<br>A Shares   | 1,576,144  | 25,067,682         |
| Midea Group Co., Ltd. A Shares                             | 2,986,979  | 25,058,806         |
| CK Hutchison Holdings, Ltd.                                | 2,593,172  | 24,727,160         |
| NetEase, Inc. ADR  | 78,600     | 24,101,904         |
| Techtronic Industries Co., Ltd.                            | 2,932,000  | 23,930,094         |
| Jiangsu Expressway Co., Ltd. H Shares                      | 17,194,000 | 23,561,283         |
| Shanghai International Airport Co., Ltd.<br>A Shares       | 1,992,675  | 22,587,949         |
| Inner Mongolia Yili Industrial Group Co., Ltd.<br>A Shares | 4,816,875  | 21,442,768         |
| CLP Holdings, Ltd.   | 2,008,200  | 21,080,926         |
| Zhejiang Supor Co., Ltd. A Shares                          | 1,853,470  | 20,476,917         |
| CK Asset Holdings, Ltd.                                    | 2,810,172  | 20,278,835         |
| Jardine Matheson Holdings, Ltd.                            | 353,100    | 19,649,206         |
| HSBC Holdings PLC ADR                                      | 499,233    | 19,515,018         |
| HKT Trust & HKT, Ltd.                                      | 13,058,000 | 18,402,476         |
| Minth Group, Ltd.  | 5,196,000  | 18,347,489         |
| Pacific Textiles Holdings, Ltd.                            | 25,377,000 | 17,425,404         |
| Fortune, REIT  | 13,942,000 | 16,267,074         |
| BOC Hong Kong Holdings, Ltd.                               | 4,195,000  | 14,562,638         |
| China Mobile, Ltd. ADR                                     | 284,200    | 12,013,134         |
| <b>Total China/Hong Kong</b>                               |            | <b>524,375,310</b> |
| <b>SINGAPORE: 8.7%</b>                                     |            |                    |
| Singapore Telecommunications, Ltd.                         | 10,927,100 | 27,395,534         |
| Ascendas, REIT   | 12,356,784 | 27,300,513         |
| United Overseas Bank, Ltd.                                 | 1,126,700  | 22,158,395         |
| Venture Corp., Ltd.  | 1,757,600  | 21,203,272         |
| Singapore Technologies Engineering, Ltd.                   | 7,009,625  | 20,528,677         |
| Ascendas India Trust                                       | 7,901,700  | 9,106,387          |
| <b>Total Singapore</b>                                     |            | <b>127,692,778</b> |
| <b>TAIWAN: 7.8%</b>  |            |                    |
| Taiwan Semiconductor Manufacturing Co.,<br>Ltd.            | 6,147,187  | 68,036,019         |
| Advantech Co., Ltd.  | 2,384,000  | 24,039,609         |
| Taiwan Secom Co., Ltd.                                     | 7,519,000  | 22,273,316         |
| <b>Total Taiwan</b>  |            | <b>114,348,944</b> |
| <b>SOUTH KOREA: 7.2%</b>                                   |            |                    |
| Samsung Electronics Co., Ltd.                              | 865,909    | 41,725,454         |
| Macquarie Korea Infrastructure Fund                        | 2,862,946  | 28,717,345         |
| Woongjin Coway Co., Ltd.                                   | 313,334    | 25,224,952         |
| Orange Life Insurance, Ltd. <sup>b,c</sup>                 | 397,350    | 9,696,228          |
| <b>Total South Korea</b>                                   |            | <b>105,363,979</b> |
| <b>INDIA: 5.5%</b>   |            |                    |
| Housing Development Finance Corp., Ltd.                    | 979,513    | 33,119,738         |
| Sanofi India, Ltd.   | 210,591    | 20,670,199         |
| ITC, Ltd.  | 5,448,658  | 18,148,568         |
| Embassy Office Parks, REIT                                 | 1,524,400  | 9,038,145          |
| <b>Total India</b>   |            | <b>80,976,650</b>  |

|   | Shares      | Value                |
|---|-------------|----------------------|
| <b>AUSTRALIA: 5.4%</b>                          |             |                      |
| Macquarie Group, Ltd.                           | 235,557     | \$22,812,333         |
| Domino's Pizza Enterprises, Ltd.                | 562,358     | 20,669,989           |
| Orora, Ltd.                                     | 9,076,624   | 20,232,819           |
| CSL, Ltd.                                       | 77,835      | 15,090,800           |
| <b>Total Australia</b>                          |             | <b>78,805,941</b>    |
| <b>UNITED STATES: 3.2%</b>                      |             |                      |
| Broadcom, Inc.                                  | 80,500      | 25,439,610           |
| Cognizant Technology Solutions Corp.<br>Class A | 349,400     | 21,669,788           |
| <b>Total United States</b>                      |             | <b>47,109,398</b>    |
| <b>FRANCE: 3.1%</b>                             |             |                      |
| LVMH Moët Hennessy Louis Vuitton SE             | 52,319      | 24,378,352           |
| Pernod Ricard SA                                | 115,584     | 20,682,426           |
| <b>Total France</b>                             |             | <b>45,060,778</b>    |
| <b>INDONESIA: 2.7%</b>                          |             |                      |
| PT Bank Rakyat Indonesia Persero                | 70,300,200  | 22,251,837           |
| PT Ace Hardware Indonesia                       | 168,306,300 | 18,125,451           |
| <b>Total Indonesia</b>                          |             | <b>40,377,288</b>    |
| <b>UNITED KINGDOM: 1.6%</b>                     |             |                      |
| Prudential PLC                                  | 1,227,872   | 23,526,962           |
| <b>Total United Kingdom</b>                     |             | <b>23,526,962</b>    |
| <b>PHILIPPINES: 1.4%</b>                        |             |                      |
| Bank of the Philippine Islands                  | 11,929,694  | 20,705,304           |
| <b>Total Philippines</b>                        |             | <b>20,705,304</b>    |
| <b>VIETNAM: 1.2%</b>                            |             |                      |
| Vietnam Dairy Products JSC                      | 3,472,093   | 17,468,294           |
| <b>Total Vietnam</b>                            |             | <b>17,468,294</b>    |
| <b>THAILAND: 1.2%</b>                           |             |                      |
| Kasikornbank Public Co., Ltd.                   | 3,419,700   | 17,333,192           |
| <b>Total Thailand</b>                           |             | <b>17,333,192</b>    |
| <b>JAPAN: 1.2%</b>                              |             |                      |
| KDDI Corp.                                      | 577,300     | 17,224,539           |
| <b>Total Japan</b>                              |             | <b>17,224,539</b>    |
| <b>MALAYSIA: 1.0%</b>                           |             |                      |
| Genting Malaysia BHD                            | 18,797,200  | 15,130,195           |
| <b>Total Malaysia</b>                           |             | <b>15,130,195</b>    |
| <b>TOTAL COMMON EQUITIES</b>                    |             | <b>1,275,499,552</b> |
| (Cost \$1,104,292,982)                          |             |                      |

Schedule of Investments<sup>a</sup> (continued)

CONVERTIBLE CORPORATE BONDS: 9.1%

|   | Face Amount*    | Value              |
|---|-----------------|--------------------|
| <b>CHINA/HONG KONG: 4.8%</b>  |                 |                    |
| Harvest International Co., Cnv.<br>0.000%, 11/21/22 <sup>c</sup>                  | HKD 150,000,000 | \$20,055,754       |
| Zhongsheng Group Holdings, Ltd., Cnv.<br>0.000%, 05/23/23 <sup>c</sup>            | HKD 127,000,000 | 19,266,074         |
| China Mengniu Dairy Co., Ltd., Series 2319, Cnv.<br>0.000%, 06/05/22 <sup>c</sup> | 17,000,000      | 17,093,494         |
| Luye Pharma Group, Ltd., Cnv.<br>1.500%, 07/09/24 <sup>c</sup>                    | 13,209,000      | 13,970,631         |
| <b>Total China/Hong Kong</b>  |                 | <b>70,385,953</b>  |
| <b>SINGAPORE: 1.7%</b>  |                 |                    |
| CapitaLand, Ltd., Cnv.<br>1.950%, 10/17/23 <sup>c</sup>                           | SGD 34,000,000  | 25,539,082         |
| <b>Total Singapore</b>  |                 | <b>25,539,082</b>  |
| <b>SOUTH KOREA: 1.3%</b>  |                 |                    |
| LG Chem, Ltd., Series USD, Cnv.<br>0.000%, 04/16/21 <sup>c</sup>                  | 20,600,000      | 19,924,309         |
| <b>Total South Korea</b>  |                 | <b>19,924,309</b>  |
| <b>MALAYSIA: 1.3%</b>   |                 |                    |
| Top Glove Labuan, Ltd., Cnv.<br>2.000%, 03/01/24 <sup>c</sup>                     | 18,704,000      | 18,610,480         |
| <b>Total Malaysia</b>   |                 | <b>18,610,480</b>  |
| <b>TOTAL CONVERTIBLE CORPORATE BONDS</b>  |                 | <b>134,459,824</b> |
| (Cost \$133,606,769)  |                 |                    |

PREFERRED EQUITIES: 1.9%

|  | Shares | Value                  |
|--|--------|------------------------|
| <b>SOUTH KOREA: 1.9%</b>                                 |        |                        |
| LG Household & Health Care, Ltd., Pfd.                   | 41,042 | \$27,344,159           |
| <b>Total South Korea</b>                                 |        | <b>27,344,159</b>      |
| <b>TOTAL PREFERRED EQUITIES</b>                          |        | <b>27,344,159</b>      |
| (Cost \$11,577,044)                                      |        |                        |
| <b>TOTAL INVESTMENTS: 97.9%</b>                          |        | <b>1,437,303,535</b>   |
| (Cost \$1,249,476,795)                                   |        |                        |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 2.1%</b> |        | <b>30,462,804</b>      |
| <b>NET ASSETS: 100.0%</b>                                |        | <b>\$1,467,766,339</b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$9,696,228, which is 0.66% of net assets.
  - c The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
  - \* All Values in USD unless otherwise specified
- ADR American Depositary Receipt  
 BHD Berhad  
 Cnv. Convertible  
 HKD Hong Kong Dollar  
 JSC Joint Stock Co.  
 Pfd. Preferred  
 REIT Real Estate Investment Trust  
 SGD Singapore Dollar  
 USD U.S. Dollar

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Yu Zhang, CFA**

Lead Manager

**Robert Horrocks, PhD**

Co-Manager

**Sherwood Zhang, CFA**

Co-Manager

**Vivek Tanneeru**

Co-Manager

**FUND FACTS**

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MAPIX     | MIPIX         |
| CUSIP   | 577125107 | 577130750     |
| Inception                                       | 10/31/06  | 10/29/10      |
| NAV   | \$17.47   | \$17.47       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.03%     | 0.93%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.02%     | 0.92%         |

**Portfolio Statistics**

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 60             |
| Net Assets                      | \$5.4 billion  |
| Weighted Average Market Cap     | \$47.5 billion |
| Portfolio Turnover <sup>3</sup> | 30.32%         |

**Benchmark**

MSCI AC Asia Pacific Index

**OBJECTIVE**

Total return with an emphasis on providing current income.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in dividend-paying equity securities of companies located in Asia. Asia consists of all countries and markets in Asia, and includes developed, emerging and frontier countries and markets in the Asian region. The Fund may also invest in convertible debt and equity securities of companies located in Asia.

# Matthews Asia Dividend Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Dividend Fund returned 11.17% (Investor Class) and 11.35% (Institutional Class), while its benchmark, the MSCI All Country Asia Pacific Index, returned 19.74%. For the fourth quarter, the Fund returned 6.71% (Investor Class) and 6.79% (Institutional Class), while its benchmark returned 9.51%. The Fund began 2019 with a share price of US \$16.05 (Investor Class) and US \$16.04 (Institutional Class), and shareholders who were invested throughout the year would have received total distributions of approximately US\$0.36 (Investor Class) or US\$0.37 (Institutional Class) per share.

### Market Environment:

Asian equities finished 2019 strongly, despite several macro-related headwinds. For the most part of the year, the specter of an escalating trade war between China and the U.S. remained the biggest market overhang. Such risk was materially deflated during the fourth quarter, as an interim “phase one” trade deal was reached. Asset prices, including equities, responded favorably.

### Performance Contributors and Detractors:

The Fund delivered a positive return in 2019 but underperformed its benchmark, driven by negative stock selection and country allocation. Challenges in stock selection were most visible from our holdings in the consumer staples sector during the first half of the year. A few holdings related to tobacco and retail businesses faced stock-specific headwinds from consumer-preference changes and interventionist regulations, resulting in weakened long-term dividend growth prospects. Our dividend strategy takes a holistic view of dividend-paying stocks, evaluating not just the ability of a company to pay ongoing dividends, but also its ability to grow dividends. As some of our portfolio stocks no longer met our total-return criteria due to a reset in growth potential, we exited the positions.

On allocation, the Fund’s overweight in China/Hong Kong detracted from relative performance in 2019, particularly during the second half of the year. Political unrest in Hong Kong severely impacted the local economy and weakened sentiment toward Hong Kong-listed Chinese stocks. We believe the short-term underperformance of our China/Hong Kong stocks was driven mostly by market sentiment, not by company fundamentals. Most of our Hong Kong-listed holdings have their businesses within mainland China and their earnings growth is not impacted by Hong Kong. We believe improvement in investor sentiment and attractive valuations in the Hong Kong market will turn into tailwinds for Chinese companies listed there.

Turning to individual stocks, the Fund’s information technology holdings contributed the most to performance. Hoya, a Japanese IT component company, saw strong profit growth driven by its mask blanks business. Hoya has a dominant global market share in this key component used in the EUV lithography process, the most-advanced semiconductor chip-making technology. Hoya’s stock performed strongly during the year and was the top individual contributor. Anritsu, another Japanese IT equipment company, also saw its earnings surge on the back of strong 5G-related order demand for its testing and measurement products used

(continued)

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund’s average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2021 and may be terminated (i) at any time by the Board of Trustees upon 60 days’ prior written notice to Matthews; or (ii) by Matthews at the annual expiration date of the agreement upon 60 days’ prior written notice to the Trust, in each case without payment of any penalty.

<sup>3</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|   | Average Annual Total Returns |        |         |         |          |                    | Inception Date |
|---|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|   | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception    |                |
| Investor Class (MAPIX)                  | 6.71%                        | 11.17% | 9.33%   | 7.17%   | 7.74%    | 8.52%              | 10/31/06       |
| Institutional Class (MIPIX)             | 6.79%                        | 11.35% | 9.45%   | 7.29%   | n.a.     | 6.52%              | 10/29/10       |
| MSCI AC Asia Pacific Index <sup>4</sup> | 9.51%                        | 19.74% | 11.11%  | 7.25%   | 6.43%    | 4.70% <sup>5</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## INCOME DISTRIBUTION HISTORY

|                  | 2019   |        |        |        |        | 2018   |        |        |        |        |
|------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                  | Q1     | Q2     | Q3     | Q4     | Total  | Q1     | Q2     | Q3     | Q4     | Total  |
| Investor (MAPIX) | \$0.03 | \$0.12 | \$0.11 | \$0.09 | \$0.36 | \$0.01 | \$0.19 | \$0.11 | \$0.00 | \$0.31 |
| Inst'l (MIPIX)   | \$0.04 | \$0.12 | \$0.12 | \$0.10 | \$0.37 | \$0.02 | \$0.20 | \$0.11 | \$0.00 | \$0.33 |

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding and a return of capital. For distribution history please visit [matthewsasias.com](http://matthewsasias.com).

### 30-DAY YIELD:

Investor Class: 1.24% (1.23% excluding waivers)  
Institutional Class: 1.30% (1.29% excluding waivers)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/19, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

Source: BNY Mellon Investment Servicing (US) Inc.

### DIVIDEND YIELD: 2.74%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 12/31/19 divided by the current price of each equity as of 12/31/19. The annualized dividend yield for the Fund is for the equity-only portion of the portfolio. Please note that this is based on gross equity portfolio holdings and does not reflect the actual yield an investor in the Fund would receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems, Bloomberg, MICM.

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>5</sup> Calculated from 10/31/06.

## TOP TEN HOLDINGS<sup>6</sup>

|  | Sector                 | Country         | % of Net Assets |
|--|------------------------|-----------------|-----------------|
| Taiwan Semiconductor Manufacturing Co., Ltd. | Information Technology | Taiwan          | 5.2%            |
| Minth Group, Ltd.                            | Consumer Discretionary | China/Hong Kong | 4.4%            |
| Hyundai Mobis Co., Ltd.                      | Consumer Discretionary | South Korea     | 3.6%            |
| Anritsu Corp.                                | Information Technology | Japan           | 3.1%            |
| Hoya Corp.                                   | Health Care            | Japan           | 2.8%            |
| MISUMI Group, Inc.                           | Industrials            | Japan           | 2.6%            |
| Shenzhou International Group Holdings, Ltd.  | Consumer Discretionary | China/Hong Kong | 2.5%            |
| AIA Group, Ltd.                              | Financials             | China/Hong Kong | 2.4%            |
| NTT DoCoMo, Inc.                             | Communication Services | Japan           | 2.3%            |
| BGF Retail Co., Ltd.                         | Consumer Staples       | South Korea     | 2.2%            |
| <b>% OF ASSETS IN TOP TEN</b>                |                        |                 | <b>31.1%</b>    |

<sup>6</sup> Holdings may combine more than one security from same issuer and related depository receipts.

## Matthews Asia Dividend Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

across the semiconductor and telecom industries. Anritsu was the second-best contributor to the Fund's returns in 2019.

On the flipside, BGF Retail, a South Korean convenience-store operator, was the largest detractor to performance. During the year, BGF saw its overall same-store sales growth turn negative, impacted by weak domestic consumption in South Korea. The stock's valuation discounted the cyclical slowdown, while cost pressures from recent minimum-wage hikes started to dissipate. Long-term structural growth drivers for its CVS business in South Korea remain intact. We are watching closely to see whether the company stages a rebound in business growth in 2020.

#### **Notable Portfolio Changes:**

In the fourth quarter, we initiated several new positions, one of which was Gree Electric Appliances, a leading home-appliance manufacturer listed on China's A-share market. Gree is a key beneficiary of middle-class consumer spending growth in China, with its strong brand equity and cost advantage from large economies of scale. We are particularly positive about the recent transfer of Gree's equity ownership, which transformed the company from a state-owned enterprise to a business controlled by a private equity investor and the company's management team. The ownership change paved the way for a better corporate governance structure and better interest alignment with shareholders. The company's valuation remained attractive at 13.6x 2020 P/E with 4.1% dividend yield.

On the other hand, we exited a few positions during the fourth quarter. Among them was our holdings in Fuji Seal, a Japanese plastic-packaging material business. Our initial investment thesis was premised on Fuji Seal's success in restructuring its unprofitable European business and improvement in its dividend payout policy. While the European operations did turn around, our Environmental, Social and Governance (ESG) risk assessment of plastic-package usage in consumer products made us cautious about Fuji Seal's long-term business prospects. We decided to exit the position.

#### **Outlook:**

We are constructive on Asian equity markets. Asian central banks and governments were quick to respond with decisive monetary and fiscal measures to arrest the economic slowdown in 2019. We expect the supportive policy environment to continue in 2020. The earnings cycle in Asia has started to turn up, after several consecutive quarters of negative earnings growth. Valuation multiples of Asian equities did not look stretched at 14x forward P/E at this stage of the earnings cycle. In our view, markets increasingly could focus on equity fundamentals in 2020.

| COUNTRY ALLOCATION (%) <sup>7,8</sup>   |      |
|---|------|
| China/Hong Kong                         | 36.6 |
| Japan                                   | 26.1 |
| South Korea                             | 10.3 |
| Singapore                               | 8.2  |
| Taiwan                                  | 6.3  |
| India                                   | 2.6  |
| Thailand                                | 2.0  |
| Australia                               | 1.8  |
| Philippines                             | 1.7  |
| Indonesia                               | 1.4  |
| Bangladesh                              | 1.0  |
| Vietnam                                 | 0.9  |
| Cash and Other Assets, Less Liabilities | 1.1  |

| SECTOR ALLOCATION (%) <sup>8</sup>      |      |
|---|------|
| Consumer Discretionary                  | 27.0 |
| Consumer Staples                        | 15.7 |
| Information Technology                  | 11.2 |
| Industrials                             | 10.2 |
| Communication Services                  | 9.8  |
| Financials                              | 7.8  |
| Real Estate                             | 6.6  |
| Health Care                             | 5.2  |
| Materials                               | 2.7  |
| Energy                                  | 1.4  |
| Utilities                               | 1.2  |
| Cash and Other Assets, Less Liabilities | 1.1  |

| MARKET CAP EXPOSURE (%) <sup>8</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 26.9 |
| Large Cap (\$10B-\$25B)                 | 17.5 |
| Mid Cap (\$3B-10B)                      | 25.5 |
| Small Cap (under \$3B)                  | 29.0 |
| Cash and Other Assets, Less Liabilities | 1.1  |

<sup>7</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>8</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 95.4%

|  | Shares      | Value                |
|--|-------------|----------------------|
| <b>CHINA/HONG KONG: 36.6%</b>                                |             |                      |
| Minth Group, Ltd.†   | 67,459,000  | \$238,203,085        |
| Shenzhou International Group Holdings, Ltd.                  | 9,162,900   | 133,916,479          |
| AIA Group, Ltd.  | 12,021,400  | 126,440,682          |
| WH Group, Ltd. <sup>b,c</sup>                                | 106,041,000 | 109,643,642          |
| Chongqing Brewery Co., Ltd. A Shares                         | 14,519,670  | 108,368,474          |
| Ping An Insurance Group Co. of China, Ltd. H Shares          | 8,535,500   | 101,004,564          |
| Sun Art Retail Group, Ltd.                                   | 81,999,000  | 99,497,378           |
| HKBN, Ltd.   | 54,905,123  | 92,061,791           |
| China Mobile, Ltd.   | 10,473,000  | 88,495,355           |
| China Merchants Bank Co., Ltd. H Shares                      | 17,066,000  | 87,738,504           |
| Yuexiu Transport Infrastructure, Ltd.†                       | 94,728,000  | 84,277,091           |
| Beijing Capital International Airport Co., Ltd. H Shares     | 83,732,000  | 81,106,998           |
| China East Education Holdings, Ltd. <sup>b,c,d</sup>         | 38,426,000  | 80,470,360           |
| Zhongsheng Group Holdings, Ltd.                              | 18,980,000  | 77,732,554           |
| Fuyao Glass Industry Group Co., Ltd. H Shares <sup>b,c</sup> | 21,617,600  | 66,192,759           |
| Huaneng Lancang River Hydropower, Inc. A Shares              | 107,109,093 | 65,004,616           |
| China Education Group Holdings, Ltd. <sup>c</sup>            | 48,477,000  | 63,483,258           |
| Melco Resorts & Entertainment, Ltd. ADR                      | 2,589,393   | 62,585,629           |
| Gree Electric Appliances, Inc. of Zhuhai A Shares            | 6,393,980   | 60,336,822           |
| Yixintang Pharmaceutical Group Co., Ltd. A Shares            | 14,343,658  | 48,008,419           |
| Crystal International Group, Ltd. <sup>b,c</sup>             | 114,201,000 | 47,068,068           |
| Café de Coral Holdings, Ltd.                                 | 15,380,000  | 36,431,236           |
| China Mobile, Ltd. ADR                                       | 154,200     | 6,518,034            |
| <b>Total China/Hong Kong</b>                                 |             | <b>1,964,585,798</b> |
| <b>JAPAN: 26.1%</b>  |             |                      |
| Anritsu Corp.†   | 8,326,100   | 164,799,203          |
| Hoya Corp.   | 1,595,500   | 152,309,694          |
| MISUMI Group, Inc.   | 5,586,300   | 138,261,727          |
| NTT DoCoMo, Inc.   | 4,351,600   | 121,218,770          |
| Pigeon Corp.   | 2,965,100   | 108,570,677          |
| Kao Corp.  | 1,141,600   | 94,153,577           |
| KATITAS Co., Ltd.†   | 2,095,600   | 92,256,441           |
| BELLSYSTEM24 Holdings, Inc.†                                 | 5,609,000   | 87,951,535           |
| LIXIL Group Corp.  | 4,578,300   | 79,007,072           |
| Bandai Namco Holdings, Inc.                                  | 1,296,900   | 78,893,277           |
| Nifco, Inc.  | 2,851,900   | 77,882,634           |
| Eiken Chemical Co., Ltd.†                                    | 3,651,700   | 67,587,182           |
| MANI, INC.   | 2,169,600   | 62,022,851           |
| Mitsubishi Pencil Co., Ltd.                                  | 2,558,000   | 38,260,847           |
| Outsourcing, Inc.  | 3,513,100   | 36,961,506           |
| <b>Total Japan</b>   |             | <b>1,400,136,993</b> |
| <b>SINGAPORE: 8.2%</b>                                       |             |                      |
| United Overseas Bank, Ltd.                                   | 5,327,500   | 104,773,983          |
| NetLink NBN Trust <sup>c</sup>                               | 106,491,400 | 74,823,877           |
| Keppel DC, REIT  | 46,849,680  | 72,486,569           |
| Ascendas India Trust   | 56,820,600  | 65,483,423           |
| CapitaLand Retail China Trust, REIT                          | 53,156,900  | 63,672,200           |
| CapitaLand Commercial Trust, REIT                            | 40,627,800  | 60,169,894           |
| <b>Total Singapore</b>                                       |             | <b>441,409,946</b>   |

|  | Shares      | Value                |
|--|-------------|----------------------|
| <b>SOUTH KOREA: 6.8%</b>                         |             |                      |
| Hyundai Mobis Co., Ltd.                          | 870,716     | \$192,637,714        |
| BGF Retail Co., Ltd.                             | 799,997     | 116,818,179          |
| Samsung Electronics Co., Ltd.                    | 1,201,227   | 57,883,383           |
| <b>Total South Korea</b>                         |             | <b>367,339,276</b>   |
| <b>TAIWAN: 6.3%</b>                              |             |                      |
| Taiwan Semiconductor Manufacturing Co., Ltd.     | 13,230,469  | 146,432,579          |
| Taiwan Semiconductor Manufacturing Co., Ltd. ADR | 2,275,940   | 132,232,114          |
| China Steel Chemical Corp.†                      | 14,196,000  | 58,070,775           |
| <b>Total Taiwan</b>                              |             | <b>336,735,468</b>   |
| <b>INDIA: 2.6%</b>                               |             |                      |
| Minda Industries, Ltd.†                          | 14,447,293  | 71,216,192           |
| Maruti Suzuki India, Ltd.                        | 665,319     | 68,695,043           |
| <b>Total India</b>                               |             | <b>139,911,235</b>   |
| <b>THAILAND: 2.0%</b>                            |             |                      |
| Thai Beverage Public Co., Ltd.                   | 165,643,000 | 109,678,832          |
| <b>Total Thailand</b>                            |             | <b>109,678,832</b>   |
| <b>AUSTRALIA: 1.8%</b>                           |             |                      |
| Breville Group, Ltd.†                            | 7,876,641   | 96,607,872           |
| <b>Total Australia</b>                           |             | <b>96,607,872</b>    |
| <b>PHILIPPINES: 1.7%</b>                         |             |                      |
| Globe Telecom, Inc.                              | 2,231,920   | 89,021,195           |
| <b>Total Philippines</b>                         |             | <b>89,021,195</b>    |
| <b>INDONESIA: 1.4%</b>                           |             |                      |
| PT United Tractors                               | 48,219,700  | 74,658,533           |
| <b>Total Indonesia</b>                           |             | <b>74,658,533</b>    |
| <b>BANGLADESH: 1.0%</b>                          |             |                      |
| GrameenPhone, Ltd.                               | 16,702,189  | 56,228,112           |
| <b>Total Bangladesh</b>                          |             | <b>56,228,112</b>    |
| <b>VIETNAM: 0.9%</b>                             |             |                      |
| Vietnam Dairy Products JSC                       | 9,595,125   | 48,273,611           |
| <b>Total Vietnam</b>                             |             | <b>48,273,611</b>    |
| <b>TOTAL COMMON EQUITIES</b>                     |             | <b>5,124,586,871</b> |
| (Cost \$4,151,438,610)                           |             |                      |
| <b>PREFERRED EQUITIES: 3.5%</b>                  |             |                      |
| <b>SOUTH KOREA: 3.5%</b>                         |             |                      |
| Samsung Electronics Co., Ltd., Pfd.              | 2,507,901   | 98,188,973           |
| LG Chem, Ltd., Pfd.                              | 576,175     | 86,073,779           |
| <b>Total South Korea</b>                         |             | <b>184,262,752</b>   |
| <b>TOTAL PREFERRED EQUITIES</b>                  |             | <b>184,262,752</b>   |
| (Cost \$139,588,768)                             |             |                      |
| <b>TOTAL INVESTMENTS: 98.9%</b>                  |             | <b>5,308,849,623</b> |
| (Cost \$4,291,027,378)                           |             |                      |

*Schedule of Investments<sup>a</sup> (continued)*

PREFERRED EQUITIES (continued)

|  | Value                         |
|--|-------------------------------|
| CASH AND OTHER ASSETS,<br>LESS LIABILITIES: 1.1% | <b>\$61,606,251</b>           |
| NET ASSETS: 100.0%                               | <b><u>\$5,370,455,874</u></b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$303,374,829, which is 5.65% of net assets.
  - c The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
  - d Non-income producing security.
  - † Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)
- ADR American Depositary Receipt  
 JSC Joint Stock Co.  
 Pfd. Preferred  
 REIT Real Estate Investment Trust

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Sherwood Zhang, CFA**  
Lead Manager

**Yu Zhang, CFA**  
Co-Manager

**S. Joyce Li, CFA**  
Co-Manager

**FUND FACTS**

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MCDFX     | MICDX         |
| CUSIP                            | 577125305 | 577130735     |
| Inception                        | 11/30/09  | 10/29/10      |
| NAV                              | \$16.20   | \$16.20       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.15%     | 1.01%         |

**Portfolio Statistics**

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 48              |
| Net Assets                      | \$380.7 million |
| Weighted Average Market Cap     | \$47.4 billion  |
| Portfolio Turnover <sup>2</sup> | 65.69%          |

**Benchmark**

MSCI China Index

**OBJECTIVE**

Total return with an emphasis on providing current income.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in dividend-paying equity securities of companies located in China. China includes its administrative and other districts, such as Hong Kong. The Fund may also invest in convertible debt and equity securities of companies located in China.

# Matthews China Dividend Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews China Dividend Fund returned 15.00% (Investor Class) and 15.16% (Institutional Class), while its benchmark, the MSCI China Index, rose 23.66%. For the fourth quarter, the Fund returned 5.72% (Investor Class) and 5.75% (Institutional Class) versus 14.72% for the Index. The Fund began 2019 with a share price of US\$14.32 for both the Investor and Institutional Classes, and shareholders who were invested throughout the year would have received total distributions of approximately US\$0.26 (Investor Class) or US\$0.28 (Institutional Class) per share.

**Market Environment:**

Chinese equities had another dramatic year, enduring the back and forth of trade negotiations between the U.S. and China. Market expectations were high at the beginning of the year and a “phase one” trade deal was reached at year end. In addition, Hong Kong endured social unrest that was triggered by an unpopular extradition bill. Initial peaceful protests often erupted into violence that targeted public transportation and mainland Chinese business outlets. Hong Kong still set a record in 2019 as the world’s biggest IPO market, thanks in part to Alibaba’s listing in Hong Kong.

Among Chinese equities, A-shares performed the best, helped by increasing inflows from global investors due to MSCI index inclusion in 2019. China’s new Science and Technology Innovation Board, or “STAR Market,” also excited some investors who were eyeing new growth opportunities. Prices of American depositary receipts (ADRs) were initially suppressed due to trade war concerns and news surrounding possible legislation threatening their listing status in U.S. capital markets due to a lack of accounting supervision by U.S. regulators. ADRs performed strongly in the fourth quarter, however, as Alibaba’s successful secondary listing in Hong Kong boosted investor confidence. Hong Kong stocks were the worst-performing in China due to the social unrest, as investors worried about Hong Kong’s future as China’s international financial center.

During the year, central banks led by the U.S. Federal Reserve started a fairly aggressive cycle of interest-rate cuts. One notable exception was China’s central bank, which almost did not change its policy rate at all in 2019. This was due to the spread of African swine flu that caused a spike in pork prices in China, which in turn caused consumer inflation (CPI) to exceed the central bank’s comfort zone.

**Performance Contributors and Detractors:**

As an all-cap strategy, the Fund benefited from the growth potential of small-cap companies during an up cycle in the market. Our stock selection among small caps in 2019, however, underperformed versus the benchmark and compared with our own track record. Thus it was not surprising that for the full-year 2019, two of three largest performance detractors were small-cap companies: Yixintang Pharmaceutical and JNBY Design, both retailers that faced significant challenges in their sectors. While Yixintang coped with changing regulations for Chinese pharmaceutical distribution and reimbursement systems, JNBY dealt with slower discretionary spending by cautious consumers. We are carefully re-evaluating whether these two companies, as relatively small operators, still have enough resources to survive the challenge. The largest performance detractor for the year was Shenwan Hongyuan. We had hoped that Shenwan Hongyuan, as China’s oldest securities broker, could close the gap with its peers given its vast retail network, but the revival plan fell below our expectations and we decided to exit the position.

From a sector perspective, our security selection in consumer discretionary was the largest performance detractor on a relative basis. This was largely due to the strong

(continued)

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|                               | Average Annual Total Returns |        |        |        |          |                    | Inception Date |
|-------------------------------|------------------------------|--------|--------|--------|----------|--------------------|----------------|
|                               | 3 Months                     | 1 Year | 3 Year | 5 Year | 10 Years | Since Inception    |                |
| Investor Class (MCDFX)        | 5.72%                        | 15.00% | 12.54% | 10.54% | 9.73%    | 9.84%              | 11/30/09       |
| Institutional Class (MICDX)   | 5.75%                        | 15.16% | 12.71% | 10.71% | n.a.     | 8.87%              | 10/29/10       |
| MSCI China Index <sup>3</sup> | 14.72%                       | 23.66% | 15.75% | 7.69%  | 5.57%    | 5.57% <sup>4</sup> |                |

Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasiasia.com](http://matthewsasiasia.com).

## INCOME DISTRIBUTION HISTORY

|                  | 2019   |          |        | 2018   |          |        |
|------------------|--------|----------|--------|--------|----------|--------|
|                  | June   | December | Total  | June   | December | Total  |
| Investor (MCDFX) | \$0.24 | \$0.02   | \$0.26 | \$0.34 | \$0.06   | \$0.40 |
| Inst'l (MICDX)   | \$0.25 | \$0.03   | \$0.28 | \$0.36 | \$0.07   | \$0.43 |

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit [matthewsasiasia.com](http://matthewsasiasia.com).

### 30-DAY YIELD:

1.71% (Investor Class) 1.84% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/19, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

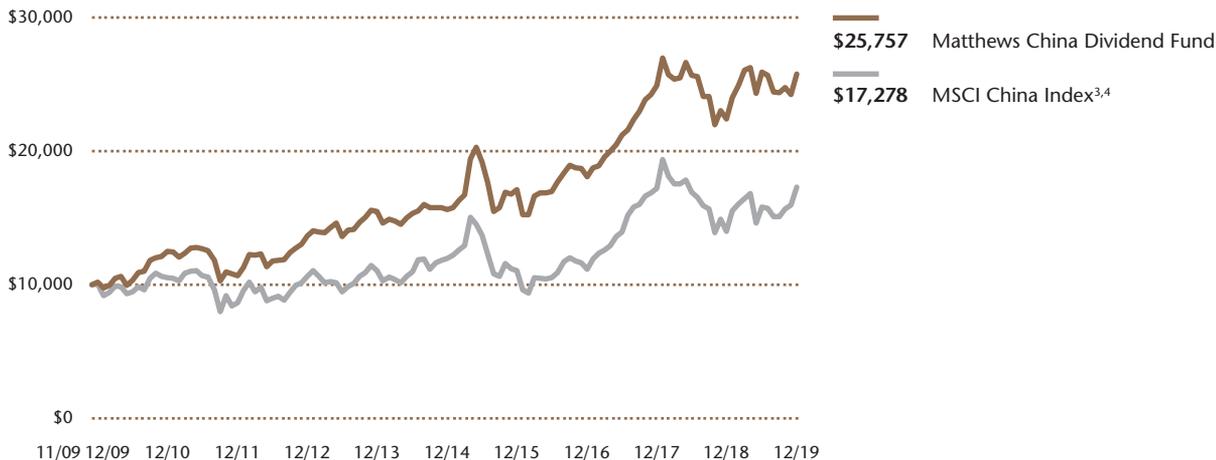
Source: BNY Mellon Investment Servicing (US) Inc.

### DIVIDEND YIELD: 3.46%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 12/31/19 divided by the current price of each equity as of 12/31/19. The annualized dividend yield for the Fund is for the equity-only portion of the portfolio. Please note that this is based on gross equity portfolio holdings and does not reflect the actual yield an investor in the Fund would receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems, Bloomberg, MICM.

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 11/30/09.

## TOP TEN HOLDINGS<sup>5</sup>

| Security  | Sector                 | % of Net Assets |
|---|------------------------|-----------------|
| Tencent Holdings, Ltd.                          | Communication Services | 5.2%            |
| New Oriental Education & Technology Group, Inc. | Consumer Discretionary | 3.4%            |
| China Merchants Bank Co., Ltd.                  | Financials             | 3.0%            |
| Gree Electric Appliances, Inc. of Zhuhai        | Consumer Discretionary | 2.8%            |
| HKBN, Ltd.                                      | Communication Services | 2.8%            |
| Geely Automobile Holdings, Ltd.                 | Consumer Discretionary | 2.7%            |
| CITIC Telecom International Holdings, Ltd.      | Communication Services | 2.7%            |
| Hope Education Group Co., Ltd.                  | Consumer Discretionary | 2.6%            |
| Melco Resorts & Entertainment, Ltd.             | Consumer Discretionary | 2.6%            |
| Sun Art Retail Group, Ltd.                      | Consumer Staples       | 2.6%            |
| <b>% OF ASSETS IN TOP TEN</b>                   |                        | <b>30.4%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

| COUNTRY ALLOCATION (%) <sup>6,7</sup>   |      |
|---|------|
| China/Hong Kong                         | 91.1 |
| Taiwan                                  | 4.1  |
| Singapore                               | 2.2  |
| Cash and Other Assets, Less Liabilities | 2.7  |

| SECTOR ALLOCATION (%) <sup>7</sup>      |      |
|---|------|
| Consumer Discretionary                  | 26.0 |
| Communication Services                  | 15.3 |
| Consumer Staples                        | 11.6 |
| Financials                              | 9.3  |
| Real Estate                             | 7.9  |
| Industrials                             | 7.4  |
| Information Technology                  | 6.6  |
| Health Care                             | 5.1  |
| Energy                                  | 4.2  |
| Materials                               | 3.8  |
| Cash and Other Assets, Less Liabilities | 2.7  |

| MARKET CAP EXPOSURE (%) <sup>7</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 24.3 |
| Large Cap (\$10B–\$25B)                 | 13.4 |
| Mid Cap (\$3B–10B)                      | 16.3 |
| Small Cap (under \$3B)                  | 43.3 |
| Cash and Other Assets, Less Liabilities | 2.7  |

<sup>6</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

## Matthews China Dividend Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

share performance of Alibaba, which the Fund does not own due to the company's lack of commitment to a dividend policy or payment. Not owning Alibaba alone caused a 7% relative underperformance for the Fund on a full-year basis, or 3.9% relative underperformance during the fourth quarter. As we have mentioned in earlier commentaries, the Fund generally underperforms when there is a strong rally led by a few companies concentrated in one or two sectors.

On the flip side, almost all of our top-three performance contributors doubled their share price in 2019. The three companies—New Oriental Education & Technology, China Overseas Property and Wuliangye Yibin—demonstrated that high-quality businesses with strong pricing power and consistent cash-flow generation could be rewarded handsomely.

#### **Notable Portfolio Changes:**

During the fourth quarter, the Fund initiated a position in A-share-listed Gree Electric Appliances, the largest air-conditioner maker in China. The company finalized its privatization process in 2019, as the local government sold its stake in the company to a private-equity firm. We believe that the company, with a better management incentive plan, will be able to deliver stronger growth and that the new owner also is committed to a relatively high payout ratio. We also initiated a position in Chengdu Hongqi Chain, a leading regional supermarket operator in western China. We believe the company will continue to grow in the area surrounding the city of Chengdu and that its synergy with a rival chain it acquired about three years ago will finally emerge.

We exited our position in China Gas Holdings as we believed its valuation fully reflected its growth prospectus. In addition, we exited a few companies whose growth fell below our expectations, such as Crystal International and Shenwan Hongyuan Group.

#### **Outlook:**

In 2019, China demonstrated its economic resilience under significant external and internal uncertainty. Without strong fiscal or momentary stimulus, the Chinese economy performed well, in our view. We do believe it is time for the Chinese government to deliver its promised economic reforms, however, including further opening up various sectors to foreign and private capital and accelerating the reform of its vast state-owned enterprises. And the trade deal between U.S. and China should serve as a catalyst for China to deliver these reforms for its own benefit.

Given low valuations, especially in the Hong Kong market, we believe plenty of attractive businesses have not been valued in light of the possible upside of reform. We also believe that the Fund, with its focus on high-quality businesses and improving corporate governance led by dividend policy, is well-positioned in this market.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 97.3%

|  | Shares     | Value                    |
|--|------------|--------------------------|
| <b>CONSUMER DISCRETIONARY: 26.0%</b>                             |            |                          |
| <b>Diversified Consumer Services: 8.3%</b>                       |            |                          |
| New Oriental Education & Technology Group, Inc. ADR <sup>b</sup> | 107,700    | \$13,058,625             |
| Hope Education Group Co., Ltd. <sup>c,d</sup>                    | 58,150,000 | 10,073,077               |
| China East Education Holdings, Ltd. <sup>b,c,d</sup>             | 4,036,500  | 8,453,095                |
|  |            | <u>31,584,797</u>        |
| <b>Textiles, Apparel &amp; Luxury Goods: 6.0%</b>                |            |                          |
| Lao Feng Xiang Co., Ltd. B Shares                                | 2,328,129  | 7,615,310                |
| JNBY Design, Ltd. <sup>d</sup>                                   | 4,216,000  | 5,663,302                |
| Nan Liu Enterprise Co., Ltd.                                     | 1,144,000  | 5,244,254                |
| Pacific Textiles Holdings, Ltd.                                  | 6,504,000  | 4,466,045                |
|  |            | <u>22,988,911</u>        |
| <b>Hotels, Restaurants &amp; Leisure: 4.6%</b>                   |            |                          |
| Melco Resorts & Entertainment, Ltd. ADR                          | 410,300    | 9,916,951                |
| Shanghai Jin Jiang Capital Co., Ltd. H Shares                    | 37,388,000 | 7,671,279                |
|  |            | <u>17,588,230</u>        |
| <b>Household Durables: 2.8%</b>                                  |            |                          |
| Gree Electric Appliances, Inc. of Zhuhai A Shares                | 1,137,104  | <u>10,730,287</u>        |
| <b>Automobiles: 2.8%</b>   |            |                          |
| Geely Automobile Holdings, Ltd.                                  | 5,337,000  | <u>10,449,357</u>        |
| <b>Leisure Products: 1.5%</b>                                    |            |                          |
| Topkey Corp.   | 1,197,000  | <u>5,565,685</u>         |
| <b>Total Consumer Discretionary</b>                              |            | <u><b>98,907,267</b></u> |
| <b>COMMUNICATION SERVICES: 15.3%</b>                             |            |                          |
| <b>Diversified Telecommunication Services: 7.9%</b>              |            |                          |
| HKBN, Ltd.   | 6,346,457  | 10,641,379               |
| CITIC Telecom International Holdings, Ltd.                       | 28,155,000 | 10,261,546               |
| China Unicom Hong Kong, Ltd.                                     | 9,950,000  | 9,369,126                |
|  |            | <u>30,272,051</u>        |
| <b>Interactive Media &amp; Services: 5.2%</b>                    |            |                          |
| Tencent Holdings, Ltd.   | 409,600    | <u>19,732,954</u>        |
| <b>Wireless Telecommunication Services: 2.2%</b>                 |            |                          |
| China Mobile, Ltd. ADR   | 198,930    | <u>8,408,771</u>         |
| <b>Total Communication Services</b>                              |            | <u><b>58,413,776</b></u> |
| <b>CONSUMER STAPLES: 11.6%</b>                                   |            |                          |
| <b>Food &amp; Staples Retailing: 6.2%</b>                        |            |                          |
| Sun Art Retail Group, Ltd.                                       | 8,021,500  | 9,733,268                |
| Chengdu Hongqi Chain Co., Ltd. A Shares                          | 7,076,941  | 7,678,777                |
| Yixintang Pharmaceutical Group Co., Ltd. A Shares                | 1,837,200  | 6,149,133                |
|  |            | <u>23,561,178</u>        |
| <b>Food Products: 3.5%</b>                                       |            |                          |
| WH Group, Ltd. <sup>c,d</sup>                                    | 7,588,000  | 7,845,795                |
| Nissin Foods Co., Ltd.   | 7,141,000  | 5,675,132                |
|  |            | <u>13,520,927</u>        |
| <b>Beverages: 1.9%</b>   |            |                          |
| Wuliangye Yibin Co., Ltd. A Shares                               | 369,049    | <u>7,066,981</u>         |
| <b>Total Consumer Staples</b>                                    |            | <u><b>44,149,086</b></u> |

|   | Shares     | Value                    |
|---|------------|--------------------------|
| <b>FINANCIALS: 9.4%</b>   |            |                          |
| <b>Capital Markets: 4.3%</b>  |            |                          |
| China Everbright, Ltd.  | 4,622,000  | \$8,632,155              |
| China International Capital Corp., Ltd. H Shares <sup>c,d</sup>       | 3,900,400  | 7,520,226                |
|   |            | <u>16,152,381</u>        |
| <b>Banks: 3.0%</b>  |            |                          |
| China Merchants Bank Co., Ltd. H Shares                               | 2,231,000  | <u>11,469,859</u>        |
| <b>Insurance: 2.1%</b>  |            |                          |
| Ping An Insurance Group Co. of China, Ltd. H Shares                   | 674,000    | <u>7,975,757</u>         |
| <b>Total Financials</b>   |            | <u><b>35,597,997</b></u> |
| <b>REAL ESTATE: 7.9%</b>  |            |                          |
| <b>Real Estate Management &amp; Development: 5.7%</b>                 |            |                          |
| Sunac China Holdings, Ltd.  | 1,630,000  | 9,731,152                |
| KWG Group Holdings, Ltd.  | 4,181,000  | 5,857,932                |
| China Overseas Property Holdings, Ltd.                                | 5,940,000  | 3,735,938                |
| Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. B Shares | 2,562,195  | 2,476,210                |
|   |            | <u>21,801,232</u>        |
| <b>Equity REITs: 2.2%</b>   |            |                          |
| CapitaLand Retail China Trust, REIT                                   | 6,943,561  | <u>8,317,110</u>         |
| <b>Total Real Estate</b>  |            | <u><b>30,118,342</b></u> |
| <b>INDUSTRIALS: 7.4%</b>  |            |                          |
| <b>Machinery: 2.7%</b>  |            |                          |
| Shanghai Mechanical and Electrical Industry Co., Ltd. B Shares        | 4,976,114  | 7,384,314                |
| Guangzhou Guangri Stock Co., Ltd. A Shares                            | 2,703,110  | 2,917,215                |
|   |            | <u>10,301,529</u>        |
| <b>Marine: 2.5%</b>   |            |                          |
| SITC International Holdings Co., Ltd.                                 | 7,806,000  | <u>9,526,192</u>         |
| <b>Transportation Infrastructure: 2.2%</b>                            |            |                          |
| Guangdong Provincial Expressway Development Co., Ltd. B Shares        | 10,498,218 | <u>8,462,068</u>         |
| <b>Total Industrials</b>  |            | <u><b>28,289,789</b></u> |
| <b>INFORMATION TECHNOLOGY: 6.6%</b>                                   |            |                          |
| <b>Semiconductors &amp; Semiconductor Equipment: 2.0%</b>             |            |                          |
| Hua Hong Semiconductor, Ltd. <sup>c,d</sup>                           | 3,258,000  | <u>7,420,989</u>         |
| <b>Software: 1.9%</b>   |            |                          |
| Shanghai Baosight Software Co., Ltd. B Shares                         | 3,806,503  | <u>7,265,590</u>         |
| <b>IT Services: 1.5%</b>  |            |                          |
| SUNeVision Holdings, Ltd.   | 8,633,000  | <u>5,837,489</u>         |
| <b>Electronic Equipment, Instruments &amp; Components: 1.2%</b>       |            |                          |
| Vivotek, Inc.   | 1,542,624  | <u>4,724,291</u>         |
| <b>Total Information Technology</b>                                   |            | <u><b>25,248,359</b></u> |
| <b>HEALTH CARE: 5.1%</b>  |            |                          |
| <b>Health Care Providers &amp; Services: 1.6%</b>                     |            |                          |
| Genertec Universal Medical Group Co., Ltd. <sup>c,d</sup>             | 7,748,500  | <u>5,863,881</u>         |

*Schedule of Investments<sup>a</sup> (continued)*

**COMMON EQUITIES (continued)**

|   | Shares     | Value                              |
|---|------------|------------------------------------|
| <b>Pharmaceuticals: 1.5%</b>  |            |                                    |
| Tianjin Zhongxin Pharmaceutical Group Corp., Ltd. S Shares                | 6,837,100  | <u>\$5,815,678</u>                 |
| <b>Biotechnology: 1.1%</b>  |            |                                    |
| Shanghai Haohai Biological Technology Co., Ltd. H Shares <sup>b,c,d</sup> | 702,300    | <u>4,245,301</u>                   |
| <b>Life Sciences Tools &amp; Services: 0.9%</b>                           |            |                                    |
| Pharmaron Beijing Co., Ltd. H Shares <sup>b,c,d</sup>                     | 625,900    | <u>3,494,046</u>                   |
| <b>Total Health Care</b>  |            | <u><b>19,418,906</b></u>           |
| <b>ENERGY: 4.2%</b>   |            |                                    |
| <b>Oil, Gas &amp; Consumable Fuels: 4.2%</b>                              |            |                                    |
| China Petroleum & Chemical Corp. H Shares                                 | 13,470,000 | 8,110,707                          |
| China Suntien Green Energy Corp., Ltd. H Shares                           | 26,906,000 | <u>7,771,001</u>                   |
| <b>Total Energy</b>   |            | <u><b>15,881,708</b></u>           |
| <b>MATERIALS: 3.8%</b>  |            |                                    |
| <b>Construction Materials: 2.3%</b>                                       |            |                                    |
| Huaxin Cement Co., Ltd. B Shares  | 4,276,992  | <u>8,887,940</u>                   |
| <b>Containers &amp; Packaging: 1.5%</b>                                   |            |                                    |
| Greatview Aseptic Packaging Co., Ltd.                                     | 12,346,000 | <u>5,656,253</u>                   |
| <b>Total Materials</b>  |            | <u><b>14,544,193</b></u>           |
| <b>TOTAL INVESTMENTS: 97.3%</b>   |            | <u><b>370,569,423</b></u>          |
| (Cost \$346,291,261)  |            |                                    |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 2.7%</b>                  |            | <u><b>10,171,196</b></u>           |
| <b>NET ASSETS: 100.0%</b>   |            | <u><u><b>\$380,740,619</b></u></u> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Non-income producing security.
  - c Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$54,916,410, which is 14.42% of net assets.
  - d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- ADR American Depositary Receipt  
REIT Real Estate Investment Trust

See accompanying notes to financial statements.



## PORTFOLIO MANAGER

**Beini Zhou, CFA**  
Lead Manager

## FUND FACTS

|   | Investor   | Institutional |
|---|------------|---------------|
| Ticker  | MAVRX      | MAVAX         |
| CUSIP   | 5771 30693 | 5771 30685    |
| Inception                                       | 11/30/15   | 11/30/15      |
| NAV   | \$11.06    | \$10.97       |
| Initial Investment                              | \$2,500    | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.85%      | 1.74%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.42%      | 1.24%         |

## Portfolio Statistics

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 32             |
| Net Assets                      | \$19.8 million |
| Weighted Average Market Cap     | \$29.9 billion |
| Portfolio Turnover <sup>3</sup> | 32.03%         |

## Benchmark

MSCI AC Asia ex Japan Index

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in common stock, preferred stock and other equity securities, and convertible securities of companies located in Asia. The Fund seeks to create an investable universe of value companies that it believes trade at market values with discounts to their intrinsic value, have strong financial and market positions, have strong management and are oriented to creating value for their shareholders. Matthews assesses companies within this universe according to each of these factors.

# Matthews Asia Value Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Value Fund returned 8.23% (Investor Class) and 8.35% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 18.52%. For the fourth quarter, the Fund returned 6.66% (Investor Class) and 6.57% (Institutional Class) versus 11.85% for the Index.

## Market Environment:

2019 seemed unprecedented as gold, oil, bonds and major stock markets around the world all went up by double digits. Two share prices of one stock epitomized the equity market in 2019: \$142.19 and \$293.65. Both are related to Apple, now the biggest company in the world in terms of market capitalization. The first number was its share price on January 3, 2019, after dropping 10% that day following a profit warning due to China. The second number was its share price on December 31, 2019. Its share price more than doubled in between those two dates. Fundamentally, it was not a good year for Apple. Its operating earnings actually declined year-over-year through its latest fiscal year. Outside of Apple, the U.S.–China trade war raged on, with resolution dates repeatedly pushed back. This uncertainty created a drag on worldwide economic growth. Finally, the Hong Kong protests that started in the summer further dampened growth in the region. What drove the excitement? It appears only one factor—the U.S. Federal Reserve reversed course and cut interest rates three times in 2019.

## Performance Contributors and Detractors:

The Fund significantly lagged its benchmark index in 2019 by more than 10 percentage points. Our overweight to South Korea, one of the worst-performing major markets in 2019 in U.S. dollars, was the biggest contributor to underperformance. Individual stock selection also was a moderate detractor.

Two questions arise: any lessons from 2019 and are you doing anything differently now? We wished the portfolio were more concentrated toward fewer yet higher-conviction stocks. To that end, we sold several lower-conviction holdings and ended the year with around 30 stocks in the portfolio; second, index-heavy companies like Taiwan Semiconductor Manufacturing Co. in Taiwan and Alibaba in China both did well and a lack of exposure to these companies meaningfully contributed to our underperformance. Why didn't we consider companies like these? In fact, I looked at both closely in the past year. Both looked attractive but were put on a watch list due to valuation concerns. To be clear, simply because prevailing interest rates are substantially lower, we are not altering our criteria by lowering the minimum return rate in our valuation model. We continue to require at least a 15% annual return when buying a stock.

Among individual stocks in the portfolio, Gakujo in Japan and NAVER in South Korea were among the top contributors both for the quarter and the year. We initiated a position in Gakujo shortly after we visited the company in Osaka in the first quarter of the year. Gakujo is in the recruitment business and is one of the biggest players in Japan in recruiting college graduates and those in their 20s for internships and full-time positions. In addition to running online portals, it organizes offline college-recruiting fairs. Japan's job market has been tight, especially

(continued)

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

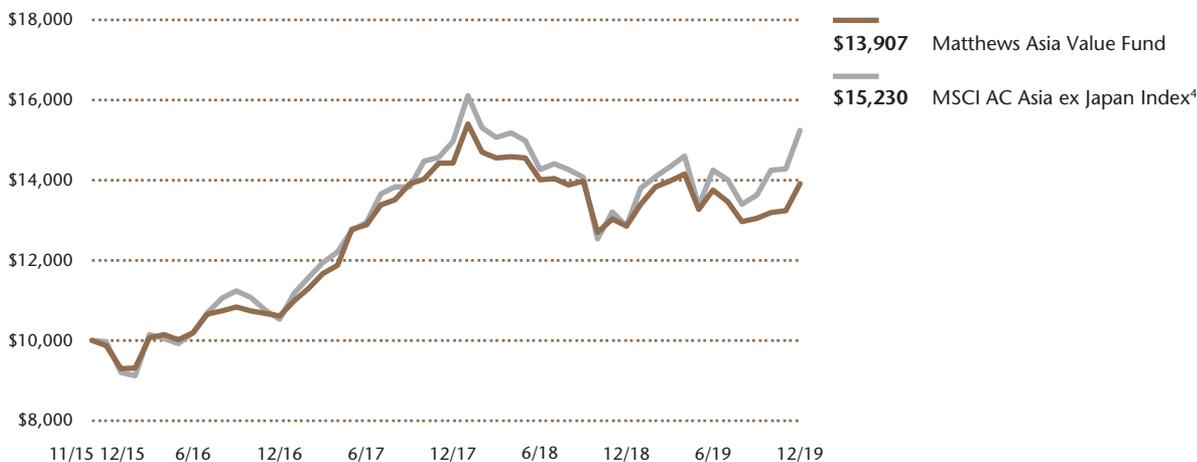
3 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

**PERFORMANCE AS OF DECEMBER 31, 2019**

|  | Average Annual Total Returns |        |         |                 | Inception Date |
|--|------------------------------|--------|---------|-----------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | Since Inception |                |
| Investor Class (MAVRX)                   | 6.66%                        | 8.23%  | 9.48%   | 8.41%           | 11/30/15       |
| Institutional Class (MAVAX)              | 6.57%                        | 8.35%  | 9.69%   | 8.65%           | 11/30/15       |
| MSCI AC Asia ex Japan Index <sup>4</sup> | 11.85%                       | 18.52% | 13.08%  | 10.85%          |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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 [matthewsasiam.com](http://matthewsasiam.com).*

**GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS**



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

**TOP TEN HOLDINGS<sup>5</sup>**

|   | Sector                 | Country         | % of Net Assets |
|---|------------------------|-----------------|-----------------|
| Naspers, Ltd.                               | Consumer Discretionary | China/Hong Kong | 6.5%            |
| CK Hutchison Holdings, Ltd.                 | Industrials            | China/Hong Kong | 5.3%            |
| China National Accord Medicines Corp., Ltd. | Health Care            | China/Hong Kong | 4.7%            |
| Samsung SDI Co., Ltd., Pfd.                 | Information Technology | South Korea     | 4.1%            |
| Straits Trading Co., Ltd.                   | Materials              | Singapore       | 4.0%            |
| NAVER Corp.                                 | Communication Services | South Korea     | 3.9%            |
| Anhui Gujing Distillery Co., Ltd.           | Consumer Staples       | China/Hong Kong | 3.9%            |
| Shinyoung Securities Co., Ltd.              | Financials             | South Korea     | 3.8%            |
| China Isotope & Radiation Corp.             | Health Care            | China/Hong Kong | 3.7%            |
| Gakujo Co., Ltd.                            | Industrials            | Japan           | 3.4%            |
| <b>% OF ASSETS IN TOP TEN</b>               |                        |                 | <b>43.3%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

# Matthews Asia Value Fund

## Portfolio Manager Commentary (unaudited) (continued)

among college graduates, which provides Gakujo with a multiyear tailwind. Its earnings were depressed in the prior fiscal year due to its ramp-up in TV advertising spending. We were thus able to buy shares at only 6x EBIT. In the fourth quarter, it announced a solid full-year earnings report. Its share price has now almost doubled since we first bought it. We trimmed our position along the way but believed its share price, though far from cheap, was still not expensive.

NAVER, the internet giant in South Korea, did well in the fourth quarter and over the full year. News came out in the fourth quarter that NAVER was merging its listed Line subsidiary in Japan with Yahoo Japan. NAVER's share price reacted positively. We believe this merger presents synergy opportunities since both players have been battling fiercely with abundant subsidies to move Japan from a still largely cash-based society toward one with digital payments. In addition, NAVER's third-quarter earnings were solid with continuing double-digit growth in its core internet businesses in South Korea. We trimmed a bit of our position in the fourth quarter.

On the negative side, Huifu Payment was the largest detractor both for the quarter and the year. We commented on the company over past two quarters—as a contributor in the second quarter and as a detractor in the third quarter. We weren't aware of any news about the company in the fourth quarter. The market remained skeptical about its transformation toward a software-as-a-service (SaaS) business model where it can provide value-added services to its merchant base beyond payment processing. We believe its core business as a merchant acquirer for millions of micro-merchants will continue to do well. Its shares were trading at a single-digit P/E and we believed a lot had been discounted in its depressed share price and remained patient as a shareholder.

Hyundai Greenfood in South Korea was another major detractor for the year, with its share price down a high-teen percentage in local currency for the year. Fundamentally, earnings in its core segments, including food catering and grocery retailing, continued to improve, albeit moderately, for the year. It appeared that its share price languished in a year when global investors gravitated toward growth and momentum. We trimmed the position in the fourth quarter as we aimed to allocate more toward higher-conviction holdings. We did not sell the entire position because the valuation attributed zero value to its core businesses.

### Notable Portfolio Changes:

We did not initiate any new positions in the fourth quarter. The last time we initiated a new holding in the portfolio was in March 2019 when we bought a position in Gakujo, the Japanese recruiting business discussed above. We sold two positions in the fourth quarter. One notable company we eliminated was Cognizant, the global IT service provider. We sold our shares despite their valuation being no higher than 15x P/E. We met with its new CEO a couple of times in the year. We believed he was doing all the right things but grew concerned through our on-the-ground channel checks in India, where it has a big workforce. We were concerned that its turnaround over the next few years would be far less smooth than what the market was expecting. We thus sold our relatively small position—again in line with our philosophy of concentrating on fewer, yet higher-conviction, holdings.

### Outlook:

As tempted as I am to say that 2019 felt much like 1999, after a year of significant underperformance as a value investor, I just don't know—nor does anybody—whether 2020 will turn out to be like 2000 when the dot-com bubble burst. In fact, one could forcefully argue that no bubble exists this time around, given much-lower interest rates. I can even see a plausible scenario where the stock market run will continue in 2020 if U.S. interest rates dip further or enter into negative territory like the ones in Europe and Japan. I'm neither cautiously optimistic nor pessimistic. I feel comfortable owning a collection of quality businesses in the Fund, 32 of them to be precise, at undemanding valuation, come low or high interest rates.

### COUNTRY ALLOCATION (%)<sup>6,7</sup>

|   |      |
|---|------|
| China/Hong Kong                         | 33.2 |
| South Korea                             | 26.5 |
| Japan                                   | 13.8 |
| Singapore                               | 7.3  |
| Taiwan                                  | 1.6  |
| Malaysia                                | 1.5  |
| India                                   | 0.8  |
| Cash and Other Assets, Less Liabilities | 15.3 |

### SECTOR ALLOCATION (%)<sup>7</sup>

|   |      |
|---|------|
| Consumer Discretionary                  | 17.9 |
| Industrials                             | 15.1 |
| Health Care                             | 14.9 |
| Information Technology                  | 9.1  |
| Communication Services                  | 7.7  |
| Financials                              | 7.2  |
| Consumer Staples                        | 7.0  |
| Materials                               | 5.7  |
| Cash and Other Assets, Less Liabilities | 15.3 |

### MARKET CAP EXPOSURE (%)<sup>7</sup>

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 25.9 |
| Large Cap (\$10B–\$25B)                 | 6.8  |
| Mid Cap (\$3B–10B)                      | 11.2 |
| Small Cap (under \$3B)                  | 40.7 |
| Cash and Other Assets, Less Liabilities | 15.3 |

<sup>6</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 73.7%

|  | Shares    | Value            |
|--|-----------|------------------|
| <b>CHINA/HONG KONG: 33.2%</b>                            |           |                  |
| Naspers, Ltd. N Shares                                   | 7,919     | \$1,295,921      |
| CK Hutchison Holdings, Ltd.                              | 110,000   | 1,048,904        |
| China National Accord Medicines Corp., Ltd. B Shares     | 263,207   | 928,433          |
| Anhui Gujing Distillery Co., Ltd. B Shares               | 84,000    | 763,616          |
| China Isotope & Radiation Corp.                          | 269,400   | 727,404          |
| China Mobile, Ltd.                                       | 73,500    | 621,064          |
| Huifu Payment, Ltd. <sup>b,c,d</sup>                     | 1,304,400 | 416,516          |
| Prosus N.V. <sup>c</sup>                                 | 5,563     | 416,345          |
| Shandong Weigao Group Medical Polymer Co., Ltd. H Shares | 196,000   | 234,857          |
| Clear Media, Ltd.  | 159,000   | 131,654          |
| <b>Total China/Hong Kong</b>                             |           | <b>6,584,714</b> |
| <b>SOUTH KOREA: 15.5%</b>                                |           |                  |
| NAVER Corp.  | 4,763     | 766,343          |
| Shinyoung Securities Co., Ltd.                           | 16,076    | 756,223          |
| Geumhwa PSC Co., Ltd.                                    | 23,487    | 598,479          |
| Young Poong Corp.  | 627       | 348,613          |
| Hyundai Greenfood Co., Ltd.                              | 29,954    | 306,391          |
| DGB Financial Group, Inc.                                | 47,285    | 290,687          |
| <b>Total South Korea</b>                                 |           | <b>3,066,736</b> |
| <b>JAPAN: 13.8%</b>                                      |           |                  |
| Gakujo Co., Ltd.   | 31,800    | 667,667          |
| Asante, Inc.   | 26,000    | 485,305          |
| Medikit Co., Ltd.  | 6,300     | 409,351          |
| Ohashi Technica, Inc.                                    | 27,300    | 375,688          |
| YAMADA Consulting Group Co., Ltd.                        | 24,100    | 357,613          |
| San-A Co., Ltd.  | 7,100     | 316,014          |
| Honma Golf, Ltd. <sup>b,d</sup>                          | 177,500   | 124,828          |
| <b>Total Japan</b>                                       |           | <b>2,736,466</b> |
| <b>SINGAPORE: 7.3%</b>                                   |           |                  |
| Straits Trading Co., Ltd.                                | 501,100   | 789,868          |
| Haw Par Corp., Ltd.                                      | 68,400    | 649,971          |
| <b>Total Singapore</b>                                   |           | <b>1,439,839</b> |
| <b>TAIWAN: 1.6%</b>                                      |           |                  |
| P-Duke Technology Co., Ltd.                              | 123,500   | 320,639          |
| <b>Total Taiwan</b>                                      |           | <b>320,639</b>   |
| <b>MALAYSIA: 1.5%</b>                                    |           |                  |
| Genting BHD  | 202,000   | 298,910          |
| <b>Total Malaysia</b>                                    |           | <b>298,910</b>   |

|   | Shares | Value               |
|---|--------|---------------------|
| <b>INDIA: 0.8%</b>                              |        |                     |
| Wipro, Ltd.                                     | 46,474 | \$160,027           |
| <b>Total India</b>                              |        | <b>160,027</b>      |
| <b>TOTAL COMMON EQUITIES</b>                    |        |                     |
|   |        | <b>14,607,331</b>   |
| (Cost \$14,026,139)                             |        |                     |
| <b>PREFERRED EQUITIES: 11.0%</b>                |        |                     |
| <b>SOUTH KOREA: 11.0%</b>                       |        |                     |
| Samsung SDI Co., Ltd., Pfd.                     | 10,107 | 805,781             |
| Hyundai Motor Co., Ltd., 2nd Pfd.               | 8,095  | 555,331             |
| Samsung Electronics Co., Ltd., Pfd.             | 10,917 | 427,421             |
| Samsung Fire & Marine Insurance Co., Ltd., Pfd. | 2,678  | 384,432             |
| <b>Total South Korea</b>                        |        | <b>2,172,965</b>    |
| <b>TOTAL PREFERRED EQUITIES</b>                 |        |                     |
|   |        | <b>2,172,965</b>    |
| (Cost \$2,302,805)                              |        |                     |
| <b>TOTAL INVESTMENTS: 84.7 %</b>                |        |                     |
|   |        | <b>16,780,296</b>   |
| (Cost \$16,328,944)                             |        |                     |
| <b>CASH AND OTHER ASSETS,</b>                   |        |                     |
| <b>LESS LIABILITIES: 15.3%</b>                  |        |                     |
|   |        | <b>3,039,577</b>    |
| <b>NET ASSETS: 100.0%</b>                       |        |                     |
|   |        | <b>\$19,819,873</b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$541,344, which is 2.73% of net assets.
- c Non-income producing security.
- d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- BHD Berhad
- Pfd. Preferred

See accompanying notes to financial statements.



## PORTFOLIO MANAGERS

**Taizo Ishida**  
Lead Manager

## FUND FACTS

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MPACX     | MIAPX         |
| CUSIP                            | 577130867 | 577130776     |
| Inception                        | 10/31/03  | 10/29/10      |
| NAV                              | \$28.10   | \$28.34       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.09%     | 0.94%         |

## Portfolio Statistics

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 59             |
| Net Assets                      | \$1.2 billion  |
| Weighted Average Market Cap     | \$42.4 billion |
| Portfolio Turnover <sup>2</sup> | 38.05%         |

## Benchmark

MSCI AC Asia Pacific Index

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia. Asia consists of all countries and markets in Asia, and includes developed, emerging and frontier countries and markets in the Asian region. The Fund may also invest in the convertible securities, of any duration or quality, of Asian companies.

# Matthews Asia Growth Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Growth Fund returned 26.18% (Investor Class) and 26.34% (Institutional Class), while its benchmark, the MSCI All Country Asia Pacific Index, returned 19.74%. For the fourth quarter, the Fund returned 9.61% (Investor Class) and 9.64% (Institutional Class) versus 9.51% for the Index.

### Market Environment:

The health care sector was a strong performer in 2019, driven by a combination of innovation and growing demand for health care services across Asia. Aging populations, rising incomes and specific regional health care needs created opportunities for entrepreneurial health care companies of all sizes, from micro caps to mega caps. Information technology was the top-performing sector in the region for the year. Demand for high-end chips, driven by the rollout of 5G, aided the stock prices of some technology hardware companies. Meanwhile, utilities was the weakest sector.

From a country perspective, China was a strong performer in 2019, led by A-shares and select large-cap consumer discretionary, financials and communication services companies. Local A-shares were largely unfazed by trade issues and Hong Kong disruptions as local traders focused on solid corporate earnings, the prospect of increased A-share inclusion in global indices and the government's intent in meeting growth targets and ensuring financial stability. Late in 2019, the U.S. and China agreed to "phase one" of a trade agreement. Corporate earnings are expected to lead Asia and emerging markets with growth in the mid-teens. And government policy should remain supportive, although not outright stimulative, in an effort to maintain steady growth, improve household income and continue economic rebalancing in favor of domestic consumption and services.

Japanese equity returns were some of the strongest in the region in 2019 despite headwinds related to U.S.–China trade in the first half. Low single-digit earnings growth was fortified by record-high share buybacks, relatively attractive valuations and strong developed-market stock prices. All of these trends contributed to strong equity performance in 2019. Going forward, Japan could benefit from a combined macro and micro influence. A macro global PMI recovery should lift Japanese shares due to many export links to the global economy, especially cyclical growth companies. Micro catalysts include the structural improvement in ROEs driven by buybacks and dividend payouts along with continued balance sheet usage to finance growth, including investment and M&A.

### Performance Contributors and Detractors:

The Fund outperformed its benchmark for the full year and the fourth quarter. For both periods, stock selection in the health care sector was the top contributor to performance. Within the health care sector, NextCure, a clinical-stage biopharmaceutical company, was a strong contributor for the full year and the fourth quarter. The company, founded by Dr. Lieping Chen, a top-tier scientist in the field of tumor immunity at Yale University, has a strong pipeline of new products in development and we believe the company has attractive prospects for growth.

Meanwhile, the Fund's underweight to the information technology sector detracted from performance in the full year and the fourth quarter. Within the financials sector, Sri Lanka-based Sampath Bank also was a detractor across the full year. The underperformance was due to a large rights issue in March 2019 and the negative impact from a sluggish local economy. Our long-term outlook for the bank, however, remains constructive. We believe this is one of the best banks, not only in the country but also in the whole Indian subcontinent, and that its growth profile is intact.

(continued)

<sup>1</sup> Actual 2019 expense ratios.

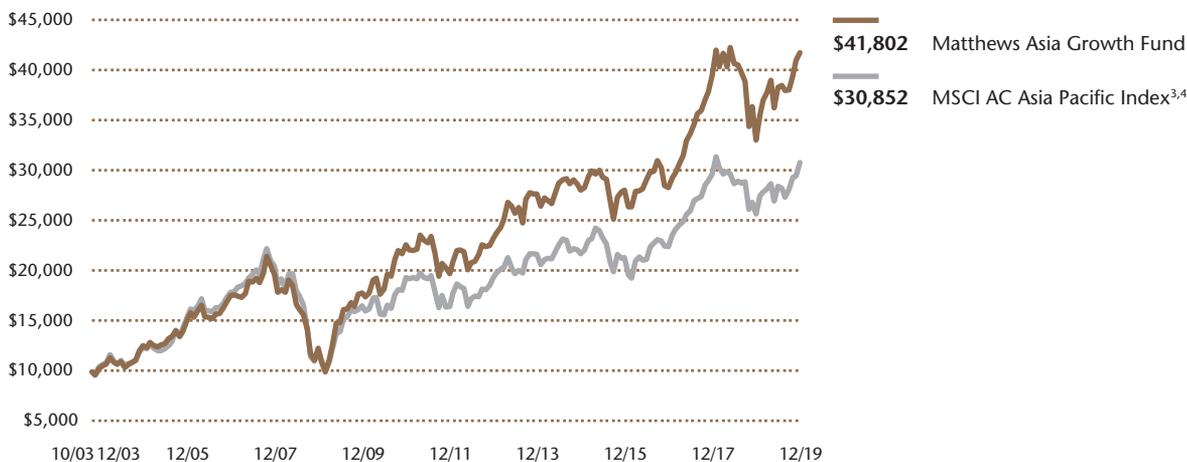
<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|   | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|---|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|   | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MPACX)                  | 9.61%                        | 26.18% | 13.78%  | 8.24%   | 8.88%    | 9.25%              | 10/31/03       |
| Institutional Class (MIAPX)             | 9.64%                        | 26.34% | 13.97%  | 8.44%   | n.a.     | 7.41%              | 10/29/10       |
| MSCI AC Asia Pacific Index <sup>3</sup> | 9.51%                        | 19.74% | 11.11%  | 7.25%   | 6.43%    | 7.22% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasia.com](http://matthewsasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 10/31/03.

## TOP TEN HOLDINGS<sup>5</sup>

|   | Sector                 | Country         | % of Net Assets |
|---|------------------------|-----------------|-----------------|
| HDFC Bank, Ltd.                             | Financials             | India           | 4.2%            |
| Wuxi Biologics Cayman, Inc.                 | Health Care            | China/Hong Kong | 3.9%            |
| CSL, Ltd.                                   | Health Care            | Australia       | 3.9%            |
| Shenzhou International Group Holdings, Ltd. | Consumer Discretionary | China/Hong Kong | 3.8%            |
| Sony Corp.                                  | Consumer Discretionary | Japan           | 3.7%            |
| PT Bank Rakyat Indonesia Persero            | Financials             | Indonesia       | 3.4%            |
| Keyence Corp.                               | Information Technology | Japan           | 2.7%            |
| Terumo Corp.                                | Health Care            | Japan           | 2.7%            |
| M3, Inc.                                    | Health Care            | Japan           | 2.6%            |
| Jiangsu Hengrui Medicine Co., Ltd.          | Health Care            | China/Hong Kong | 2.6%            |
| <b>% OF ASSETS IN TOP TEN</b>               |                        |                 | <b>33.5%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

# Matthews Asia Growth Fund

## Portfolio Manager Commentary (unaudited) (continued)

### Notable Portfolio Changes:

In the fourth quarter, we initiated a handful of positions in Japanese micro/small caps, including: Sansan, Japan's largest SaaS (software as a service) company for sharing business contact information; Rozetta, an online automatic-translation service; and Bushiroad, a premier intellectual property development company in Japan via anime, trading cards and professional wrestling entertainment. We see attractive long-term growth potential for these entrepreneurial companies. We also trimmed our exposure to household and baby products manufacturer Pigeon, which has been a long-term Fund holding. The security has performed well during the time we have held it and the company continues to be well-managed, but we feel its growth phase may be slowing.

### Outlook:

Demand for innovative health care services in Asia remains a long-term secular growth trend that we continue to follow. The sector benefits from organic growth opportunities that tend to be present over a full market cycle and don't require macroeconomic tailwinds for expansion. We see the build-out of the health care sector in Asia as a multiyear trend with an extended runway for growth.

While China's domestic stock markets were strong performers in 2019, valuations remain reasonable and we continue to see opportunities in China. Notably, China's economy is primarily driven by consumption and innovation, rather than exports. Consumption remains healthy, benefiting many of the consumer-related sectors we tend to favor. In addition, while GDP growth has slowed slightly, China's policy-makers continue to take a prudent, surgical approach to managing their fiscal and monetary stimulus. Stimulus in recent years has been modest and strategic. In the absence of any sudden shocks to China's economy, we do not expect much major stimulus ahead.

Japanese corporate earnings tend to be procyclical, with higher earnings volatility than developed-market peers. At the same time, we believe the earnings capability of Japanese companies has improved meaningfully over the past economic cycle, driven by better corporate governance and a higher focus on capital efficiency. We saw a record level of share buybacks in 2019, which will be an important earnings-per-share growth and return-on-equity improvement driver in a relatively muted macro growth environment. We continue to be optimistic about the alpha-generation opportunities within Japanese equities as multiyear structural trends such as productivity growth, health care, technology and material science innovation—where Japanese corporations excel versus global peers—remain intact.

### COUNTRY ALLOCATION (%)<sup>6,7</sup>

|   |      |
|---|------|
| Japan                                   | 42.9 |
| China/Hong Kong                         | 31.6 |
| Australia                               | 4.9  |
| Indonesia                               | 4.5  |
| India                                   | 4.2  |
| Bangladesh                              | 3.0  |
| Sri Lanka                               | 2.6  |
| United States                           | 2.3  |
| Vietnam                                 | 1.3  |
| Cash and Other Assets, Less Liabilities | 2.7  |

### SECTOR ALLOCATION (%)<sup>7</sup>

|   |      |
|---|------|
| Health Care                             | 36.5 |
| Consumer Discretionary                  | 20.3 |
| Financials                              | 13.3 |
| Communication Services                  | 9.3  |
| Industrials                             | 8.8  |
| Information Technology                  | 4.5  |
| Consumer Staples                        | 3.7  |
| Energy                                  | 1.1  |
| Cash and Other Assets, Less Liabilities | 2.7  |

### MARKET CAP EXPOSURE (%)<sup>7</sup>

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 33.8 |
| Large Cap (\$10B–\$25B)                 | 22.2 |
| Mid Cap (\$3B–10B)                      | 16.2 |
| Small Cap (under \$3B)                  | 25.1 |
| Cash and Other Assets, Less Liabilities | 2.7  |

<sup>6</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 97.3%

|  | Shares     | Value              |
|--|------------|--------------------|
| <b>JAPAN: 42.9%</b>                                    |            |                    |
| Sony Corp.   | 656,600    | \$44,581,640       |
| Keyence Corp.  | 93,800     | 32,936,799         |
| Terumo Corp.   | 921,900    | 32,703,780         |
| M3, Inc.   | 1,049,000  | 31,633,232         |
| Nintendo Co., Ltd.                                     | 74,900     | 29,957,015         |
| TechnoPro Holdings, Inc.                               | 399,800    | 27,902,468         |
| Nitori Holdings Co., Ltd.                              | 174,800    | 27,592,417         |
| SoftBank Group Corp.                                   | 552,400    | 23,983,577         |
| SBI Holdings, Inc.                                     | 1,050,600  | 22,180,555         |
| PeptiDream, Inc. <sup>b</sup>                          | 411,000    | 21,003,477         |
| Nidec Corp.  | 140,900    | 19,244,659         |
| Rozetta Corp. <sup>b,†</sup>                           | 516,600    | 18,601,381         |
| Hikari Tsushin, Inc.                                   | 73,700     | 18,520,657         |
| Eisai Co., Ltd.  | 238,500    | 17,846,001         |
| Kudan, Inc. <sup>b</sup>                               | 226,500    | 17,258,190         |
| Kyoritsu Maintenance Co., Ltd.                         | 320,200    | 15,164,227         |
| HEALIOS KK <sup>b</sup>                                | 980,300    | 13,399,260         |
| Ariake Japan Co., Ltd.                                 | 176,100    | 13,089,560         |
| FANUC Corp.  | 63,400     | 11,707,756         |
| Bushiroad, Inc. <sup>b</sup>                           | 330,000    | 11,378,110         |
| Takeda Pharmaceutical Co., Ltd.                        | 280,800    | 11,106,264         |
| Sosei Group Corp. <sup>b</sup>                         | 550,900    | 10,939,686         |
| Symex Corp.  | 153,200    | 10,430,613         |
| Japan Elevator Service Holdings Co., Ltd.              | 402,600    | 10,107,642         |
| SanBio Co., Ltd. <sup>b</sup>                          | 364,200    | 8,750,541          |
| Pigeon Corp.   | 204,600    | 7,491,673          |
| Freee KK <sup>b</sup>                                  | 72,400     | 2,148,912          |
| CYBERDYNE, Inc. <sup>b</sup>                           | 401,300    | 2,082,376          |
| Seria Co., Ltd.  | 60,600     | 1,650,958          |
| Sansan, Inc. <sup>b</sup>                              | 25,200     | 1,279,748          |
| <b>Total Japan</b>                                     |            | <b>516,673,174</b> |
| <b>CHINA/HONG KONG: 31.6%</b>                          |            |                    |
| Wuxi Biologics Cayman, Inc. <sup>b,c,d</sup>           | 3,693,000  | 46,773,500         |
| Shenzhou International Group Holdings, Ltd.            | 3,155,000  | 46,110,564         |
| Jiangsu Hengrui Medicine Co., Ltd. A Shares            | 2,492,224  | 31,373,133         |
| Alibaba Group Holding, Ltd. ADR <sup>b</sup>           | 146,700    | 31,115,070         |
| BeiGene, Ltd. ADR <sup>b</sup>                         | 174,100    | 28,858,816         |
| Huazhu Group, Ltd. ADR                                 | 686,700    | 27,516,069         |
| Genscript Biotech Corp. <sup>b</sup>                   | 11,934,000 | 27,116,733         |
| Baozun, Inc. ADR <sup>b</sup>                          | 818,500    | 27,108,720         |
| Bilibili, Inc. ADR <sup>b</sup>                        | 1,434,500  | 26,710,390         |
| Alphamab Oncology <sup>b,c,d</sup>                     | 11,948,000 | 21,466,319         |
| Autohome, Inc. ADR <sup>b</sup>                        | 248,400    | 19,874,484         |
| Shenzhen Inovance Technology Co., Ltd. A Shares        | 4,069,575  | 17,940,549         |
| Innovent Biologics, Inc. <sup>b,c,d</sup>              | 4,908,500  | 16,753,552         |
| Hansoh Pharmaceutical Group Co., Ltd. <sup>b,c,d</sup> | 3,472,000  | 11,562,943         |
| <b>Total China/Hong Kong</b>                           |            | <b>380,280,842</b> |
| <b>AUSTRALIA: 4.9%</b>                                 |            |                    |
| CSL, Ltd.  | 240,892    | 46,704,607         |
| Oil Search, Ltd.                                       | 2,481,915  | 12,655,379         |
| <b>Total Australia</b>                                 |            | <b>59,359,986</b>  |

|   | Shares      | Value                |
|---|-------------|----------------------|
| <b>INDONESIA: 4.5%</b>                        |             |                      |
| PT Bank Rakyat Indonesia Persero              | 129,492,600 | \$40,987,766         |
| PT Mayora Indah                               | 54,105,900  | 7,985,311            |
| PT Ace Hardware Indonesia                     | 46,718,400  | 5,031,256            |
| <b>Total Indonesia</b>                        |             | <b>54,004,333</b>    |
| <b>INDIA: 4.2%</b>                            |             |                      |
| HDFC Bank, Ltd.                               | 2,837,251   | 50,626,616           |
| <b>Total India</b>                            |             | <b>50,626,616</b>    |
| <b>BANGLADESH: 3.0%</b>                       |             |                      |
| Square Pharmaceuticals, Ltd.                  | 9,381,451   | 20,996,239           |
| BRAC Bank, Ltd. <sup>b</sup>                  | 22,667,262  | 15,245,900           |
| <b>Total Bangladesh</b>                       |             | <b>36,242,139</b>    |
| <b>SRI LANKA: 2.6%</b>                        |             |                      |
| Sampath Bank PLC <sup>†</sup>                 | 21,899,216  | 19,610,214           |
| LOLC Holdings PLC <sup>b</sup>                | 11,792,496  | 11,540,554           |
| <b>Total Sri Lanka</b>                        |             | <b>31,150,768</b>    |
| <b>UNITED STATES: 2.3%</b>                    |             |                      |
| Frequency Therapeutics, Inc. <sup>b</sup>     | 437,079     | 7,661,995            |
| Turning Point Therapeutics, Inc. <sup>b</sup> | 118,000     | 7,350,220            |
| NextCure, Inc. <sup>b</sup>                   | 120,000     | 6,759,600            |
| Oyster Point Pharma, Inc. <sup>b</sup>        | 225,000     | 5,499,000            |
| <b>Total United States</b>                    |             | <b>27,270,815</b>    |
| <b>VIETNAM: 1.3%</b>                          |             |                      |
| Vietnam Dairy Products JSC                    | 3,116,592   | 15,679,749           |
| <b>Total Vietnam</b>                          |             | <b>15,679,749</b>    |
| <b>TOTAL INVESTMENTS: 97.3%</b>               |             | <b>1,171,288,422</b> |
| (Cost \$864,736,839)                          |             |                      |

CASH AND OTHER ASSETS,  
LESS LIABILITIES: 2.7%

**32,045,967**

NET ASSETS: 100.0%

**\$1,203,334,389**

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$96,556,314, which is 8.02% of net assets.
- d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- † Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)
- ADR American Depositary Receipt
- JSC Joint Stock Co.

See accompanying notes to financial statements.

# Matthews Pacific Tiger Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Pacific Tiger Fund returned 10.72% (Investor Class) and 10.90% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 18.52% over the same period. For the fourth quarter, the Fund returned 7.09% (Investor Class) and 7.15% (Institutional Class) versus 11.85% for the Index.

### PORTFOLIO MANAGERS

**Sharat Shroff, CFA**  
Lead Manager

**Rahul Gupta**                      **Raymond Deng**  
Co-Manager                      Co-Manager

**Inbok Song**  
Co-Manager

### FUND FACTS

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MAPTX     | MIPTX         |
| CUSIP   | 577130107 | 577130834     |
| Inception                                       | 9/12/94   | 10/29/10      |
| NAV   | \$28.74   | \$28.71       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.08%     | 0.93%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.05%     | 0.91%         |

### Portfolio Statistics

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 60              |
| Net Assets                      | \$8.7 billion   |
| Weighted Average Market Cap     | \$102.4 billion |
| Portfolio Turnover <sup>3</sup> | 17.08%          |

### Benchmark

MSCI AC Asia ex Japan Index

### OBJECTIVE

Long-term capital appreciation.

### STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia ex Japan, which consists of all countries and markets in Asia excluding Japan, but including all other developed, emerging and frontier countries and markets in the Asian region.

### Market Environment:

Asian equity markets generated attractive gains in 2019. The rally was narrow in scope, however, led by a small group of stocks. Information technology and consumer discretionary were the only two sectors to outperform Asia's broader markets. Information technology stocks in particular outperformed the rest of the market by a wide margin. In addition, market gains were concentrated among large and mega-cap stocks. While large and mega-cap stocks have been in favor since 2015, we believe that a deepening macroeconomic recovery might also lead to a favorable economic backdrop for smaller and midsize companies.

Volatility lingered throughout much of the year. Many factors impacting markets over the short term were political in nature, as U.S.–China trade tensions, Hong Kong protests and Indian election results made headlines. By the fourth quarter, however, sentiment throughout the region seemed largely improved on easing trade tensions and a sense of political stability throughout the region. Asian currencies were largely stable in 2019, recovering from earlier weakness in 2018.

From a country perspective, domestic Chinese and Taiwanese markets were top performers, while South Korea's market was the weakest. There was a welcome détente in U.S.–China trade tensions toward the end of 2019, although the contours of a trade deal had not yet taken shape. Nonetheless, foreign sentiment toward Chinese shares was notably improved at year end. China's performance in 2019 was led by A-shares and select large-cap consumer discretionary, financials and communication services companies.

Elsewhere, India's equity markets were positive in 2019, but lagged the broader region. Throughout much of 2017 and 2018, Indian policymakers dealt with sticky inflation and persistent current and fiscal account deficits. At the same time, India implemented financial reforms to increase tax collections and create a more-level playing field for businesses. These reforms were positive for the long term, but created softer growth in the short term. The incumbent Bharatiya Janata Party scored a resounding election victory in 2019, giving the majority party a clear mandate for action. India's policymakers gave markets a positive surprise in the second half of 2019 by lowering interest rates and cutting corporate taxes, both of which should be positive for growth.

### Performance Contributors and Detractors:

The Strategy's underweight to information technology and Taiwan, home to many of the region's IT hardware companies, was the single-biggest detractor from 2019's relative performance. The IT hardware sector attracted investor attention in 2019 on the back of two drivers. First, there was increased demand for high-end chips as necessitated by the rollout of 5G. Second, trade-related tension between the U.S. and China may increase demand for local sources of semiconductors within Asia. Both of these trends aided semiconductor and IT hardware stocks, principally in Taiwan. We remained cautious about expectations that seemed to be getting priced into many hardware companies across the region. At the same time, we recognized that our underweight in tech hardware detracted from performance. Accordingly, the team re-examined the IT hardware ecosystem in Asia (outside of Japan). We identified a handful of businesses that we believe are able to maintain and grow their profitability across cycles, including a new holding discussed in the next section.

The Strategy's overweight to India also detracted from relative performance in 2019, as did stock selection in India. Stock-selection underperformance in India largely came from a single security, Tata Power. The company faced short-term regulatory setbacks regarding its ownership of mines in Indonesia that created negative sentiment toward

(continued)

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2021 and may be terminated (i) at any time by the Board of Trustees upon 60 days' prior written notice to Matthews; or (ii) by Matthews at the annual expiration date of the agreement upon 60 days' prior written notice to the Trust, in each case without payment of any penalty.

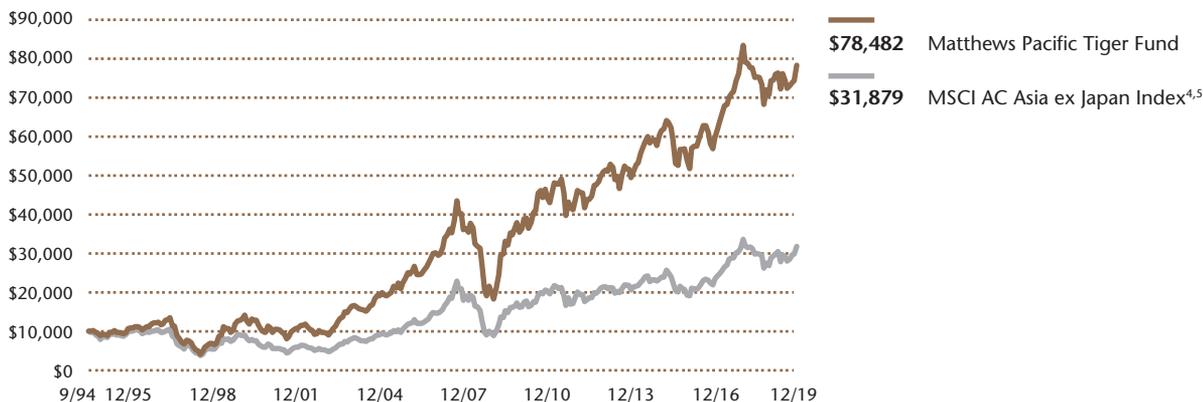
3 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MAPTX)                   | 7.09%                        | 10.72% | 11.27%  | 6.30%   | 7.50%    | 8.48%              | 9/12/94        |
| Institutional Class (MIPTX)              | 7.15%                        | 10.90% | 11.45%  | 6.48%   | n.a.     | 6.11%              | 10/29/10       |
| MSCI AC Asia ex Japan Index <sup>4</sup> | 11.85%                       | 18.52% | 13.08%  | 6.86%   | 6.33%    | 4.68% <sup>5</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

4 It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

5 Calculated from 8/31/94.

## TOP TEN HOLDINGS<sup>6</sup>

|  | Sector                 | Country         | % of Net Assets |
|--|------------------------|-----------------|-----------------|
| Alibaba Group Holding, Ltd.                | Consumer Discretionary | China/Hong Kong | 5.5%            |
| NAVER Corp.                                | Communication Services | South Korea     | 4.6%            |
| China Resources Land, Ltd.                 | Real Estate            | China/Hong Kong | 4.4%            |
| Tencent Holdings, Ltd.                     | Communication Services | China/Hong Kong | 4.2%            |
| Ping An Insurance Group Co. of China, Ltd. | Financials             | China/Hong Kong | 4.1%            |
| AIA Group, Ltd.                            | Financials             | China/Hong Kong | 3.7%            |
| Samsung Electronics Co., Ltd.              | Information Technology | South Korea     | 3.7%            |
| China Resources Beer Holdings Co., Ltd.    | Consumer Staples       | China/Hong Kong | 3.3%            |
| PT Bank Central Asia                       | Financials             | Indonesia       | 2.8%            |
| Housing Development Finance Corp., Ltd.    | Financials             | India           | 2.6%            |
| <b>% OF ASSETS IN TOP TEN</b>              |                        |                 | <b>38.9%</b>    |

6 Holdings may combine more than one security from same issuer and related depositary receipts.

# Matthews Pacific Tiger Fund

## Portfolio Manager Commentary (unaudited) (continued)

the company. We believe the market may have misinterpreted the situation and have faith in the company's long-term prospects. Changes in tariffs, asset monetization by the company and decent growth in the company's renewables portfolio should be fruitful for the company long term. On a positive note, stock selection in the communication services sector was a contributor to relative performance year to date. From a country standpoint, Indonesia, China/Hong Kong and South Korea were contributors to relative performance for the full year.

### Notable Portfolio Changes:

During the fourth quarter we initiated a new position in Midea Group, a Chinese company that manufactures, markets and installs household electrical appliances. The company has built a complete portfolio spanning many segments of consumer demand including higher end, innovative products. Midea has an opportunity to continue to grow in China, but also to expand in other parts of South Asia with its affordable value proposition.

We also initiated a position in Taiwan Semiconductor Manufacturing Co. (TSMC), a leading semiconductor foundry company globally. Over the years, TSMC has distanced itself from other global companies in its adoption of advanced manufacturing technology. A key business change that became more noticeable in recent periods was the diversification in its underlying demand, which is much less exposed to single-industry risk, and broad diversification across end clients and segments. We find TSMC an attractive way to gain exposure to this sector.

In addition, we exited Line Corp. (a subsidiary of NAVER), a leading company in the field of mobile applications and internet services in Japan and other parts of Asia. Late in the year, the company decided to enter into an alliance with its primary competitor in Japan, which is likely to lead to a significant improvement in its financials. As such, the stock rerated sharply and we decided to use that capital in other positions in the portfolio.

### Outlook:

For many economies in the region, 2019 capped a period of challenges as well as strengths. On one hand, trade-related tensions inhibited private-sector investment, and growth rates across the region continued to moderate as the year unfolded. On the other, policymakers in many parts of Asia made policy choices that painted the macro-economic backdrop favorably as we look over the short to medium term.

China's broader economy has slowed a bit. The quality of China's growth, however, may be a more interesting factor to watch. Rising incomes and consumption patterns, along with an expansion of the private sector, create more-sustainable growth opportunities. U.S.–China trade tensions have eased, meanwhile, improving foreign investor sentiment. Domestic Chinese investor sentiment already was positive, creating an encouraging near-term backdrop. Over the long term, we expect China's growth to be led by the services sector.

In Southeast Asia and India, which played defense for so long, we see policymakers going on the offense in terms of fiscal and monetary stimulus. Several central banks in the region lowered interest rates and created an adequate liquidity environment that will slowly lower the cost of capital for businesses. Meanwhile, finance ministers, especially in countries like India and Indonesia, are looking to stimulate demand through measures like tax cuts and structural reforms.

Elsewhere, we find a lot to be optimistic about in India's future. The recently lowered corporate taxes and improving liquidity should benefit earnings for better-managed companies. Earnings were revised up in response to lower taxes, but the sustainability will depend on the pickup in investment spending among private-sector companies. Risks to India's economy include potential shocks to oil prices based on geopolitical conflicts, as India imports most of its energy, and prolonged disruption in the financial system.

While these economic measures are being rolled out, expectations among sell-side analysts for long-term growth in Asia are among the lowest in many years. While it may seem counterintuitive at first glance, we find the combination of realistic expectations and favorable valuations to be a constructive environment for equity-market gains because markets have not been overhyped.

### COUNTRY ALLOCATION (%)<sup>7,8</sup>

|   |      |
|---|------|
| China/Hong Kong                         | 42.9 |
| India                                   | 16.9 |
| South Korea                             | 12.9 |
| Indonesia                               | 8.1  |
| Taiwan                                  | 5.3  |
| Thailand                                | 4.1  |
| Philippines                             | 2.9  |
| Switzerland                             | 2.5  |
| Malaysia                                | 1.6  |
| Vietnam                                 | 1.5  |
| United States                           | 1.0  |
| Cash and Other Assets, Less Liabilities | 0.3  |

### SECTOR ALLOCATION (%)<sup>8</sup>

|   |      |
|---|------|
| Financials                              | 25.4 |
| Consumer Staples                        | 18.1 |
| Communication Services                  | 14.8 |
| Consumer Discretionary                  | 13.3 |
| Information Technology                  | 8.3  |
| Real Estate                             | 8.2  |
| Industrials                             | 5.8  |
| Health Care                             | 3.3  |
| Utilities                               | 1.6  |
| Materials                               | 0.8  |
| Cash and Other Assets, Less Liabilities | 0.3  |

### MARKET CAP EXPOSURE (%)<sup>8</sup>

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 53.8 |
| Large Cap (\$10B–\$25B)                 | 21.1 |
| Mid Cap (\$3B–10B)                      | 18.4 |
| Small Cap (under \$3B)                  | 6.4  |
| Cash and Other Assets, Less Liabilities | 0.3  |

<sup>7</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>8</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 99.7%

|   | Shares      | Value                |  | Shares      | Value              |
|---|-------------|----------------------|--|-------------|--------------------|
| <b>CHINA/HONG KONG: 42.9%</b>                                     |             |                      | <b>INDONESIA: 8.1%</b>                                   |             |                    |
| Alibaba Group Holding, Ltd. ADR <sup>b</sup>                      | 2,255,700   | \$478,433,970        | PT Bank Central Asia                                     | 100,580,000 | \$241,895,562      |
| China Resources Land, Ltd.  | 76,938,000  | 382,792,424          | PT Telekomunikasi Indonesia Persero                      | 538,840,700 | 154,365,668        |
| Tencent Holdings, Ltd.  | 7,567,800   | 364,587,526          | PT Indofood CBP Sukses Makmur                            | 181,522,600 | 145,767,355        |
| Ping An Insurance Group Co. of China, Ltd.<br>H Shares            | 30,234,000  | 357,773,065          | PT Mitra Keluarga Karyasehat <sup>d</sup>                | 363,065,700 | 69,772,498         |
| AIA Group, Ltd.   | 31,026,800  | 326,338,841          | PT Surya Citra Media                                     | 533,163,200 | 54,093,170         |
| China Resources Beer Holdings Co., Ltd.                           | 52,131,775  | 288,371,299          | PT Telekomunikasi Indonesia Persero ADR                  | 1,577,240   | 44,951,340         |
| Hong Kong Exchanges & Clearing, Ltd.                              | 6,114,000   | 198,629,993          | <b>Total Indonesia</b>                                   |             | <b>710,845,593</b> |
| Inner Mongolia Yili Industrial Group Co.,<br>Ltd. A Shares        | 43,074,808  | 191,751,526          | <b>TAIWAN: 5.3%</b>                                      |             |                    |
| Yum China Holdings, Inc.  | 3,536,910   | 169,807,049          | Delta Electronics, Inc.                                  | 33,921,182  | 171,653,882        |
| Kweichow Moutai Co., Ltd. A Shares                                | 917,973     | 156,313,579          | President Chain Store Corp.                              | 15,271,608  | 155,078,184        |
| Fuyao Glass Industry Group Co., Ltd.<br>H Shares <sup>c,d,†</sup> | 49,288,400  | 150,920,324          | Taiwan Semiconductor Manufacturing<br>Co., Ltd.          | 8,292,000   | 91,774,444         |
| Guotai Junan Securities Co., Ltd.<br>H Shares <sup>c,d,†</sup>    | 82,304,600  | 145,823,286          | Synnex Technology International Corp.                    | 36,359,921  | 45,502,125         |
| China East Education Holdings, Ltd. <sup>b,c,d</sup>              | 50,787,000  | 106,356,326          | <b>Total Taiwan</b>                                      |             | <b>464,008,635</b> |
| Dairy Farm International Holdings, Ltd.                           | 17,718,146  | 101,170,614          | <b>THAILAND: 4.1%</b>                                    |             |                    |
| China Mobile, Ltd. ADR  | 1,725,293   | 72,928,135           | Central Pattana Public Co., Ltd.                         | 93,802,300  | 195,745,634        |
| Fuyao Glass Industry Group Co., Ltd.<br>A Shares                  | 17,242,604  | 59,408,931           | Kasikornbank Public Co., Ltd.                            | 18,431,800  | 93,423,964         |
| Tencent Music Entertainment Group ADR <sup>b</sup>                | 4,655,200   | 54,652,048           | The Siam Cement Public Co., Ltd.                         | 5,353,750   | 70,454,609         |
| Midea Group Co., Ltd. A Shares                                    | 5,349,743   | 44,880,856           | <b>Total Thailand</b>                                    |             | <b>359,624,207</b> |
| Wuxi Biologics Cayman, Inc. <sup>b,c,d</sup>                      | 2,817,000   | 35,678,567           | <b>PHILIPPINES: 2.9%</b>                                 |             |                    |
| Wise Talent Information Technology<br>Co., Ltd. <sup>b,d</sup>    | 16,143,400  | 31,678,850           | SM Prime Holdings, Inc.                                  | 164,670,771 | 136,678,223        |
| Hansoh Pharmaceutical Group Co., Ltd. <sup>b,c,d</sup>            | 8,058,000   | 26,835,884           | GT Capital Holdings, Inc.                                | 7,000,953   | 117,085,738        |
| <b>Total China/Hong Kong</b>                                      |             | <b>3,745,133,093</b> | <b>Total Philippines</b>                                 |             | <b>253,763,961</b> |
| <b>INDIA: 16.9%</b>   |             |                      | <b>SWITZERLAND: 2.5%</b>                                 |             |                    |
| Housing Development Finance Corp., Ltd.                           | 6,719,550   | 227,204,473          | DKSH Holding AG <sup>†</sup>                             | 4,039,869   | 219,652,228        |
| HDFC Bank, Ltd.   | 12,446,818  | 222,095,359          | <b>Total Switzerland</b>                                 |             | <b>219,652,228</b> |
| Kotak Mahindra Bank, Ltd.   | 8,173,731   | 192,918,104          | <b>MALAYSIA: 1.6%</b>                                    |             |                    |
| Titan Co., Ltd.   | 9,015,327   | 150,117,214          | IHH Healthcare BHD                                       | 47,676,300  | 63,832,580         |
| Tata Power Co., Ltd. <sup>†</sup>                                 | 180,316,487 | 142,780,167          | Public Bank BHD  | 11,705,594  | 55,673,405         |
| Dabur India, Ltd.   | 21,117,482  | 135,675,772          | IHH Healthcare BHD                                       | 11,543,000  | 15,915,801         |
| ITC, Ltd.   | 39,202,500  | 130,576,972          | <b>Total Malaysia</b>                                    |             | <b>135,421,786</b> |
| Container Corp. of India, Ltd.                                    | 16,080,979  | 128,844,918          | <b>VIETNAM: 1.5%</b>                                     |             |                    |
| Sun Pharmaceutical Industries, Ltd.                               | 11,673,532  | 70,741,344           | Vietnam Dairy Products JSC                               | 25,995,440  | 130,784,513        |
| United Spirits, Ltd. <sup>b</sup>                                 | 6,778,030   | 56,953,008           | <b>Total Vietnam</b>                                     |             | <b>130,784,513</b> |
| Just Dial, Ltd. <sup>b</sup>                                      | 1,765,000   | 14,128,031           | <b>UNITED STATES: 1.0%</b>                               |             |                    |
| <b>Total India</b>  |             | <b>1,472,035,362</b> | Cognizant Technology Solutions Corp.<br>Class A          | 1,407,200   | 87,274,544         |
| <b>SOUTH KOREA: 12.9%</b>   |             |                      | <b>Total United States</b>                               |             | <b>87,274,544</b>  |
| NAVER Corp.   | 2,473,810   | 398,023,498          | <b>TOTAL INVESTMENTS: 99.7%</b>                          |             |                    |
| Samsung Electronics Co., Ltd.                                     | 6,742,883   | 324,918,504          | <b>8,700,034,876</b>                                     |             |                    |
| DB Insurance Co., Ltd.  | 3,495,200   | 157,883,625          | (Cost \$5,903,516,679)                                   |             |                    |
| Cheil Worldwide, Inc.   | 5,057,779   | 105,183,609          | <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.3%</b> |             |                    |
| Orion Holdings Corp. <sup>†</sup>                                 | 5,656,566   | 86,931,374           | <b>25,823,814</b>  |             |                    |
| S-1 Corp.   | 483,483     | 39,173,641           | <b>NET ASSETS: 100.0%</b>                                |             |                    |
| Hugel, Inc. <sup>b</sup>  | 27,266      | 9,376,703            | <b>\$8,725,858,690</b>                                   |             |                    |
| <b>Total South Korea</b>  |             | <b>1,121,490,954</b> |  |             |                    |

## *Schedule of Investments<sup>a</sup> (continued)*

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$465,614,387, which is 5.34% of net assets.
- d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- † Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

ADR American Depositary Receipt

BHD Berhad

JSC Joint Stock Co.

See accompanying notes to financial statements.

# Matthews Asia ESG Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia ESG Fund returned 12.55% (Investor Class) and 12.74% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 18.52%. For the fourth quarter, the Fund returned 6.16% (Investor Class) and 6.14% (Institutional Class) versus 11.85% for the Index.

### Market Environment:

Asia ex Japan equities performed well in 2019 despite periodic volatility due to U.S.–China trade tensions. The MSCI All Country Asia ex Japan Index returned nearly 12% in December alone after a trade deal was announced, accounting for nearly two-thirds of the year's return.

While index returns were strong in aggregate, they tended to be concentrated in the information technology sector (up 43% for the full year 2019) on investor expectations around 5G rollout globally, among other factors. Technology and internet sectors can be a bit of a double-edged sword for ESG-minded investors, creating both opportunities for generating attractive returns and pitfalls inherent in the sector—especially in areas such as data privacy, surveillance, human rights and governance structures. Meanwhile, utilities (up 2%) and health care (up 3%) were the worst-performing sectors for the full year for the index.

Taiwan (up 37%), led by its technology sector, was the best-performing Asian market in 2019, followed by China (up 21%), while Malaysia (down 2%) was the worst-performing market. South East Asian currencies in general and the Thai baht (up 8.6%) in particular had strong performance against the U.S. dollar in 2019. The South Korean won (-3.5%) and Indian rupee (-2.25%) depreciated the most against the U.S. dollar during the year.

### Performance Contributors and Detractors:

The Fund's underweight to the information technology and communication services sectors, as well as stock selection in these sectors, detracted from performance for the year. Technology was a big driver of index returns, but some of the companies with the biggest gains in the index did not meet the Fund's positive ESG screening process. We were positive on the tech sector, but maintained a selective exposure to it, in line with the Fund's focus on creating positive ESG outcomes.

Stock selection in health care, meanwhile, was a strong contributor to relative performance despite the overweight allocation to the sector detracting a bit from performance. The health care sector has an outsized influence on ESG outcomes, as good health care at affordable prices is essential to Asia's citizens leading healthy, productive lives. Access to affordable health care remains a core tenet of our investing philosophy.

From a geographic perspective, the Fund's overweight to India, as well as stock selection, detracted from relative performance for the year. India's equity markets were positive in 2019, but lagged the broader region. The lingering aftereffects of demonetization, GST implementation and more recently the fallout from a mishandled non-banking financial company (NBFC) crisis led to a material slowdown in GDP growth. The slowdown was manifested in weak auto sales, weak credit off-take and rising non-performing loans in the banking system and weak rural demand. Turning to individual companies domiciled in India, automobile and tractor maker Mahindra & Mahindra was the biggest

(continued)

### PORTFOLIO MANAGERS

#### Vivek Tanneeru

Lead Manager

#### Winnie Chwang

Co-Manager

### FUND FACTS

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MASGX     | MISFX         |
| CUSIP   | 577130727 | 577130719     |
| Inception                                       | 4/30/15   | 4/30/15       |
| NAV   | \$11.08   | \$11.06       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.54%     | 1.41%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.42%     | 1.24%         |

### Portfolio Statistics

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 58             |
| Net Assets                      | \$55.3 million |
| Weighted Average Market Cap     | \$17.0 billion |
| Portfolio Turnover <sup>3</sup> | 29.67%         |

### Benchmark

MSCI AC Asia ex Japan Index

### OBJECTIVE

Long-term capital appreciation.

### STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies of any market capitalization located in Asia that Matthews believes satisfy one or more of its environmental, social and governance ("ESG") standards. Asia consists of all countries and markets in Asia and includes developed, emerging, and frontier countries and markets in the Asia region. The Fund may also invest in convertible securities and fixed-income securities, of any duration or quality, including high yield securities, of Asian companies.

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

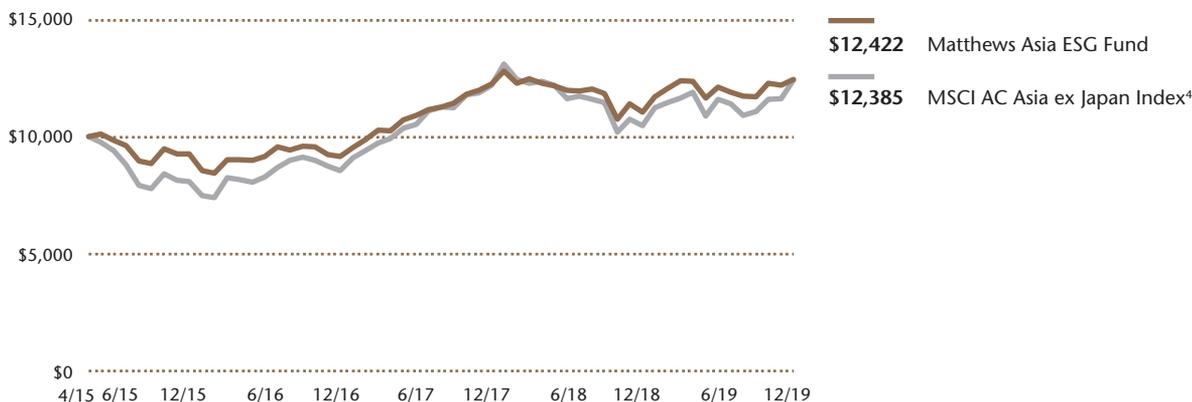
<sup>3</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

**PERFORMANCE AS OF DECEMBER 31, 2019**

|  | Average Annual Total Returns |        |        |                 | Inception Date |
|--|------------------------------|--------|--------|-----------------|----------------|
|  | 3 Months                     | 1 Year | 3 Year | Since Inception |                |
| Investor Class (MASGX)                   | 6.16%                        | 12.55% | 10.77% | 4.75%           | 4/30/15        |
| Institutional Class (MISFX)              | 6.14%                        | 12.74% | 11.01% | 4.99%           | 4/30/15        |
| MSCI AC Asia ex Japan Index <sup>4</sup> | 11.85%                       | 18.52% | 13.08% | 4.69%           |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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 [matthewsasiam.com](http://matthewsasiam.com).*

**GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS**



Plotted Monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

**TOP TEN HOLDINGS<sup>5</sup>**

|                                      | Sector                 | Country         | % of Net Assets |
|--------------------------------------|------------------------|-----------------|-----------------|
| Samsung SDI Co., Ltd., Pfd.          | Information Technology | South Korea     | 5.1%            |
| Unicharm Corp.                       | Consumer Staples       | Japan           | 3.8%            |
| IndusInd Bank, Ltd.                  | Financials             | India           | 3.6%            |
| CSPC Pharmaceutical Group, Ltd.      | Health Care            | China/Hong Kong | 3.4%            |
| Shriram City Union Finance, Ltd.     | Financials             | India           | 3.2%            |
| Bandhan Bank, Ltd.                   | Financials             | India           | 3.2%            |
| China Conch Venture Holdings, Ltd.   | Industrials            | China/Hong Kong | 3.2%            |
| Yonghui Superstores Co., Ltd.        | Consumer Staples       | China/Hong Kong | 3.0%            |
| MTR Corp., Ltd.                      | Industrials            | China/Hong Kong | 3.0%            |
| Hong Kong Exchanges & Clearing, Ltd. | Financials             | China/Hong Kong | 2.9%            |
| <b>% OF ASSETS IN TOP TEN</b>        |                        |                 | <b>34.4%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

| COUNTRY ALLOCATION (%) <sup>6,7</sup>   |      |
|---|------|
| China/Hong Kong                         | 31.1 |
| India                                   | 18.0 |
| Japan                                   | 14.0 |
| Taiwan                                  | 9.1  |
| South Korea                             | 6.2  |
| Indonesia                               | 4.8  |
| Bangladesh                              | 4.6  |
| Singapore                               | 4.2  |
| Thailand                                | 2.5  |
| Philippines                             | 2.3  |
| Vietnam                                 | 1.0  |
| Pakistan                                | 0.9  |
| Cash and Other Assets, Less Liabilities | 1.2  |

| SECTOR ALLOCATION (%) <sup>7</sup>      |      |
|---|------|
| Financials                              | 21.4 |
| Industrials                             | 16.0 |
| Consumer Discretionary                  | 14.8 |
| Health Care                             | 13.7 |
| Consumer Staples                        | 10.2 |
| Information Technology                  | 9.6  |
| Communication Services                  | 7.2  |
| Real Estate                             | 3.4  |
| Materials                               | 1.6  |
| Utilities                               | 0.9  |
| Cash and Other Assets, Less Liabilities | 1.2  |

| MARKET CAP EXPOSURE (%) <sup>7</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 14.1 |
| Large Cap (\$10B-\$25B)                 | 29.9 |
| Mid Cap (\$3B-10B)                      | 18.6 |
| Small Cap (under \$3B)                  | 36.2 |
| Cash and Other Assets, Less Liabilities | 1.2  |

<sup>6</sup> Not all countries are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

## Matthews Asia ESG Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

detractor during the year. Its strong tractor franchise also suffered weak sales due to the rural downturn but maintained its strong industry leadership. The stock was trading at attractive valuations and we remained confident in its ability to introduce new products and grow profitably as the cycle improves.

In contrast, stock selection in China/Hong Kong was a strong contributor to relative performance for the year. China's broader equity markets were a particularly strong performer within the region, led by A-shares and select large-cap consumer discretionary, financials and communication services companies. Key themes impacting China's equity markets during the year included U.S.–China trade tensions, the health of China's economy, corporate earnings for Chinese companies and Hong Kong protests. Against this backdrop, Chinese equities climbed a wall of worry and posted strong returns for the year. Turning to individual stocks in China, biologics company Wuxi Biologics was a strong performer for the year. Chinese health care companies exhibited strong innovation against the constructive backdrop of a reformed regulatory and drug-approval process. China increasingly is part of an interoperable global regulatory regime and also has strong domestic and overseas-trained research talent, excellent enabling infrastructure and abundant venture-capital funding. Our holdings delivered strong profit growth during the year and generated strong performance.

#### **Notable Portfolio Changes:**

During the fourth quarter, the Fund initiated a position in Yonghui Superstores, a leading Chinese supermarket operator. Yonghui is well-known for its ability to directly source, distribute and retail fresh food nationally and had the highest share of fresh food as a percentage of sales among national players. Its direct sourcing and supply-chain capabilities enable it to sell low-priced fresh produce to price-sensitive customers while having one of the lowest food-wastage rates in the industry. The company has perhaps the best direct-sourcing capabilities in the industry, given its large dedicated and distributed procurement teams, and it also made strategic investments in producers, which ensure quality control, food safety and supply-chain traceability. The company also has a differentiated profit-sharing and partnership plan for most of its purchasing and retail store-based staff.

#### **Outlook:**

Asia enters 2020 with a positive backdrop of a partial U.S.–China trade truce, an improved global economic outlook, cyclically bottoming sectors such as computer memory, strong expectations of a 5G network rollout and central banks with ammunition to stimulate growth.

In India, the incumbent Bharatiya Janata Party won a resounding election victory in 2019, giving it a clear mandate for action. The government unfortunately focused on its political priorities and not on turning around the weak economy for a few months after it came back to power. But policymakers gave markets a positive surprise toward the end of 2019 by lowering interest rates and cutting corporate taxes, both of which should aid the economy and market over the coming year.

South Korean corporate earnings suffered significantly in 2019 due to a weak information technology cycle (especially computer memory) and strong minimum-wage hikes. Going into 2020, South Korea could benefit from the uplift in global sentiment and trade along with an expected boost in DRAM prices, cyclical reflation and a low base of earnings. Turning to China, we continue to look out for trade-related friction as the U.S and China work through the more-substantial and difficult negotiations involving things such as intellectual property protections and state support to certain industries.

Quality-of-life concerns are becoming increasingly important for Asia's middle class. Rising incomes mean that consumers increasingly seek products and services that address issues such as air and water pollution, financial inclusion, access to affordable health care and product safety. We believe these developments create attractive investment opportunities.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 93.7%

|   | Shares    | Value             |
|---|-----------|-------------------|
| <b>CHINA/HONG KONG: 31.1%</b>   |           |                   |
| CSPC Pharmaceutical Group, Ltd.   | 788,000   | \$1,880,482       |
| China Conch Venture Holdings, Ltd.  | 402,000   | 1,753,488         |
| Yonghui Superstores Co., Ltd. A Shares  | 1,536,795 | 1,666,063         |
| MTR Corp., Ltd.   | 276,500   | 1,633,981         |
| Hong Kong Exchanges & Clearing, Ltd.  | 49,900    | 1,621,138         |
| AIA Group, Ltd.   | 126,000   | 1,325,264         |
| Meituan Dianping Class B <sup>b,c</sup>   | 93,400    | 1,220,379         |
| Wuxi Biologics Cayman, Inc. <sup>b,c,d</sup>  | 96,000    | 1,215,883         |
| New Oriental Education & Technology Group, Inc. ADR <sup>b</sup>                        | 9,300     | 1,127,625         |
| HKBN, Ltd.  | 567,000   | 950,713           |
| Haier Electronics Group Co., Ltd.   | 258,000   | 806,079           |
| Tencent Music Entertainment Group ADR <sup>b</sup>                                      | 68,600    | 805,364           |
| Xinyi Glass Holdings, Ltd.  | 476,000   | 630,690           |
| Guangdong Investment, Ltd.  | 248,000   | 518,707           |
| Beijing Urban Construction Design & Development Group Co., Ltd. H Shares <sup>c,d</sup> | 199,000   | 58,971            |
| <b>Total China/Hong Kong</b>  |           | <b>17,214,827</b> |
| <b>INDIA: 18.0%</b>   |           |                   |
| IndusInd Bank, Ltd.   | 94,425    | 1,997,927         |
| Shriram City Union Finance, Ltd.  | 90,434    | 1,776,555         |
| Bandhan Bank, Ltd. <sup>c,d</sup>   | 247,532   | 1,763,241         |
| Mahindra & Mahindra, Ltd.   | 215,746   | 1,607,639         |
| Lupin, Ltd.   | 72,862    | 779,824           |
| Syngene International, Ltd. <sup>c,d</sup>  | 126,017   | 565,220           |
| NBCC India, Ltd.  | 1,117,223 | 545,598           |
| Minda Industries, Ltd.  | 106,071   | 522,864           |
| TeamLease Services, Ltd. <sup>b</sup>   | 11,562    | 401,935           |
| <b>Total India</b>  |           | <b>9,960,803</b>  |
| <b>JAPAN: 14.0%</b>   |           |                   |
| Unicharm Corp.  | 62,600    | 2,113,828         |
| Tsukui Corp.  | 263,800   | 1,425,211         |
| Sohgo Security Services Co., Ltd.   | 19,000    | 1,028,374         |
| Fuji Seal International, Inc.   | 39,100    | 867,226           |
| UT Group Co., Ltd.  | 24,800    | 739,073           |
| Koa Corp.   | 40,400    | 502,001           |
| Bunka Shutter Co., Ltd.   | 54,100    | 476,705           |
| Sosei Group Corp. <sup>b</sup>  | 21,300    | 422,972           |
| LITALICO, Inc. <sup>b</sup>   | 7,600     | 162,971           |
| <b>Total Japan</b>  |           | <b>7,738,361</b>  |
| <b>TAIWAN: 9.1%</b>   |           |                   |
| Sporton International, Inc.   | 139,903   | 994,815           |
| Poya International Co., Ltd.  | 59,000    | 829,559           |
| Zhen Ding Technology Holding, Ltd.  | 161,000   | 772,490           |
| Taiwan Sakura Corp.   | 437,000   | 687,472           |
| Delta Electronics, Inc.   | 121,000   | 612,305           |
| Merida Industry Co., Ltd.   | 99,000    | 582,171           |
| Taiwan Semiconductor Manufacturing Co., Ltd.  | 46,000    | 509,120           |
| Sitronix Technology Corp.   | 4,000     | 22,368            |
| <b>Total Taiwan</b>   |           | <b>5,010,300</b>  |

|  | Shares     | Value             |
|--|------------|-------------------|
| <b>INDONESIA: 4.8%</b>                           |            |                   |
| PT Bank Rakyat Indonesia Persero                 | 4,677,300  | \$1,480,487       |
| PT Jaya Real Property                            | 19,083,700 | 824,632           |
| PT BFI Finance Indonesia                         | 8,772,200  | 352,085           |
| <b>Total Indonesia</b>                           |            | <b>2,657,204</b>  |
| <b>BANGLADESH: 4.6%</b>                          |            |                   |
| BRAC Bank, Ltd. <sup>b</sup>                     | 2,261,362  | 1,520,982         |
| GrameenPhone, Ltd.                               | 243,341    | 819,210           |
| Square Pharmaceuticals, Ltd.                     | 97,314     | 217,795           |
| <b>Total Bangladesh</b>                          |            | <b>2,557,987</b>  |
| <b>SINGAPORE: 4.2%</b>                           |            |                   |
| SATS, Ltd.                                       | 183,100    | 689,210           |
| Raffles Medical Group, Ltd.                      | 756,400    | 562,400           |
| Delfi, Ltd.                                      | 744,400    | 551,263           |
| Ascendas India Trust                             | 450,000    | 518,607           |
| <b>Total Singapore</b>                           |            | <b>2,321,480</b>  |
| <b>THAILAND: 2.5%</b>                            |            |                   |
| Total Access Communication Public Co., Ltd. NVDR | 776,900    | 1,388,382         |
| <b>Total Thailand</b>                            |            | <b>1,388,382</b>  |
| <b>PHILIPPINES: 2.4%</b>                         |            |                   |
| Puregold Price Club, Inc.                        | 1,649,330  | 1,294,518         |
| <b>Total Philippines</b>                         |            | <b>1,294,518</b>  |
| <b>SOUTH KOREA: 1.1%</b>                         |            |                   |
| iMarketKorea, Inc.                               | 58,673     | 526,216           |
| Eugene Technology Co., Ltd.                      | 6,207      | 88,432            |
| <b>Total South Korea</b>                         |            | <b>614,648</b>    |
| <b>VIETNAM: 1.0%</b>                             |            |                   |
| Nam Long Investment Corp.                        | 462,599    | 549,242           |
| <b>Total Vietnam</b>                             |            | <b>549,242</b>    |
| <b>PAKISTAN: 0.9%</b>                            |            |                   |
| Abbott Laboratories Pakistan, Ltd.               | 171,950    | 496,070           |
| <b>Total Pakistan</b>                            |            | <b>496,070</b>    |
| <b>TOTAL COMMON EQUITIES</b>                     |            | <b>51,803,822</b> |
| (Cost \$48,257,410)                              |            |                   |
| <b>PREFERRED EQUITIES: 5.1%</b>                  |            |                   |
| <b>SOUTH KOREA: 5.1%</b>                         |            |                   |
| Samsung SDI Co., Ltd., Pfd.                      | 35,270     | 2,811,902         |
| <b>Total South Korea</b>                         |            | <b>2,811,902</b>  |
| <b>TOTAL PREFERRED EQUITIES</b>                  |            | <b>2,811,902</b>  |
| (Cost \$2,558,392)                               |            |                   |
| <b>TOTAL INVESTMENTS: 98.8%</b>                  |            | <b>54,615,724</b> |
| (Cost \$50,815,802)                              |            |                   |

*Schedule of Investments<sup>a</sup> (continued)*

PREFERRED EQUITIES (continued)

|  | <u>Value</u>               |   |
|--|----------------------------|---|
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 1.2%</b> | <b><u>\$683,108</u></b>    |   |
| <b>NET ASSETS: 100.0%</b>                                | <b><u>\$55,298,832</u></b> |   |
|  |                            | a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).  |
|  |                            | b Non-income producing security.  |
|  |                            | c The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.  |
|  |                            | d Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$3,603,315, which is 6.52% of net assets. |
|  |                            | ADR American Depositary Receipt   |
|  |                            | NVDR Non-voting Depositary Receipt  |
|  |                            | Pfd. Preferred  |

See accompanying notes to financial statements.



## PORTFOLIO MANAGERS

**Taizo Ishida**  
Lead Manager

**Robert Harvey, CFA**  
Lead Manager

## FUND FACTS

|   | Investor        | Institutional |
|---|-----------------|---------------|
| Ticker  | MEASX           | MIASX         |
| CUSIP   | 577125883       | 577125875     |
| Inception                                       | 4/30/13         | 4/30/13       |
| NAV   | \$12.07         | \$12.13       |
| Initial Investment                              | \$2,500         | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.65%           | 1.51%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.46%           | 1.25%         |
| <b>Portfolio Statistics</b>                     |                 |               |
| Total # of Positions                            | 57              |               |
| Net Assets                                      | \$320.2 million |               |
| Weighted Average Market Cap                     | \$1.9 billion   |               |
| Portfolio Turnover <sup>3</sup>                 | 18.77%          |               |
| <b>Benchmark</b>                                |                 |               |
| MSCI Emerging Markets Asia Index                |                 |               |

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia excluding Japan, South Korea, Hong Kong and Singapore. The Fund may also invest in the convertible securities, of any duration or quality, of companies located in Asia excluding Japan, South Korea, Hong Kong and Singapore. Under normal market conditions, the Fund is expected to invest a substantial portion of its net assets in the emerging countries and markets in the Asian region, including, but not limited to, Bangladesh, Cambodia, China (including Taiwan, but excluding Hong Kong), India, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, and Vietnam.

# Matthews Emerging Asia Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Emerging Asia Fund returned -1.01% (Investor Class) and -0.85% (Institutional Class), while its benchmark the MSCI Emerging Markets Asia Index, returned 19.65%. For the fourth quarter, the Fund returned 5.94% (Investor Class) and 5.91% (Institutional Class) versus 12.59% for the Index.

### Market Environment:

The North Asian markets of Taiwan, China and South Korea were strong performers in 2019, while the South and Southeast Asian markets of India, Malaysia, the Philippines and Indonesia ended the year with positive, but less robust, returns. Despite U.S.–China trade tensions and political protests in Hong Kong, Chinese equities climbed a wall of worry and delivered some of the highest returns in the region. Meanwhile, expectations for 5G rollout globally led to positive sentiment for IT hardware companies in Taiwan.

In contrast, sentiment was weaker in 2019 toward many frontier and less-developed markets in Asia. India's economy suffered a significant slowdown in growth throughout the year, which depressed earnings in many sectors—especially in consumer discretionary, health care and industrials. India's broader equity market generated positive, but single digit, returns. A bombing in Sri Lanka in April 2019 caused economic disruption and dampened sentiment. In Pakistan, sharp currency weakness and the resulting tepid economy may have kept some investors on the sidelines, even as equity prices showed modest gains. Thailand's equity markets were slightly negative for the year.

While equity returns in less-developed parts of Asia lagged their more-developed peers in the benchmark, there were positive developments in 2019 for frontier Asia economies. Policymakers in many frontier and less-developed Asian markets took constructive steps to support growth. Interest rates remained low across much of the region. And U.S.–China trade tensions, while appearing to ease, nonetheless spurred interest in building out local supply chains within Asia, including in South and Southeast Asia.

### Performance Contributors and Detractors:

The Fund's focus on less-developed markets accounted for much of the Fund's relative underperformance versus its benchmark for the full year 2019. Taiwan, China and South Korea collectively made up more than three-quarters of the benchmark at year-end 2019, resulting in benchmark returns heavily swayed by more-developed countries within Asia. The Fund has no holdings in Taiwan, China or South Korea. Over longer time horizons, we believe that less-developed markets have attractive growth potential and are fertile environments for active management.

From an individual stock perspective, PC Jeweller was a detractor from performance in 2019. The stock price declined amid negative investor sentiment about the company, subject to persistent rumors and hearsay. We decided to exit the stock. Other detractors include two cigarette producers: Gudang Garam, based in Indonesia; and British American Tobacco, based in Bangladesh. The primary reasons for the softness in share prices were concerns over higher local excise taxes

(continued)

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

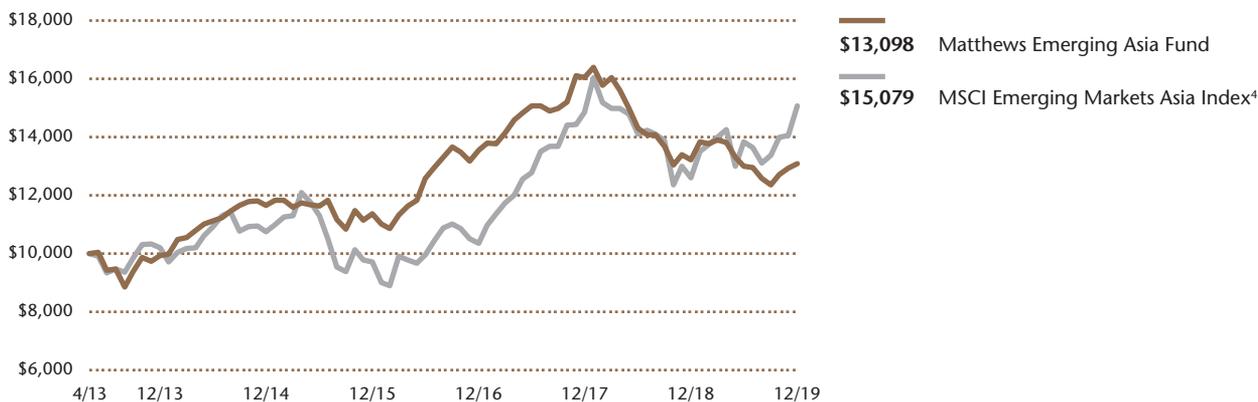
3 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

**PERFORMANCE AS OF DECEMBER 31, 2019**

|   | Average Annual Total Returns |        |         |         |                 | Inception Date |
|---|------------------------------|--------|---------|---------|-----------------|----------------|
|   | 3 Months                     | 1 Year | 3 Years | 5 Years | Since Inception |                |
| Investor Class (MEASX)                        | 5.94%                        | -1.01% | -1.14%  | 2.34%   | 4.13%           | 4/30/13        |
| Institutional Class (MIASX)                   | 5.91%                        | -0.85% | -0.94%  | 2.57%   | 4.36%           | 4/30/13        |
| MSCI Emerging Markets Asia Index <sup>4</sup> | 12.59%                       | 19.65% | 13.30%  | 7.00%   | 6.35%           |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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 [matthewsasiam.com](http://matthewsasiam.com).*

**GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS**



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gain distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

**TOP TEN HOLDINGS<sup>5</sup>**

|                                 | Sector                 | Country     | % of Net Assets |
|---------------------------------|------------------------|-------------|-----------------|
| PT Kino Indonesia               | Consumer Staples       | Indonesia   | 3.7%            |
| Cosco Capital, Inc.             | Consumer Staples       | Philippines | 3.7%            |
| Sampath Bank PLC                | Financials             | Sri Lanka   | 3.5%            |
| Phu Nhuan Jewelry JSC           | Consumer Discretionary | Vietnam     | 3.5%            |
| Vinh Hoan Corp.                 | Consumer Staples       | Vietnam     | 3.4%            |
| L&T Finance Holdings, Ltd.      | Financials             | India       | 3.1%            |
| John Keells Holdings PLC        | Industrials            | Sri Lanka   | 3.0%            |
| PT Bank Mandiri Persero         | Financials             | Indonesia   | 2.8%            |
| PT Adira Dinamika Multi Finance | Financials             | Indonesia   | 2.8%            |
| Indus Motor Co., Ltd.           | Consumer Discretionary | Pakistan    | 2.7%            |
| <b>% OF ASSETS IN TOP TEN</b>   |                        |             | <b>32.2%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

# Matthews Emerging Asia Fund

## Portfolio Manager Commentary (unaudited) (continued)

and the potential for “vaping” to reduce demand longer term. Globally the sector was weak, but we believe the companies are well-run and have a solid track record of profitability. We continue to hold and monitor the positions.

Turning to contributors, three small-cap companies stood out as strong performers. Bank Tabungan Pensiunan Nasional Syariah is a microlender in Indonesia. Following strong price gains for its shares (making valuations look expensive) and disappointing changes in management, we decided to sell the entire position late in the year to realize a solid profit. LOLC Holdings, a non-banking financial company based in Sri Lanka, was another strong contributor. The company announced the sale of its stake in a Cambodian business, generating attractive gains from the sale proceeds. PT Kino Indonesia is an Indonesian consumer staples company. The company's management team made significant enhancements to the firm's marketing and distribution teams through restructuring. The firm also has what we believe is a competitive range of products tailored to the needs of local consumers in Indonesia, possibly giving it an edge over global brands that may not recognize similar opportunities in Indonesia's market.

### Notable Portfolio Changes:

A notable change in the portfolio was the sale of our remaining positions in Hong Kong. The portfolio held no securities in China/Hong Kong at the end of 2019. The change allowed us to sharpen our focus on less-developed economies in Asia. As mentioned earlier, we also sold our positions in PC Jeweller and Pensiunan Nasional Syariah. With PC Jeweller, we lost faith in the management team and exited our small remaining position. With Pensiunan Nasional Syariah, valuations looked high on recent stock gains and we also were disappointed with recent management changes.

### Outlook:

Looking ahead, we believe the structural opportunities in Asia's most undeveloped equity markets remain attractive. With relatively young, large populations, low levels of development and relatively fast-growing economies, many of these markets have an attractive growth trajectory. In terms of risks, smaller markets tend to be inefficient and can experience large performance swings. They also can be subject to a negative impact from sudden changes in global oil prices, as many economies import much of their energy.

We expect the business cycles in Indonesia, Pakistan and Sri Lanka to pick up in 2020 after a number of difficult years. We believe these recovering economies and more-stable currencies will deliver strong earnings growth in future years. Valuations for the Fund's holdings are the lowest we have seen since the Fund's inception, suggesting considerable room for upward movement. Improving business cycles should support both earnings growth and better stock-market performance over the long term. We continue to offer exposure to the most underdeveloped markets in Asia, with a focus on valuations and consumer-facing growth opportunities.

|   |      |
|---|------|
| Vietnam                                 | 22.2 |
| Indonesia                               | 17.8 |
| Pakistan                                | 16.6 |
| Sri Lanka                               | 15.0 |
| Bangladesh                              | 11.9 |
| Philippines                             | 7.5  |
| India                                   | 6.8  |
| Australia                               | 0.9  |
| Singapore                               | 0.9  |
| Cash and Other Assets, Less Liabilities | 0.4  |

|   |      |
|---|------|
| Consumer Staples                        | 30.4 |
| Financials                              | 25.2 |
| Consumer Discretionary                  | 20.5 |
| Industrials                             | 7.9  |
| Health Care                             | 6.7  |
| Materials                               | 3.7  |
| Real Estate                             | 3.2  |
| Information Technology                  | 1.1  |
| Energy                                  | 0.9  |
| Cash and Other Assets, Less Liabilities | 0.4  |

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 2.8  |
| Large Cap (\$10B–\$25B)                 | 0.0  |
| Mid Cap (\$3B–10B)                      | 11.5 |
| Small Cap (under \$3B)                  | 85.4 |
| Cash and Other Assets, Less Liabilities | 0.4  |

<sup>6</sup> Not all countries where the Fund may invest are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 99.6%

|  | Shares     | Value             |
|--|------------|-------------------|
| <b>VIETNAM: 22.2%</b>                              |            |                   |
| Phu Nhuan Jewelry JSC                              | 2,996,054  | \$11,127,768      |
| Vinh Hoan Corp.                                    | 6,310,160  | 10,799,328        |
| Taisun International Holding Corp.                 | 1,739,000  | 7,947,527         |
| Nam Long Investment Corp.                          | 6,263,982  | 7,437,208         |
| Mobile World Investment Corp.                      | 1,360,605  | 6,697,750         |
| Saigon Beer Alcohol Beverage Corp.                 | 596,480    | 5,868,915         |
| Military Commercial Joint Stock Bank               | 6,050,438  | 5,439,006         |
| Domesco Medical Import Export JSC                  | 1,463,950  | 4,548,685         |
| Vietnam National Seed Group JSC <sup>†</sup>       | 1,126,522  | 4,375,315         |
| Thien Long Group Corp.                             | 1,888,750  | 3,252,179         |
| Tien Phong Plastic JSC                             | 1,404,936  | 1,958,331         |
| Lix Detergent JSC                                  | 854,305    | 1,585,289         |
| <b>Total Vietnam</b>                               |            | <b>71,037,301</b> |
| <b>INDONESIA: 17.8%</b>                            |            |                   |
| PT Kino Indonesia                                  | 48,121,000 | 11,889,431        |
| PT Bank Mandiri Persero                            | 16,343,800 | 9,030,988         |
| PT Adira Dinamika Multi Finance                    | 11,898,800 | 8,909,063         |
| PT Gudang Garam                                    | 2,023,300  | 7,718,175         |
| PT Ramayana Lestari Sentosa                        | 89,534,600 | 6,867,396         |
| PT Hexindo Adiperkasa                              | 20,441,800 | 5,109,530         |
| PT BFI Finance Indonesia                           | 68,884,100 | 2,764,761         |
| PT Mayora Indah                                    | 17,293,700 | 2,552,320         |
| PT Catur Sentosa Adiprana                          | 70,131,000 | 2,273,290         |
| <b>Total Indonesia</b>                             |            | <b>57,114,954</b> |
| <b>PAKISTAN: 16.6%</b>                             |            |                   |
| Indus Motor Co., Ltd.                              | 1,171,670  | 8,797,883         |
| PAK Suzuki Motor Co., Ltd. <sup>†</sup>            | 5,221,400  | 7,778,239         |
| United Bank, Ltd.                                  | 6,916,900  | 7,347,238         |
| Hascol Petroleum, Ltd. <sup>b</sup>                | 41,934,510 | 7,284,011         |
| Meezan Bank, Ltd.                                  | 10,953,697 | 6,728,604         |
| Shifa International Hospitals, Ltd.                | 2,676,951  | 5,788,637         |
| GlaxoSmithKline Consumer Healthcare Pakistan, Ltd. | 2,736,257  | 4,530,598         |
| ICI Pakistan, Ltd.                                 | 812,500    | 3,540,604         |
| Honda Atlas Cars Pakistan, Ltd.                    | 995,500    | 1,407,386         |
| <b>Total Pakistan</b>                              |            | <b>53,203,200</b> |
| <b>SRI LANKA: 15.0%</b>                            |            |                   |
| Sampath Bank PLC                                   | 12,474,412 | 11,170,532        |
| John Keells Holdings PLC                           | 10,252,786 | 9,474,111         |
| LOLC Holdings PLC <sup>b</sup>                     | 6,955,959  | 6,807,348         |
| Teejay Lanka PLC                                   | 27,135,984 | 6,104,194         |
| Ceylon Cold Stores PLC                             | 1,300,382  | 5,699,814         |
| Commercial Bank of Ceylon PLC                      | 6,007,112  | 3,146,385         |
| Expolanka Holdings PLC                             | 94,231,424 | 2,649,650         |
| Ceylon Tobacco Co. PLC                             | 361,292    | 2,191,755         |
| LB Finance PLC                                     | 1,100,000  | 929,731           |
| <b>Total Sri Lanka</b>                             |            | <b>48,173,520</b> |

|  | Shares      | Value                |
|--|-------------|----------------------|
| <b>BANGLADESH: 11.9%</b>                                 |             |                      |
| British American Tobacco Bangladesh Co., Ltd.            | 763,745     | \$8,735,239          |
| Square Pharmaceuticals, Ltd.                             | 3,776,829   | 8,452,765            |
| Berger Paints Bangladesh, Ltd.                           | 512,128     | 8,327,849            |
| BRAC Bank, Ltd. <sup>b</sup>                             | 8,380,277   | 5,636,537            |
| Marico Bangladesh, Ltd.                                  | 208,701     | 4,113,958            |
| Olympic Industries, Ltd.                                 | 1,378,031   | 2,678,310            |
| <b>Total Bangladesh</b>                                  |             | <b>37,944,658</b>    |
| <b>PHILIPPINES: 7.5%</b>                                 |             |                      |
| Cosco Capital, Inc.                                      | 86,645,900  | 11,721,066           |
| Universal Robina Corp.                                   | 1,752,830   | 5,018,469            |
| Shakey's Pizza Asia Ventures, Inc.                       | 21,421,400  | 4,176,000            |
| STI Education Systems Holdings, Inc.                     | 266,965,000 | 3,162,780            |
| <b>Total Philippines</b>                                 |             | <b>24,078,315</b>    |
| <b>INDIA: 6.8%</b>                                       |             |                      |
| L&T Finance Holdings, Ltd.                               | 5,911,586   | 9,824,972            |
| Vakrangee, Ltd.  | 5,467,880   | 3,667,023            |
| Praj Industries, Ltd.                                    | 2,015,566   | 2,898,146            |
| Shriram Transport Finance Co., Ltd.                      | 174,855     | 2,868,843            |
| Caplin Point Laboratories, Ltd.                          | 407,888     | 1,721,118            |
| Poly Medicare, Ltd.                                      | 295,905     | 903,947              |
| <b>Total India</b>                                       |             | <b>21,884,049</b>    |
| <b>AUSTRALIA: 0.9%</b>                                   |             |                      |
| Oil Search, Ltd.   | 551,433     | 2,811,778            |
| <b>Total Australia</b>                                   |             | <b>2,811,778</b>     |
| <b>SINGAPORE: 0.9%</b>                                   |             |                      |
| Yoma Strategic Holdings, Ltd. <sup>b</sup>               | 10,610,166  | 2,761,191            |
| <b>Total Singapore</b>                                   |             | <b>2,761,191</b>     |
| <b>TOTAL INVESTMENTS: 99.6%</b>                          |             | <b>319,008,966</b>   |
| (Cost \$332,094,702)                                     |             |                      |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.4%</b> |             | <b>1,173,033</b>     |
| <b>NET ASSETS: 100.0%</b>                                |             | <b>\$320,181,999</b> |

a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).  
 b Non-income producing security.  
 † Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)  
 JSC Joint Stock Co.

See accompanying notes to financial statements.



## PORTFOLIO MANAGERS

**Michael J. Oh, CFA**  
Lead Manager

**Tiffany Hsiao, CFA**  
Co-Manager

## FUND FACTS

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MATFX     | MITEX         |
| CUSIP                            | 577130883 | 577125859     |
| Inception                        | 12/27/99  | 4/30/13       |
| NAV                              | \$14.55   | \$14.64       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.19%     | 1.05%         |

### Portfolio Statistics

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 36              |
| Net Assets                      | \$304.5 million |
| Weighted Average Market Cap     | \$117.6 billion |
| Portfolio Turnover <sup>2</sup> | 80.10%          |

### Benchmark

MSCI AC Asia ex Japan Index

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia that Matthews believes are innovators in their products, services, processes, business models, management, use of technology, or approach to creating, expanding or servicing their markets. Asia consists of all countries and markets in Asia, including developed, emerging, and frontier countries and markets in the Asian region.

# Matthews Asia Innovators Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Innovators Fund returned 29.60% (Investor Class) and 29.71% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 18.52% over the same period. For the quarter of the year, the Fund returned 13.21% (Investor Class) and 13.30% (Institutional Class) versus 11.85% for the Index.

### Market Environment:

Asia ex Japan equities generated attractive returns in 2019, amid periods of volatility. China was a particularly strong performer, led by A-shares and select large-cap consumer discretionary, financials and communication services companies. Key themes impacting China's equity markets during the year included U.S.–China trade tensions, the health of China's economy, corporate earnings for Chinese companies and Hong Kong protests. Against this background, Chinese equities climbed a wall of worry and posted strong returns.

India's equity market was positive in 2019, but lagged the broader region. Over the past couple of years, India implemented financial reforms to increase tax collections and create a more-level playing field for businesses. These reforms were positive for the long term, but created softer growth in the short term. India's policymakers gave markets a positive surprise in the second half of 2019 by lowering interest rates and cutting corporate taxes, both of which should be positive for growth.

South Korea's equities also underperformed broader Asia and emerging markets in 2019. Government policies showed mixed results as corporate earnings and hiring tendencies were negatively affected by stiff hikes in the minimum wage over the past two years. In fact, South Korean corporate earnings suffered significantly in 2019, which was a primary reason for underperformance. Going into 2020, however, South Korea should benefit from an uplift in global sentiment and trade, along with an expected boost in DRAM prices, cyclical reflation and a low base of earnings.

### Performance Contributors and Detractors:

The Fund outperformed its benchmark for the full year 2019. The largest contributor to performance was the Fund's overweight to China. Despite all the media noise over U.S.–China trade tensions, we believed that fundamentals ultimately drove China's strong returns. With conviction in our bottom-up stock selection process, we stuck to our investment thesis around our China holdings. Notably, we looked for companies that we believed had the potential to perform well regardless of the outcome of U.S.–China trade negotiations. Chinese information-technology company Silergy was a performance contributor for the year. As China's largest analog semiconductor company, its share price benefited from China's trend of looking for local technology solutions, as well as the semiconductor demand recovery.

The Fund's underweight to Taiwan, meanwhile, was a detractor. Sentiment toward information technology hardware companies, particularly those domiciled in Taiwan, was strong during the year on investor expectations related to the rollout of 5G globally. South Korean confectionary maker Orion also detracted from performance. The company was slow to introduce new products into China, but recent product launches showed momentum. We remain constructive on the company's underlying business and continue to monitor the position.

### Notable Portfolio Changes:

In the fourth quarter, we initiated a position in Alphamab Oncology, a Chinese clinical-stage biopharmaceutical company, by participating in the company's initial

(continued)

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MATFX)                   | 13.21%                       | 29.60% | 17.26%  | 8.90%   | 10.22%   | 4.12%              | 12/27/99       |
| Institutional Class (MITEX)              | 13.30%                       | 29.71% | 17.48%  | 9.09%   | n.a.     | 11.88%             | 4/30/13        |
| MSCI AC Asia ex Japan Index <sup>3</sup> | 11.85%                       | 18.52% | 13.08%  | 6.86%   | 6.33%    | 6.44% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasia.com](http://matthewsasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 12/31/99.

## TOP TEN HOLDINGS<sup>5</sup>

|  | Sector                 | Country         | % of Net Assets |
|--|------------------------|-----------------|-----------------|
| Alibaba Group Holding, Ltd.                  | Consumer Discretionary | China/Hong Kong | 8.3%            |
| HDFC Bank, Ltd.                              | Financials             | India           | 5.1%            |
| Tencent Holdings, Ltd.                       | Communication Services | China/Hong Kong | 4.6%            |
| Samsung Electronics Co., Ltd., Pfd.          | Information Technology | South Korea     | 4.5%            |
| AIA Group, Ltd.                              | Financials             | China/Hong Kong | 4.3%            |
| Sea, Ltd.                                    | Communication Services | Singapore       | 4.3%            |
| TAL Education Group                          | Consumer Discretionary | China/Hong Kong | 4.2%            |
| Wuxi Biologics Cayman, Inc.                  | Health Care            | China/Hong Kong | 3.8%            |
| Jiangsu Hengrui Medicine Co., Ltd.           | Health Care            | China/Hong Kong | 3.7%            |
| Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. | Consumer Staples       | China/Hong Kong | 3.6%            |
| <b>% OF ASSETS IN TOP TEN</b>                |                        |                 | <b>46.4%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

## Matthews Asia Innovators Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

public offering (IPO). Growing demand for innovative health care drugs in China is a long-term secular trend that we believe could benefit the company over the long term. We joined the IPO as a cornerstone investor and the company's stock rose considerably after becoming publicly traded. We also exited a position in Bank Tabungan Pensiunan Nasi, a small Indonesian bank. The company did well and the valuation became too high in our view. Accordingly, we took profits and exited the position.

#### **Outlook:**

The progress of U.S.–China trade negotiations waxed and waned in 2019. During the fourth quarter, however, trade tensions eased and foreign sentiment improved considerably. While details of a U.S.–China deal were sparse at year end, market participants seemed encouraged by improvements in rhetoric and tone. A larger trend we are following is that China is increasingly finding local supply-chain solutions in order to reduce the potential impact of global trade tensions on its economy. We expect this localization trend to continue, with China replacing much of its dependence on foreign technology with domestic know-how.

China and South Korea experienced their own political and trade-related tensions in recent years, which seemed to be easing as well. China and South Korea's relationship appeared to be improving, increasing opportunities for interregional trade. South Korea's domestic macroeconomic outlook remains a bit sluggish, but many Korean companies serve consumers across Asia and globally, creating growth opportunities for innovative Korean businesses. As always, active security selection remains key. As a core regional equity growth strategy, the Fund will continue to look for long-term secular growth opportunities driven by rising incomes, growing consumption and innovative, entrepreneurial companies across Asia.

#### **COUNTRY ALLOCATION (%)<sup>6,7</sup>**

|   |      |
|---|------|
| China/Hong Kong                         | 65.6 |
| India                                   | 12.3 |
| South Korea                             | 11.3 |
| Singapore                               | 4.3  |
| Vietnam                                 | 2.8  |
| Indonesia                               | 1.9  |
| Philippines                             | 1.0  |
| Cash and Other Assets, Less Liabilities | 0.9  |

#### **SECTOR ALLOCATION (%)<sup>7</sup>**

|   |      |
|---|------|
| Consumer Discretionary                  | 26.2 |
| Financials                              | 19.2 |
| Communication Services                  | 16.0 |
| Consumer Staples                        | 12.3 |
| Health Care                             | 11.3 |
| Information Technology                  | 11.2 |
| Real Estate                             | 3.0  |
| Cash and Other Assets, Less Liabilities | 0.9  |

#### **MARKET CAP EXPOSURE (%)<sup>7</sup>**

|   |      |
|---|------|
| Mega Cap (over \$25B)                   | 53.6 |
| Large Cap (\$10B–\$25B)                 | 22.4 |
| Mid Cap (\$3B–10B)                      | 12.2 |
| Small Cap (under \$3B)                  | 10.9 |
| Cash and Other Assets, Less Liabilities | 0.9  |

<sup>6</sup> Not all countries are included in the benchmark index.

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 94.6%

|   | Shares    | Value              |
|---|-----------|--------------------|
| <b>CHINA/HONG KONG: 65.6%</b>                           |           |                    |
| Alibaba Group Holding, Ltd. <sup>b</sup>                | 948,800   | \$25,228,926       |
| Tencent Holdings, Ltd.                                  | 292,800   | 14,105,979         |
| AIA Group, Ltd.   | 1,256,200 | 13,212,670         |
| TAL Education Group ADR <sup>b</sup>                    | 267,900   | 12,912,780         |
| Wuxi Biologics Cayman, Inc. <sup>b,c,d</sup>            | 910,000   | 11,525,558         |
| Jiangsu Hengrui Medicine Co., Ltd. A Shares             | 903,255   | 11,370,543         |
| Jiangsu Yanghe Brewery Joint-Stock Co., Ltd. A Shares   | 685,650   | 10,904,877         |
| Silergy Corp.   | 301,000   | 9,583,937          |
| Huazhu Group, Ltd. ADR                                  | 236,930   | 9,493,785          |
| Bilibili, Inc. ADR <sup>b</sup>                         | 498,200   | 9,276,484          |
| China Resources Land, Ltd.                              | 1,850,000 | 9,204,372          |
| Ping An Insurance Group Co. of China, Ltd. H Shares     | 751,500   | 8,892,851          |
| China International Travel Service Corp., Ltd. A Shares | 638,772   | 8,173,925          |
| Meituan Dianping Class B <sup>b,d</sup>                 | 567,100   | 7,409,816          |
| HUYA, Inc. ADR <sup>b</sup>                             | 299,100   | 5,368,845          |
| Alphamab Oncology <sup>b,c,d</sup>                      | 2,916,000 | 5,239,018          |
| Sun Art Retail Group, Ltd.                              | 3,948,500 | 4,791,100          |
| Midea Group Co., Ltd. A Shares                          | 534,589   | 4,484,853          |
| Proya Cosmetics Co., Ltd. A Shares                      | 353,938   | 4,481,406          |
| Kingdee International Software Group Co., Ltd.          | 4,385,000 | 4,386,931          |
| Haidilao International Holding, Ltd. <sup>c,d</sup>     | 890,000   | 3,574,438          |
| Innovent Biologics, Inc. <sup>b,c,d</sup>               | 1,037,500 | 3,541,165          |
| Venus MedTech Hangzhou, Inc. H Shares <sup>b,c,d</sup>  | 568,000   | 2,733,468          |
| <b>Total China/Hong Kong</b>                            |           | <b>199,897,727</b> |
| <b>INDIA: 12.3%</b>                                     |           |                    |
| HDFC Bank, Ltd.   | 869,846   | 15,521,137         |
| Housing Development Finance Corp., Ltd.                 | 262,324   | 8,869,818          |
| Info Edge India, Ltd.                                   | 192,322   | 6,816,992          |
| Kotak Mahindra Bank, Ltd.                               | 262,569   | 6,197,208          |
| <b>Total India</b>                                      |           | <b>37,405,155</b>  |
| <b>SOUTH KOREA: 6.8%</b>                                |           |                    |
| Orion Corp.   | 83,682    | 7,631,868          |
| LG Household & Health Care, Ltd.                        | 6,100     | 6,626,140          |
| SK Hynix, Inc.  | 78,469    | 6,382,492          |
| <b>Total South Korea</b>                                |           | <b>20,640,500</b>  |
| <b>SINGAPORE: 4.3%</b>                                  |           |                    |
| Sea, Ltd. ADR <sup>b</sup>                              | 325,900   | 13,107,698         |
| <b>Total Singapore</b>                                  |           | <b>13,107,698</b>  |
| <b>VIETNAM: 2.8%</b>                                    |           |                    |
| Mobile World Investment Corp.                           | 983,293   | 4,840,384          |
| Phu Nhuan Jewelry JSC                                   | 955,983   | 3,550,656          |
| <b>Total Vietnam</b>                                    |           | <b>8,391,040</b>   |

|                                  | Shares     | Value              |
|----------------------------------|------------|--------------------|
| <b>INDONESIA: 1.9%</b>           |            |                    |
| PT Bank Rakyat Indonesia Persero | 18,125,800 | \$5,737,286        |
| <b>Total Indonesia</b>           |            | <b>5,737,286</b>   |
| <b>PHILIPPINES: 0.9%</b>         |            |                    |
| Puregold Price Club, Inc.        | 3,696,270  | 2,901,110          |
| <b>Total Philippines</b>         |            | <b>2,901,110</b>   |
| <b>TOTAL COMMON EQUITIES</b>     |            | <b>288,080,516</b> |
| (Cost \$222,894,750)             |            |                    |

PREFERRED EQUITIES: 4.5%

|                                     |         |                   |
|-------------------------------------|---------|-------------------|
| <b>SOUTH KOREA: 4.5%</b>            |         |                   |
| Samsung Electronics Co., Ltd., Pfd. | 349,862 | 13,697,746        |
| <b>Total South Korea</b>            |         | <b>13,697,746</b> |
| <b>TOTAL PREFERRED EQUITIES</b>     |         | <b>13,697,746</b> |
| (Cost \$11,451,493)                 |         |                   |

|                                 |  |                    |
|---------------------------------|--|--------------------|
| <b>TOTAL INVESTMENTS: 99.1%</b> |  | <b>301,778,262</b> |
| (Cost \$234,346,243)            |  |                    |

CASH AND OTHER ASSETS,  
LESS LIABILITIES: 0.9%

**2,770,917**

NET ASSETS: 100.0%

**\$304,549,179**

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$26,613,647, which is 8.74% of net assets.
- d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- ADR American Depositary Receipt  
JSC Joint Stock Co.  
Pfd. Preferred

See accompanying notes to financial statements.



## PORTFOLIO MANAGERS

**Andrew Mattock, CFA**  
Lead Manager

**Winnie Chwang**  
Co-Manager

## FUND FACTS

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MCHF      | MICFX         |
| CUSIP                            | 577130701 | 577130818     |
| Inception                        | 2/19/98   | 10/29/10      |
| NAV                              | \$19.12   | \$19.08       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.09%     | 0.91%         |

### Portfolio Statistics

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 44              |
| Net Assets                      | \$902.4 million |
| Weighted Average Market Cap     | \$189.7 billion |
| Portfolio Turnover <sup>2</sup> | 68.93%          |

### Benchmarks

MSCI China Index

MSCI China All Shares Index

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in China. China includes its administrative and other districts, such as Hong Kong.

# Matthews China Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews China Fund returned 34.56% (Investor Class) and 34.90% (Institutional Class), while its benchmark, the MSCI China Index, returned 23.66%. For the fourth quarter, the Fund returned 16.56% (Investor Class) and 16.59% (Institutional Class) versus 14.72% for the Index.

### Market Environment:

Amid bouts of volatility, Chinese equities ultimately generated attractive performance over the course of 2019. Key themes impacting China's equity markets during the year included U.S.–China trade tensions, the health of China's economy, corporate earnings for Chinese companies and Hong Kong protests. Against this backdrop, Chinese equities climbed a wall of worry and posted strong returns for the Fund.

Amid global macroeconomic concerns, China's domestic A-share market (represented by the Shanghai and Shenzhen stock exchanges) performed considerably better during the reporting period than the offshore China Hong Kong stock exchange and U.S.-listed Chinese American depositary receipts (ADRs). Companies listed in the A-share market tend to represent domestic demand and the domestic consumer base, where local sentiment was fairly optimistic. In contrast, companies listed on the Hong Kong exchange and U.S. exchanges tend to have a larger share of foreign investors, whose sentiment was weak during the year on global macroeconomic worries. Accordingly, we often saw more-attractive relative valuations in the Hong Kong and U.S. markets compared with China's onshore markets. Notably, the Fund takes an all-shares approach and has the flexibility to buy securities on the exchanges where valuations appear attractive.

In terms of global macroeconomic headlines, the progress of U.S.–China trade negotiations waxed and waned considerably during the period. During the fourth quarter, trade tensions eased and foreign sentiment improved considerably. While details of a U.S.–China trade deal were sparse at year end, market participants seemed encouraged by the improvement in rhetoric and tone, as well as a possible rollback of tariffs. Amid trade tensions, we noticed an impetus on the ground in China for companies to substitute foreign technology for domestic know-how. Regardless of the outcome of trade tensions, we believe China is on a path toward greater technological independence. New supply-chain formations are creating opportunities for long-term investors in China's equity markets, in our view.

### Performance Contributors and Detractors:

The Fund outperformed its benchmark for the full-year 2019, as well as in the fourth quarter. From a sector perspective, consumer staples and health care were contributors to performance. Liquor producer Wuliangye Yibin is an example of positive stock selection in the consumer staples sector for the Fund. As the second-largest liquor company in China, Wuliangye Yibin specializes in manufacturing "baijiu," a clear liquor made from grain. Demonstrating high return on invested capital, Wuliangye Yibin also enjoyed improving earnings and a solid growth outlook. Sino Biopharmaceutical is an example of positive stock selection in the health care sector. Sino Biopharm is a leading pharmaceutical drug manufacturer in China. Despite the government's push for affordable health care and the overhang of price cuts in generic drugs, Sino Biopharm executed well in terms of diversifying and enhancing its product mix to include more innovative oncology drugs, which showed considerable growth.

In contrast, the consumer discretionary sector was a detractor. Travel and leisure-related names such as Trip.com, Galaxy and Shangri-La all contributed to underperformance in this sector. Official statistics painted a mixed picture of the health

(continued)

<sup>1</sup> Actual 2019 expense ratios.

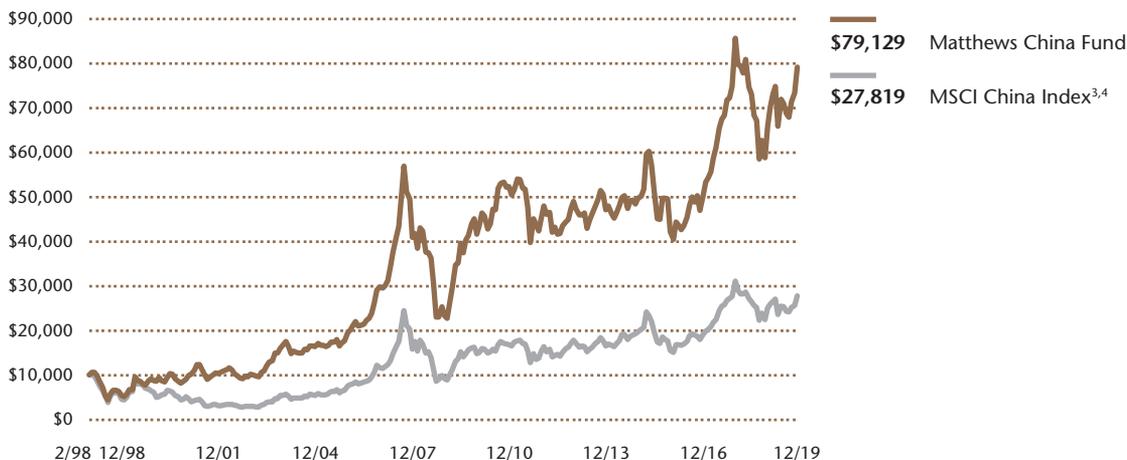
<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MCHFX)                   | 16.56%                       | 34.56% | 19.00%  | 10.35%  | 5.79%    | 9.92%              | 2/19/98        |
| Institutional Class (MICFX)              | 16.59%                       | 34.90% | 19.23%  | 10.53%  | n.a.     | 4.63%              | 10/29/10       |
| MSCI China Index <sup>3</sup>            | 14.72%                       | 23.66% | 15.75%  | 7.69%   | 5.57%    | 4.80% <sup>4</sup> |                |
| MSCI China All Shares Index <sup>3</sup> | 13.08%                       | 27.87% | 11.60%  | 4.50%   | 4.37%    | n.a. <sup>5</sup>  |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasia.com](http://matthewsasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 2/28/98.

<sup>5</sup> Index performance data prior to 11/25/08 is not available.

## TOP TEN HOLDINGS<sup>5</sup>

|  | Sector                 | % of Net Assets |
|--|------------------------|-----------------|
| Alibaba Group Holding, Ltd.                | Consumer Discretionary | 14.3%           |
| Tencent Holdings, Ltd.                     | Communication Services | 11.8%           |
| JD.com, Inc.                               | Consumer Discretionary | 4.9%            |
| China Construction Bank Corp.              | Financials             | 4.7%            |
| China Merchants Bank Co., Ltd.             | Financials             | 4.4%            |
| Ping An Insurance Group Co. of China, Ltd. | Financials             | 4.2%            |
| AIA Group, Ltd.                            | Financials             | 3.9%            |
| New China Life Insurance Co., Ltd.         | Financials             | 2.9%            |
| China International Capital Corp., Ltd.    | Financials             | 2.8%            |
| Midea Group Co., Ltd.                      | Consumer Discretionary | 2.6%            |
| <b>% OF ASSETS IN TOP TEN</b>              |                        | <b>56.5%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

# Matthews China Fund

## *Portfolio Manager Commentary (unaudited) (continued)*

of travel, but largely the travel and leisure industry in China remained lukewarm in 2019 on the back of a year of rising trade tensions, a weaker renminbi and also decreased visitation to Hong Kong. We exited Shangri-La earlier in the year and Trip.com in the fourth quarter. We remain constructive on Galaxy over the long term and will continue to monitor the position.

### **Notable Portfolio Changes:**

In April 2019, the Fund adopted a secondary benchmark, the MSCI China All Shares Index, which includes a larger weight to China's domestically listed stocks. Over the course of the year, we increasingly positioned the Fund as an "all-share" strategy. Accordingly, we considered all exchanges where Chinese shares trade and looked for the most-attractive valuations and long-term growth opportunities.

In the fourth quarter, we initiated a position in Meituan Dianping, China's largest delivery-food service provider. Chinese consumers have embraced food-service delivery and we expect that consumer uptake can continue to expand. China has a large network of local delivery people, helping to keep the costs of delivery low and affordable for consumers. Couriers tend to use motorcycles to make deliveries. The company enjoyed scale in its industry and continued to gain market share.

We also exited Trip.com in the fourth quarter. As the company expanded globally, we felt it may face stronger competition and decided to sell the stock.

### **Outlook:**

The strength of China's domestic markets reflected several key investment themes we are following. Notably, China's economy is primarily driven by consumption, rather than exports, so local investor sentiment is stronger than foreign sentiment. Consumption remains healthy, benefiting many of the consumer-related sectors we tend to favor. In addition, while GDP growth has slowed slightly, China's policymakers continue to take a prudent, surgical approach to managing their fiscal and monetary stimulus. Stimulus in recent years has been modest and strategic. In the absence of sudden shocks to China's economy, we do not expect much major stimulus ahead.

We continue to see value in the Hong Kong market. The Hong Kong market tends to be more impacted by foreign investor sentiment, which was weak through much of 2019. While foreign sentiment improved in the fourth quarter on easing trade tensions, valuations remain lower in Hong Kong than in China's domestic markets. We continue to look for opportunities across all markets, reflecting the Fund's all-share philosophy.

In addition, we continue to follow the theme of income growth in China, particularly in lower tier, less-developed urban centers. While much of the developed world has neglected its less-developed and interior cities, China's policymakers are developing these areas through strategic infrastructure planning, including the expansion of high-speed rail networks, as well as through housing policies that encourage educated workers to live in these areas. From a bottom-up perspective, we seek to find companies with attractive growth potential with the ability to tap into rising middle-class income. When viewed through a lens of active stock selection, we believe China's domestic growth engine creates compelling opportunities for long-term investors.

| COUNTRY ALLOCATION (%) <sup>6</sup>     |      |
|---|------|
| China/Hong Kong                         | 99.1 |
| Cash and Other Assets, Less Liabilities | 0.9  |

| SECTOR ALLOCATION (%) <sup>6</sup>      |      |
|---|------|
| Consumer Discretionary                  | 29.5 |
| Financials                              | 27.5 |
| Communication Services                  | 13.6 |
| Real Estate                             | 7.7  |
| Health Care                             | 6.3  |
| Information Technology                  | 4.9  |
| Materials                               | 4.6  |
| Consumer Staples                        | 3.6  |
| Industrials                             | 1.3  |
| Cash and Other Assets, Less Liabilities | 0.9  |

| MARKET CAP EXPOSURE (%) <sup>6</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 68.2 |
| Large Cap (\$10B–\$25B)                 | 8.4  |
| Mid Cap (\$3B–10B)                      | 17.9 |
| Small Cap (under \$3B)                  | 4.6  |
| Cash and Other Assets, Less Liabilities | 0.9  |

<sup>6</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 99.1%

|  | Shares     | Value              |
|--|------------|--------------------|
| <b>CONSUMER DISCRETIONARY: 29.5%</b>                             |            |                    |
| <b>Internet &amp; Direct Marketing Retail: 20.6%</b>             |            |                    |
| Alibaba Group Holding, Ltd. ADR <sup>b</sup>                     | 609,500    | \$129,274,950      |
| JD.com, Inc. ADR <sup>b</sup>                                    | 1,250,079  | 44,040,283         |
| Meituan Dianping Class B <sup>b,c</sup>                          | 1,000,700  | 13,075,300         |
|  |            | <u>186,390,533</u> |
| <b>Household Durables: 2.6%</b>                                  |            |                    |
| Midea Group Co., Ltd. A Shares                                   | 2,795,652  | 23,453,698         |
| <b>Specialty Retail: 1.6%</b>                                    |            |                    |
| Zhongsheng Group Holdings, Ltd.                                  | 3,454,000  | 14,145,851         |
| <b>Hotels, Restaurants &amp; Leisure: 1.5%</b>                   |            |                    |
| Galaxy Entertainment Group, Ltd.                                 | 1,301,000  | 9,577,460          |
| China International Travel Service Corp., Ltd. A Shares          | 318,978    | 4,081,742          |
|  |            | <u>13,659,202</u>  |
| <b>Automobiles: 1.2%</b>   |            |                    |
| Brilliance China Automotive Holdings, Ltd.                       | 10,336,000 | 10,727,283         |
| <b>Auto Components: 1.0%</b>                                     |            |                    |
| Fuyao Glass Industry Group Co., Ltd. H Shares <sup>c,d</sup>     | 2,910,800  | 8,912,825          |
| <b>Diversified Consumer Services: 1.0%</b>                       |            |                    |
| New Oriental Education & Technology Group, Inc. ADR <sup>b</sup> | 71,600     | 8,681,500          |
| <b>Total Consumer Discretionary</b>                              |            | <u>265,970,892</u> |
| <b>FINANCIALS: 27.6%</b>   |            |                    |
| <b>Banks: 11.7%</b>  |            |                    |
| China Construction Bank Corp. H Shares                           | 49,201,660 | 42,659,909         |
| China Merchants Bank Co., Ltd. A Shares                          | 7,404,026  | 40,038,781         |
| Agricultural Bank of China, Ltd. H Shares                        | 51,990,000 | 22,883,987         |
|  |            | <u>105,582,677</u> |
| <b>Insurance: 11.1%</b>  |            |                    |
| AIA Group, Ltd.  | 3,354,800  | 35,285,674         |
| New China Life Insurance Co., Ltd. H Shares                      | 6,040,400  | 25,968,281         |
| Ping An Insurance Group Co. of China, Ltd. A Shares              | 1,933,411  | 23,774,252         |
| Ping An Insurance Group Co. of China, Ltd. H Shares              | 1,221,500  | 14,454,581         |
|  |            | <u>99,482,788</u>  |
| <b>Capital Markets: 4.8%</b>                                     |            |                    |
| China International Capital Corp., Ltd. H Shares <sup>c,d</sup>  | 13,052,000 | 25,165,110         |
| CITIC Securities Co., Ltd. H Shares                              | 4,129,500  | 9,421,161          |
| Hong Kong Exchanges & Clearing, Ltd.                             | 274,600    | 8,921,131          |
|  |            | <u>43,507,402</u>  |
| <b>Total Financials</b>  |            | <u>248,572,867</u> |
| <b>COMMUNICATION SERVICES: 13.6%</b>                             |            |                    |
| <b>Interactive Media &amp; Services: 13.6%</b>                   |            |                    |
| Tencent Holdings, Ltd.   | 2,202,400  | 106,103,169        |
| 58.com, Inc. ADR <sup>b</sup>                                    | 137,500    | 8,900,375          |
| Momo, Inc. ADR   | 223,800    | 7,497,300          |
| <b>Total Communication Services</b>                              |            | <u>122,500,844</u> |

|   | Shares     | Value             |
|---|------------|-------------------|
| <b>REAL ESTATE: 7.7%</b>  |            |                   |
| <b>Real Estate Management &amp; Development: 7.7%</b>           |            |                   |
| Times China Holdings, Ltd.                                      | 9,852,000  | \$19,632,286      |
| CIFI Holdings Group Co., Ltd.                                   | 21,900,000 | 18,517,216        |
| China Resources Land, Ltd.                                      | 3,670,000  | 18,259,484        |
| China Overseas Property Holdings, Ltd.                          | 20,725,000 | 13,034,901        |
| <b>Total Real Estate</b>  |            | <u>69,443,887</u> |
| <b>HEALTH CARE: 6.3%</b>  |            |                   |
| <b>Pharmaceuticals: 2.0%</b>                                    |            |                   |
| Sino Biopharmaceutical, Ltd.                                    | 13,258,000 | 18,548,176        |
| <b>Health Care Equipment &amp; Supplies: 1.8%</b>               |            |                   |
| Lepu Medical Technology Beijing Co., Ltd. A Shares              | 3,405,481  | 16,211,913        |
| <b>Life Sciences Tools &amp; Services: 1.1%</b>                 |            |                   |
| Wuxi Biologics Cayman, Inc. <sup>b,c,d</sup>                    | 770,500    | 9,758,728         |
| <b>Health Care Providers &amp; Services: 0.9%</b>               |            |                   |
| Sinopharm Group Co., Ltd. H Shares                              | 2,344,800  | 8,555,915         |
| <b>Health Care Technology: 0.5%</b>                             |            |                   |
| Ping An Healthcare and Technology Co., Ltd. <sup>b,c,d</sup>    | 571,800    | 4,173,393         |
| <b>Total Health Care</b>  |            | <u>57,248,125</u> |
| <b>INFORMATION TECHNOLOGY: 4.9%</b>                             |            |                   |
| <b>Electronic Equipment, Instruments &amp; Components: 3.2%</b> |            |                   |
| NAURA Technology Group Co., Ltd. A Shares                       | 1,100,433  | 13,929,769        |
| AVIC Jonhon Optronic Technology Co., Ltd. A Shares              | 1,549,984  | 8,700,840         |
| Luxshare Precision Industry Co., Ltd. A Shares                  | 1,270,011  | 6,678,989         |
|   |            | <u>29,309,598</u> |
| <b>IT Services: 1.7%</b>  |            |                   |
| Chinasoft International, Ltd.                                   | 27,128,000 | 15,313,233        |
| <b>Total Information Technology</b>                             |            | <u>44,622,831</u> |
| <b>MATERIALS: 4.6%</b>  |            |                   |
| <b>Chemicals: 3.0%</b>  |            |                   |
| Wanhua Chemical Group Co., Ltd. A Shares                        | 2,581,250  | 20,887,408        |
| Skshu Paint Co., Ltd. A Shares                                  | 510,100    | 5,915,833         |
|   |            | <u>26,803,241</u> |
| <b>Construction Materials: 1.6%</b>                             |            |                   |
| Anhui Conch Cement Co., Ltd. A Shares                           | 1,849,942  | 14,574,371        |
| <b>Total Materials</b>  |            | <u>41,377,612</u> |
| <b>CONSUMER STAPLES: 3.6%</b>                                   |            |                   |
| <b>Beverages: 3.6%</b>  |            |                   |
| Kweichow Moutai Co., Ltd. A Shares                              | 108,123    | 18,411,318        |
| Wuliangye Yibin Co., Ltd. A Shares                              | 735,947    | 14,092,773        |
| <b>Total Consumer Staples</b>                                   |            | <u>32,504,091</u> |
| <b>INDUSTRIALS: 1.3%</b>  |            |                   |
| <b>Transportation Infrastructure: 0.5%</b>                      |            |                   |
| Beijing Capital International Airport Co., Ltd. H Shares        | 5,122,000  | 4,961,425         |
| <b>Machinery: 0.5%</b>  |            |                   |
| Estun Automation Co., Ltd. A Shares                             | 2,684,400  | 4,348,771         |

*Schedule of Investments<sup>a</sup> (continued)*

**COMMON EQUITIES** *(continued)*

|  | Shares    | Value                       |
|--|-----------|-----------------------------|
| <b>Commercial Services &amp; Supplies: 0.3%</b>          |           |                             |
| Times Neighborhood Holdings, Ltd. <sup>b,c</sup>         | 4,199,730 | <u>\$2,613,951</u>          |
| <b>Total Industrials</b>                                 |           | <u>11,924,147</u>           |
| <b>TOTAL INVESTMENTS: 99.1%</b>                          |           | <b>894,165,296</b>          |
| (Cost \$782,836,701)                                     |           |                             |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.9%</b> |           | <u>8,229,729</u>            |
| <b>NET ASSETS: 100.0%</b>                                |           | <u><u>\$902,395,025</u></u> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Non-income producing security.
  - c The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
  - d Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$48,010,056, which is 5.32% of net assets.
- ADR American Depositary Receipt

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Peeyush Mittal, CFA**  
Lead Manager  
**Sharat Shroff, CFA**  
Co-Manager

**FUND FACTS**

|                                     | Investor        | Institutional |
|-------------------------------------|-----------------|---------------|
| Ticker                              | MINDX           | MIDNX         |
| CUSIP                               | 577130859       | 577130768     |
| Inception                           | 10/31/05        | 10/29/10      |
| NAV                                 | \$23.27         | \$23.55       |
| Initial Investment                  | \$2,500         | \$100,000     |
| Gross Expense Ratio <sup>1</sup>    | 1.11%           | 0.94%         |
| <b>Portfolio Statistics</b>         |                 |               |
| Total # of Positions                | 46              |               |
| Net Assets                          | \$964.4 million |               |
| Weighted Average Market Cap         | \$19.7 billion  |               |
| Portfolio Turnover <sup>2</sup>     | 24.00%          |               |
| <b>Benchmark</b>                    |                 |               |
| S&P Bombay Stock Exchange 100 Index |                 |               |

**OBJECTIVE**

Long-term capital appreciation.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in publicly traded common stocks, preferred stocks and convertible securities of companies located in India.

# Matthews India Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews India Fund returned -0.88% (Investor Class) and -0.76% (Institutional Class), while its benchmark, the S&P Bombay Stock Exchange 100 Index, returned 8.53%. For the fourth quarter, the Fund returned 2.15% (Investor Class) and 2.13% (Institutional Class), while its benchmark returned 4.95%.

**Market Environment:**

India's equity markets experienced a significant divergence between the returns of large-cap and small-cap stocks in 2019. Investors, led by fears of an economic slowdown, sought safety in large-cap stocks but shunned mid-cap and small-cap stocks. Modi's landslide victory in elections held in May 2019 assured investors of continuity of reforms and accelerated economic growth. Lack of liquidity provided to small and medium-size companies, however, was a substantial headwind to economic growth. Non-bank financial lenders continued to suffer due to a lack of funding availability. This consequently led to diminished funds availability to many small businesses and consumers. Lower loan approvals for consumers hindered the durable goods and real estate sectors.

From a policy perspective, India moved from defense to offense in the second half of 2019, as Indian policymakers surprised markets by announcing a series of stimulative policies. In August, the prior-announced surcharge on capital gains (both domestic and foreign) was reversed, new capital injections into public sector banks were announced and tweaks to tax depreciation rules and expedited Goods and Services Tax refunds were implemented. In September, the Indian government announced a significant cut in corporate tax rates from an effective rate of 30% to roughly 22% with additional cuts for manufacturing companies. In addition, a series of rate cuts was implemented by the central bank throughout 2019. Going into 2020, aggregate policy actions along with expected fiscal spending should stabilize economic growth and earnings from a relatively low base, providing a more-favorable backdrop for equities.

**Performance Contributors and Detractors:**

Similar to 2018, the Fund's higher allocation to small caps and lower allocation to mega-cap stocks hurt relative performance in 2019. Given the fears of an economic slowdown and distress in the financial sector, investors continued to move away from small- and mid-cap stocks. We believe small caps can be a rich source of alpha over a full market cycle and that recent stimulus may benefit smaller companies as we look ahead, but our overweight to small caps was a detractor in the reporting period.

By sector, our higher allocation in health care and significant underweight in the energy sector were also detractors. In health care, pricing pressure led by the fast pace of new drug approvals by the U.S. Food and Drug Administration continued to drag down growth and profitability for Indian generic drug manufacturers. The financial sector was another detractor as investors favored large-cap banks and highly rated non-bank financials as compared to relatively small non-bank financial companies that were adversely impacted by liquidity concerns throughout 2019. Shriram City Union Finance was one such stock that detracted from our performance. An impending change in ownership structure combined with liquidity issues and a change in senior management hurt the stock price in the reporting period. We continue to like the business, however, given the retail nature of its customers and the attractive valuation at which the stock was recently trading. Our avoidance of holdings in the utilities and metals sector and stock selection within industrials and information technology were performance contributors.

*(continued)*

<sup>1</sup> Actual 2019 expense ratios.

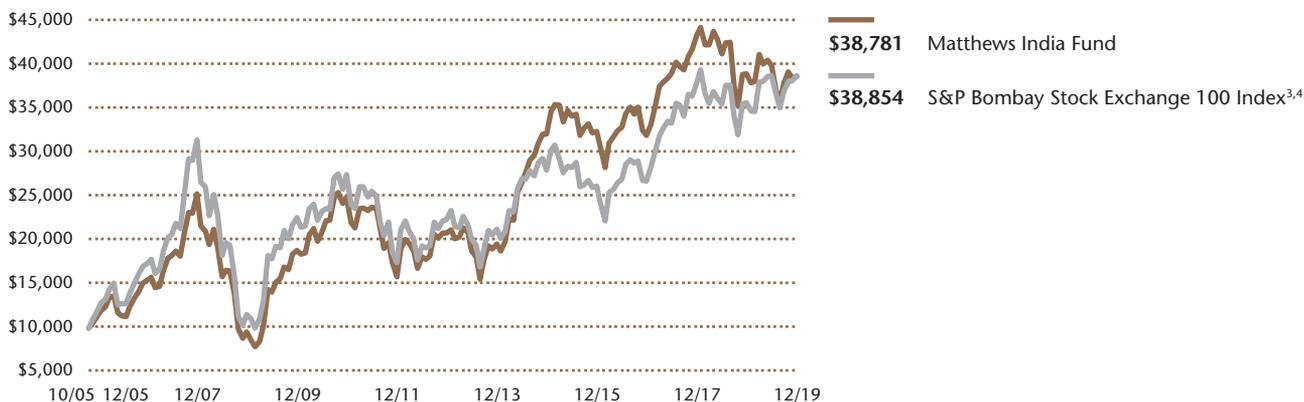
<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception     | Inception Date |
|--|------------------------------|--------|---------|---------|----------|---------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                     |                |
| Investor Class (MINDX)                           | 2.15%                        | -0.88% | 6.56%   | 3.82%   | 7.48%    | 10.04%              | 10/31/05       |
| Institutional Class (MIDNX)                      | 2.13%                        | -0.76% | 6.74%   | 4.02%   | n.a.     | 4.86%               | 10/29/10       |
| S&P Bombay Stock Exchange 100 Index <sup>3</sup> | 4.95%                        | 8.53%  | 13.12%  | 6.75%   | 5.56%    | 10.05% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasiasia.com](http://matthewsasiasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from S&P BSE 100 Index and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 10/31/05.

## TOP TEN HOLDINGS<sup>5</sup>

|  | Sector                 | % of Net Assets |
|--|------------------------|-----------------|
| HDFC Bank, Ltd.                                | Financials             | 7.1%            |
| Eicher Motors, Ltd.                            | Consumer Discretionary | 5.7%            |
| Kotak Mahindra Bank, Ltd.                      | Financials             | 5.2%            |
| Cholamandalam Investment and Finance Co., Ltd. | Financials             | 5.1%            |
| VST Industries, Ltd.                           | Consumer Staples       | 5.0%            |
| Axis Bank, Ltd.                                | Financials             | 3.9%            |
| Wipro, Ltd.                                    | Information Technology | 3.7%            |
| Zydus Wellness, Ltd.                           | Consumer Staples       | 3.7%            |
| Shriram City Union Finance, Ltd.               | Financials             | 3.2%            |
| Infosys, Ltd.                                  | Information Technology | 3.0%            |
| <b>% OF ASSETS IN TOP TEN</b>                  |                        | <b>45.6%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

## Matthews India Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

One such stock was InterGlobe Aviation, which operates a passenger airline called Indigo. Indigo is the largest passenger airline in India and consequently has the lowest cost structure in an otherwise highly competitive business. Shares of InterGlobe did well as the second-largest airline Jet Airways filed for bankruptcy earlier in the year.

#### **Notable Portfolio Changes:**

During the year, we exited or trimmed many companies across sectors where we deemed risks to outweigh rewards. In the fourth quarter of the year, we exited eClerx Services. Growing use of artificial intelligence, robotics and automation hurt demand for the firm's services. We also added new positions across sectors in information technology, consumer discretionary, financials and communication services. One such addition was a large private-sector bank that had a good balance of corporate and retail exposure on its loan book, a large retail depositor base and new management that was taking calibrated decisions to strengthen the company's balance sheet, improve credit quality and increase return on equity for the business.

#### **Outlook:**

India's equity market could experience volatility in the near term, but we remain optimistic in our long-term outlook. While headlines remain negative, a number of drivers are in play that should improve economic growth. The positive, longer term effects of monetary policy actions completed in 2019 may continue to bring down the cost of capital in the market, despite the likelihood that monetary policy easing has run its course in the current cycle. Monsoon rainfall was far above normal. That bodes well for improvement in demand in agrarian markets, which was fairly subdued over the past 12 to 18 months. Harvest in the upcoming Rabi season is expected to improve and that should help tame the surge in inflation seen in the past few months.

In addition, we already are seeing demand stabilizing in the automotive sector and there is a lot of optimism for continued improvement post-implementation of new emission standards in April 2020. India's central government is taking bold steps to unclog the jam in the country's real estate sector. The formation of the Alternate Investment Fund (AIF) to provide last-mile funding to real estate projects near completion may release significant capital that could be put to productive use. Large-cap stocks are trading at a premium and look less attractive to us as long-term investors. Valuations among small and mid caps, in contrast, have corrected to long-term averages and we are seeing more investable ideas among smaller companies.

| COUNTRY ALLOCATION (%) <sup>6</sup>     |      |
|---|------|
| India                                   | 96.2 |
| Japan                                   | 3.0  |
| United States                           | 0.5  |
| Cash and Other Assets, Less Liabilities | 0.3  |

| SECTOR ALLOCATION (%) <sup>6</sup>      |      |
|---|------|
| Financials                              | 42.7 |
| Consumer Staples                        | 13.9 |
| Consumer Discretionary                  | 11.9 |
| Information Technology                  | 11.4 |
| Health Care                             | 9.2  |
| Industrials                             | 6.0  |
| Communication Services                  | 4.0  |
| Materials                               | 0.7  |
| Cash and Other Assets, Less Liabilities | 0.3  |

| MARKET CAP EXPOSURE (%) <sup>6</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 29.0 |
| Large Cap (\$10B–\$25B)                 | 10.1 |
| Mid Cap (\$3B–10B)                      | 23.3 |
| Small Cap (under \$3B)                  | 37.3 |
| Cash and Other Assets, Less Liabilities | 0.3  |

<sup>6</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 99.7%

|  | Shares     | Value              |
|--|------------|--------------------|
| <b>FINANCIALS: 42.7%</b>                       |            |                    |
| <b>Banks: 25.0%</b>                            |            |                    |
| HDFC Bank, Ltd.                                | 3,821,190  | \$68,183,576       |
| Kotak Mahindra Bank, Ltd.                      | 2,137,174  | 50,442,026         |
| Axis Bank, Ltd.                                | 3,579,374  | 37,837,181         |
| DCB Bank, Ltd.                                 | 11,626,772 | 28,000,755         |
| Bandhan Bank, Ltd. <sup>b,c</sup>              | 3,262,697  | 23,241,125         |
| ICICI Bank, Ltd.                               | 2,451,130  | 18,588,800         |
| AU Small Finance Bank, Ltd. <sup>b,c</sup>     | 1,329,253  | 14,964,862         |
|  |            | <u>241,258,325</u> |
| <b>Consumer Finance: 12.5%</b>                 |            |                    |
| Cholamandalam Investment and Finance Co., Ltd. | 11,547,816 | 49,432,104         |
| Shriram City Union Finance, Ltd.               | 1,560,929  | 30,664,096         |
| Bajaj Finance, Ltd.                            | 420,962    | 24,987,369         |
| Sundaram Finance, Ltd.                         | 673,608    | 15,398,429         |
|  |            | <u>120,481,998</u> |
| <b>Thriffs &amp; Mortgage Finance: 4.5%</b>    |            |                    |
| Housing Development Finance Corp., Ltd.        | 800,733    | 27,074,748         |
| Aavas Financiers, Ltd. <sup>d</sup>            | 568,116    | 15,768,055         |
|  |            | <u>42,842,803</u>  |
| <b>Capital Markets: 0.7%</b>                   |            |                    |
| Indian Energy Exchange, Ltd. <sup>b,c,d</sup>  | 3,497,308  | 6,996,757          |
| <b>Total Financials</b>                        |            | <u>411,579,883</u> |
| <b>CONSUMER STAPLES: 13.9%</b>                 |            |                    |
| <b>Tobacco: 6.2%</b>                           |            |                    |
| VST Industries, Ltd. <sup>†</sup>              | 820,937    | 48,471,387         |
| ITC, Ltd.                                      | 3,337,649  | 11,117,151         |
|  |            | <u>59,588,538</u>  |
| <b>Personal Products: 4.0%</b>                 |            |                    |
| Bajaj Consumer Care, Ltd.                      | 4,465,145  | 14,777,044         |
| Marico, Ltd.                                   | 3,003,568  | 14,377,446         |
| Dabur India, Ltd.                              | 1,556,944  | 10,003,067         |
|  |            | <u>39,157,557</u>  |
| <b>Food Products: 3.7%</b>                     |            |                    |
| Zydus Wellness, Ltd.                           | 1,734,795  | 35,734,592         |
| <b>Total Consumer Staples</b>                  |            | <u>134,480,687</u> |
| <b>CONSUMER DISCRETIONARY: 11.9%</b>           |            |                    |
| <b>Automobiles: 9.2%</b>                       |            |                    |
| Eicher Motors, Ltd.                            | 175,043    | 55,278,119         |
| Suzuki Motor Corp.                             | 683,700    | 28,538,975         |
| Hero MotoCorp, Ltd.                            | 145,675    | 4,987,226          |
|  |            | <u>88,804,320</u>  |
| <b>Household Durables: 2.7%</b>                |            |                    |
| Symphony, Ltd.                                 | 1,598,176  | 26,027,568         |
| LA Opala RG, Ltd.                              | 74,856     | 153,219            |
|  |            | <u>26,180,787</u>  |
| <b>Total Consumer Discretionary</b>            |            | <u>114,985,107</u> |

|   | Shares     | Value              |
|---|------------|--------------------|
| <b>INFORMATION TECHNOLOGY: 11.4%</b>              |            |                    |
| <b>IT Services: 11.4%</b>                         |            |                    |
| Wipro, Ltd.                                       | 10,387,699 | \$35,768,525       |
| Infosys, Ltd.                                     | 2,817,711  | 29,016,890         |
| Mphasis, Ltd.                                     | 1,128,617  | 14,582,432         |
| Larsen & Toubro Infotech, Ltd. <sup>b,c</sup>     | 568,209    | 13,934,935         |
| NIIT Technologies, Ltd.                           | 538,468    | 11,994,029         |
| Cognizant Technology Solutions Corp. Class A      | 82,100     | 5,091,842          |
| <b>Total Information Technology</b>               |            | <u>110,388,653</u> |
| <b>HEALTH CARE: 9.2%</b>                          |            |                    |
| <b>Pharmaceuticals: 7.0%</b>                      |            |                    |
| Alembic Pharmaceuticals, Ltd.                     | 3,123,359  | 24,998,897         |
| Caplin Point Laboratories, Ltd.                   | 3,722,941  | 15,709,266         |
| Lupin, Ltd.                                       | 1,337,380  | 14,313,642         |
| Natco Pharma, Ltd.                                | 1,478,768  | 12,294,727         |
|   |            | <u>67,316,532</u>  |
| <b>Life Sciences Tools &amp; Services: 1.4%</b>   |            |                    |
| Syngene International, Ltd. <sup>b,c</sup>        | 3,020,160  | 13,546,222         |
| <b>Health Care Equipment &amp; Supplies: 0.8%</b> |            |                    |
| Poly Medicare, Ltd.                               | 2,439,150  | 7,451,253          |
| <b>Total Health Care</b>                          |            | <u>88,314,007</u>  |
| <b>INDUSTRIALS: 6.0%</b>                          |            |                    |
| <b>Machinery: 3.8%</b>                            |            |                    |
| AIA Engineering, Ltd.                             | 628,021    | 14,513,134         |
| Escorts, Ltd.                                     | 1,479,806  | 13,065,315         |
| Ashok Leyland, Ltd.                               | 7,415,926  | 8,477,264          |
|   |            | <u>36,055,713</u>  |
| <b>Airlines: 1.2%</b>                             |            |                    |
| InterGlobe Aviation, Ltd. <sup>b,c</sup>          | 638,311    | 11,925,493         |
| <b>Air Freight &amp; Logistics: 1.0%</b>          |            |                    |
| Blue Dart Express, Ltd.                           | 315,534    | 9,654,583          |
| <b>Total Industrials</b>                          |            | <u>57,635,789</u>  |
| <b>COMMUNICATION SERVICES: 4.0%</b>               |            |                    |
| <b>Interactive Media &amp; Services: 2.9%</b>     |            |                    |
| Info Edge India, Ltd.                             | 780,646    | 27,670,560         |
| <b>Wireless Telecommunication Services: 0.8%</b>  |            |                    |
| Bharti Airtel, Ltd. <sup>d</sup>                  | 1,146,353  | 7,320,275          |
| <b>Media: 0.3%</b>                                |            |                    |
| Zee Entertainment Enterprises, Ltd.               | 768,621    | 3,146,496          |
| <b>Total Communication Services</b>               |            | <u>38,137,331</u>  |
| <b>MATERIALS: 0.6%</b>                            |            |                    |
| <b>Chemicals: 0.6%</b>                            |            |                    |
| Pidilite Industries, Ltd.                         | 322,373    | 6,275,949          |
| <b>Total Materials</b>                            |            | <u>6,275,949</u>   |
| <b>TOTAL INVESTMENTS: 99.7%</b>                   |            | <u>961,797,406</u> |
| (Cost \$846,271,485)                              |            |                    |

*Schedule of Investments<sup>a</sup> (continued)*

**COMMON EQUITIES** *(continued)*

|  | Shares | Value                |
|--|--------|----------------------|
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.3%</b> |        | <b>\$2,609,498</b>   |
| <b>NET ASSETS: 100.0%</b>                                |        | <b>\$964,406,904</b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$84,609,394, which is 8.77% of net assets.
- c The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- d Non-income producing security.
- † Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

See accompanying notes to financial statements.

# Matthews Japan Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Japan Fund returned 26.08% (Investor Class) and 26.10% (Institutional Class), while its benchmark, the MSCI Japan Index, returned 20.07%. For the fourth quarter of the year, the Fund returned 8.62% (Investor Class) and 8.61% (Institutional Class), versus 7.67% for the Index.

### Market Environment:

Japanese equities rose strongly in the fourth quarter, as global manufacturing activity formed a bottom and climbed out of contraction amid a tepid macro-economic environment.

2019 started strongly for equity markets as the U.S. Federal Reserve's pause on rate increases improved investor sentiment and Japan equity valuations came back from their lowest levels since the start of the Abenomics era. In May, trade frictions between the U.S. and China intensified, with tariff hikes and a temporary U.S. ban on Huawei products dampening shares of export companies and the technology sector in particular. As bond yields increased worldwide in summer, global investors started to increase their weighting to Japan for early-cycle exposure.

The larger macro environment did not indicate a full-fledged recovery, but started to form a bottom and return to a growth trend. Global manufacturing PMI for December came in at 50.1, the second-straight month of an above-50 reading after six months of sub-50, indicating a contraction of manufacturing activity. The Bank of Japan's Tankan Survey for December 2019 showed further deterioration in the manufacturing sector while productivity-enhancement investments in software and IT services remained strong. Domestic consumption remained sluggish as the consumption tax increased to 10% from 8% as scheduled in October 2019.

### Performance Contributors and Detractors:

For 2019 as a whole, quality and growth factors worked well in general, except for a few months during late August to mid-November when we saw a reversal in value factors.

With regard to market cap, 2019 saw mega cap (over US\$25 billion) and large cap (US\$10 billion to US\$25 billion) outperform small and mid cap (under US\$10 billion). As small and midsize companies make up roughly half of the portfolio, the allocation effect was a negative drag but the Fund was able to overcome and generate outperformance via stock selection.

From a sector perspective, our three key overweight sectors—information technology, industrials and health care—all contributed positively to performance. Our focus on productivity improvement through software, IT services and automation helped capture attractive returns within the sector amid the cyclical downturn.

Turning to individual securities, Lasertec was the top contributor to Fund performance for both the fourth quarter and full-year 2019. Leading-edge development in areas such as extreme ultraviolet (EUV) picked up momentum, benefiting the company that makes EUV mask blank inspection systems and EUV mask-defect inspection systems.

Media and technology conglomerate Sony also contributed to performance in the fourth quarter. We meaningfully increased our weight in the company in the first quarter of 2019 when Sony shares were pressured in a semiconductor downturn and a potential competitive threat in Google's announcement of Stadia games. In the end, Sony succeeded to further increase its dominant market share in complementary metal oxide semiconductor (CMOS) sensors and also produced robust cash flow from its PlayStation business.

(continued)

### PORTFOLIO MANAGERS

#### Taizo Ishida

Lead Manager

#### Shuntaro Takeuchi

Co-Manager

### FUND FACTS

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MJFOX     | MIJFX         |
| CUSIP                            | 577130800 | 577130792     |
| Inception                        | 12/31/98  | 10/29/10      |
| NAV                              | \$21.51   | \$21.55       |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 0.93%     | 0.88%         |

#### Portfolio Statistics

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 56             |
| Net Assets                      | \$2.3 billion  |
| Weighted Average Market Cap     | \$27.7 billion |
| Portfolio Turnover <sup>2</sup> | 25.42%         |

#### Benchmark

MSCI Japan Index

### OBJECTIVE

Long-term capital appreciation.

### STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Japan.

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|                               | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|-------------------------------|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|                               | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MJFOX)        | 8.62%                        | 26.08% | 10.24%  | 10.20%  | 9.75%    | 6.22%              | 12/31/98       |
| Institutional Class (MIJFX)   | 8.61%                        | 26.10% | 10.32%  | 10.29%  | n.a.     | 9.91%              | 10/29/10       |
| MSCI Japan Index <sup>3</sup> | 7.67%                        | 20.07% | 9.30%   | 8.07%   | 6.87%    | 3.81% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasiasia.com](http://matthewsasiasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definitions.

<sup>4</sup> Calculated from 12/31/98.

## TOP TEN HOLDINGS<sup>5</sup>

|                                    | Sector                 | % Net Assets |
|------------------------------------|------------------------|--------------|
| Sony Corp.                         | Consumer Discretionary | 4.0%         |
| Tokio Marine Holdings, Inc.        | Financials             | 3.5%         |
| Nippon Telegraph & Telephone Corp. | Communication Services | 3.5%         |
| Terumo Corp.                       | Health Care            | 3.0%         |
| Nitori Holdings Co., Ltd.          | Consumer Discretionary | 3.0%         |
| Daikin Industries, Ltd.            | Industrials            | 3.0%         |
| Keyence Corp.                      | Information Technology | 3.0%         |
| Lasertec Corp.                     | Information Technology | 3.0%         |
| TechnoPro Holdings, Inc.           | Industrials            | 2.9%         |
| Asahi Intecc Co., Ltd.             | Health Care            | 2.8%         |
| <b>% OF ASSETS IN TOP TEN</b>      |                        | <b>31.7%</b> |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

# Matthews Japan Fund

## *Portfolio Manager Commentary (unaudited) (continued)*

The largest detractor from performance for 2019 was dollar-shop retailer Seria. Seria long enjoyed much higher operating margins than its peers. Competition intensified, however, while the overall retail environment remained sluggish. As a result, the company's same-store sales struggled to maintain positive growth.

Baby-product company Pigeon also was a major detractor to performance for the fourth quarter and the full year. The company revised down its full-year guidance in December due to a decline in inbound sales and an unfavorable Japanese yen–Chinese renminbi exchange rate. We agree with the company's view of per-baby consumption driving growth in China, overcoming the birth-rate decline, but we continue to monitor and evaluate its execution abilities.

### **Notable Portfolio Changes:**

Our portfolio actions in 2019 were in two phases. For the first half, we reduced our exposure to cyclical companies and shifted to defensive growth. For the second half, we took profits in companies that performed well, but traded at the higher end of the valuation range, to increase our exposure to cyclical growth companies.

Regarding new holdings, we initiated a position in electronic-component maker TDK. The company's recent driver of earnings was the batteries business, where it commanded a leadership position in high-end smartphone batteries and continued to expand market share despite sluggish overall smartphone-unit growth. As the 5G era approaches, we believe TDK's economic moat of higher density per area, design and safety capabilities will increase its value proposition.

We also initiated a position in marine-boat engine and motorcycle manufacturer Yamaha Motor. The company is a global leader in marine engines amid a structural shift to outboard motors and increased appetite for more-powerful engines in Europe and the U.S. Its stock price halved due to market-share losses and a sluggish macro environment in the motorcycle business, both in emerging markets and in Europe. While the timing of its turnaround remained uncertain, the company took action in each market and we concluded shares were undervalued given the company's overall ability to generate free cash flow.

To fund these positions, we exited Z Holdings, Sysmex, Persol, Misumi and Mercari.

### **Outlook:**

Throughout 2019, we maintained our constructive stance on Japan equities, given valuation levels were at the lower end of the range in the Abenomics era and our view that the current macro downturn will be a six- to nine-month month contraction rather than a multiyear, prolonged recession.

We believe there will be a mid-cycle recovery phase in 2020 after Global Manufacturing PMI contracted for the six months from May 2019 to October 2019. In this environment, we think Japanese equities will trade around the midpoint of the past seven-year historical range of 11.5X to 15.5X price-to-earnings ratio (P/E) based on forward 12 months consensus earnings. After a strong rebound since late August 2019, the MSCI Japan Index was already trading at 14X forward 12 months consensus P/E. As a result, we think earnings growth will be a driver of total returns in 2020.

While Japanese corporate earnings tend to be procyclical, with higher earnings volatility than developed-market peers, we continue to believe the earnings capability of Japanese companies has improved meaningfully over the past economic cycle, driven by better corporate governance and a higher focus on capital efficiency. We saw a record level of share buybacks in 2019, which will be an important earnings-per-share growth and return-on-equity improvement driver in a relatively muted macro growth environment.

We continue to be optimistic about the alpha-generation opportunities within Japanese equities as multiyear structural trends such as productivity growth, health care, technology and material science innovation—where Japanese corporations excel versus global peers—remain intact.

| COUNTRY ALLOCATION (%) <sup>6</sup>     |      |
|---|------|
| Japan                                   | 97.6 |
| Cash and Other Assets, Less Liabilities | 2.4  |

| SECTOR ALLOCATION (%) <sup>6</sup>      |      |
|---|------|
| Information Technology                  | 22.4 |
| Industrials                             | 19.8 |
| Consumer Discretionary                  | 16.8 |
| Health Care                             | 15.3 |
| Communication Services                  | 7.3  |
| Financials                              | 7.2  |
| Consumer Staples                        | 6.6  |
| Real Estate                             | 2.2  |
| Cash and Other Assets, Less Liabilities | 2.4  |

| MARKET CAP EXPOSURE (%) <sup>6</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 36.7 |
| Large Cap (\$10B–\$25B)                 | 15.3 |
| Mid Cap (\$3B–10B)                      | 27.0 |
| Small Cap (under \$3B)                  | 18.7 |
| Cash and Other Assets, Less Liabilities | 2.4  |

<sup>6</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 97.6%

|   | Shares    | Value              |  | Shares | Value |
|---|-----------|--------------------|--|--------|-------|
| <b>INFORMATION TECHNOLOGY: 22.4%</b>                            |           |                    |  |        |       |
| <b>Electronic Equipment, Instruments &amp; Components: 9.3%</b> |           |                    |  |        |       |
| Keyence Corp.   | 194,600   | \$68,331,568       |  |        |       |
| Murata Manufacturing Co., Ltd.                                  | 854,700   | 52,605,591         |  |        |       |
| Shimadzu Corp.  | 1,530,800 | 47,873,002         |  |        |       |
| TDK Corp.   | 413,100   | 46,423,823         |  |        |       |
|   |           | <u>215,233,984</u> |  |        |       |
| <b>IT Services: 6.3%</b>  |           |                    |  |        |       |
| NET One Systems Co., Ltd.                                       | 2,389,600 | 61,011,651         |  |        |       |
| ITOCHU Techno-Solutions Corp.                                   | 1,806,900 | 50,886,182         |  |        |       |
| Otsuka Corp.  | 843,100   | 33,669,146         |  |        |       |
|   |           | <u>145,566,979</u> |  |        |       |
| <b>Semiconductors &amp; Semiconductor Equipment: 5.2%</b>       |           |                    |  |        |       |
| Lasertec Corp.  | 1,345,600 | 68,242,137         |  |        |       |
| Rohm Co., Ltd.  | 343,300   | 27,391,597         |  |        |       |
| Disco Corp.   | 103,500   | 24,304,398         |  |        |       |
|   |           | <u>119,938,132</u> |  |        |       |
| <b>Software: 1.6%</b>   |           |                    |  |        |       |
| Infomart Corp.  | 3,252,200 | 29,348,692         |  |        |       |
| Freee KK <sup>b</sup>   | 152,600   | 4,529,336          |  |        |       |
| Sansan, Inc. <sup>b</sup>                                       | 53,500    | 2,716,924          |  |        |       |
|   |           | <u>36,594,952</u>  |  |        |       |
| <b>Total Information Technology</b>                             |           | <u>517,334,047</u> |  |        |       |
| <b>INDUSTRIALS: 19.8%</b>                                       |           |                    |  |        |       |
| <b>Professional Services: 7.2%</b>                              |           |                    |  |        |       |
| TechnoPro Holdings, Inc.  | 947,200   | 66,106,097         |  |        |       |
| Nihon M&A Center, Inc.  | 1,583,600 | 54,496,033         |  |        |       |
| Recruit Holdings Co., Ltd.                                      | 1,224,000 | 45,845,353         |  |        |       |
|   |           | <u>166,447,483</u> |  |        |       |
| <b>Building Products: 6.3%</b>                                  |           |                    |  |        |       |
| Daikin Industries, Ltd.   | 488,900   | 68,978,819         |  |        |       |
| Aica Kogyo Co., Ltd.  | 1,363,600 | 44,995,544         |  |        |       |
| Sanwa Holdings Corp.  | 2,721,100 | 30,491,940         |  |        |       |
|   |           | <u>144,466,303</u> |  |        |       |
| <b>Machinery: 2.6%</b>  |           |                    |  |        |       |
| SMC Corp.   | 92,000    | 42,073,020         |  |        |       |
| Komatsu, Ltd.   | 764,800   | 18,356,314         |  |        |       |
|   |           | <u>60,429,334</u>  |  |        |       |
| <b>Construction &amp; Engineering: 2.2%</b>                     |           |                    |  |        |       |
| Kyowa Exeo Corp.  | 2,060,400 | 52,120,619         |  |        |       |
| <b>Electrical Equipment: 1.5%</b>                               |           |                    |  |        |       |
| Nidec Corp.   | 250,000   | 34,145,952         |  |        |       |
| <b>Total Industrials</b>  |           | <u>457,609,691</u> |  |        |       |
| <b>CONSUMER DISCRETIONARY: 16.8%</b>                            |           |                    |  |        |       |
| <b>Household Durables: 4.0%</b>                                 |           |                    |  |        |       |
| Sony Corp.  | 1,364,600 | 92,653,223         |  |        |       |
| <b>Specialty Retail: 3.8%</b>                                   |           |                    |  |        |       |
| Nitori Holdings Co., Ltd.                                       | 437,200   | 69,012,613         |  |        |       |
| Hikari Tsushin, Inc.  | 72,800    | 18,294,489         |  |        |       |
|   |           | <u>87,307,102</u>  |  |        |       |
| <b>Distributors: 1.9%</b>                                       |           |                    |  |        |       |
| PALTAC Corp.  | 919,700   | \$43,931,915       |  |        |       |
| <b>Auto Components: 1.7%</b>                                    |           |                    |  |        |       |
| Nifco, Inc.   | 830,000   | 22,666,499         |  |        |       |
| Denso Corp.   | 379,000   | 17,116,527         |  |        |       |
|   |           | <u>39,783,026</u>  |  |        |       |
| <b>Automobiles: 1.7%</b>  |           |                    |  |        |       |
| Yamaha Motor Co., Ltd.  | 1,947,300 | 39,010,233         |  |        |       |
| <b>Leisure Products: 1.4%</b>                                   |           |                    |  |        |       |
| Bandai Namco Holdings, Inc.                                     | 526,500   | 32,028,152         |  |        |       |
| <b>Hotels, Restaurants &amp; Leisure: 1.2%</b>                  |           |                    |  |        |       |
| Kyoritsu Maintenance Co., Ltd.                                  | 596,000   | 28,225,732         |  |        |       |
| <b>Multiline Retail: 1.1%</b>                                   |           |                    |  |        |       |
| Ryohin Keikaku Co., Ltd.  | 919,200   | 21,423,190         |  |        |       |
| Seria Co., Ltd.   | 104,100   | 2,836,051          |  |        |       |
|   |           | <u>24,259,241</u>  |  |        |       |
| <b>Total Consumer Discretionary</b>                             |           | <u>387,198,624</u> |  |        |       |
| <b>HEALTH CARE: 15.3%</b>                                       |           |                    |  |        |       |
| <b>Health Care Equipment &amp; Supplies: 6.6%</b>               |           |                    |  |        |       |
| Terumo Corp.  | 1,955,700 | 69,377,137         |  |        |       |
| Asahi Intecc Co., Ltd.  | 2,210,100 | 64,714,472         |  |        |       |
| Nakanishi, Inc.   | 970,300   | 18,491,832         |  |        |       |
|   |           | <u>152,583,441</u> |  |        |       |
| <b>Pharmaceuticals: 4.5%</b>                                    |           |                    |  |        |       |
| Shionogi & Co., Ltd.  | 732,200   | 45,295,006         |  |        |       |
| Eisai Co., Ltd.   | 460,900   | 34,487,303         |  |        |       |
| Takeda Pharmaceutical Co., Ltd.                                 | 594,800   | 23,525,662         |  |        |       |
|   |           | <u>103,307,971</u> |  |        |       |
| <b>Biotechnology: 2.3%</b>                                      |           |                    |  |        |       |
| PeptiDream, Inc. <sup>b</sup>                                   | 1,052,400 | 53,781,167         |  |        |       |
| <b>Health Care Technology: 1.9%</b>                             |           |                    |  |        |       |
| M3, Inc.  | 1,421,300 | 42,860,164         |  |        |       |
| <b>Total Health Care</b>  |           | <u>352,532,743</u> |  |        |       |
| <b>COMMUNICATION SERVICES: 7.3%</b>                             |           |                    |  |        |       |
| <b>Diversified Telecommunication Services: 3.5%</b>             |           |                    |  |        |       |
| Nippon Telegraph & Telephone Corp.                              | 3,183,600 | 80,461,322         |  |        |       |
| <b>Entertainment: 2.0%</b>                                      |           |                    |  |        |       |
| Nintendo Co., Ltd.  | 115,800   | 46,315,386         |  |        |       |
| <b>Wireless Telecommunication Services: 1.8%</b>                |           |                    |  |        |       |
| SoftBank Group Corp.  | 960,800   | 41,715,099         |  |        |       |
| <b>Total Communication Services</b>                             |           | <u>168,491,807</u> |  |        |       |
| <b>FINANCIALS: 7.2%</b>   |           |                    |  |        |       |
| <b>Insurance: 4.5%</b>  |           |                    |  |        |       |
| Tokio Marine Holdings, Inc.                                     | 1,449,400 | 81,150,210         |  |        |       |
| Dai-ichi Life Holdings, Inc.                                    | 1,363,000 | 22,462,622         |  |        |       |
|   |           | <u>103,612,832</u> |  |        |       |
| <b>Banks: 1.7%</b>  |           |                    |  |        |       |
| Mitsubishi UFJ Financial Group, Inc.                            | 7,067,400 | 38,208,743         |  |        |       |

Schedule of Investments<sup>a</sup> (continued)

COMMON EQUITIES (continued)

|   | Shares    | Value              |
|---|-----------|--------------------|
| <b>Capital Markets: 1.0%</b>              |           |                    |
| SBI Holdings, Inc.                        | 1,095,900 | \$23,136,941       |
| <b>Total Financials</b>                   |           | <b>164,958,516</b> |
| <b>CONSUMER STAPLES: 6.6%</b>             |           |                    |
| <b>Personal Products: 2.8%</b>            |           |                    |
| Kao Corp.                                 | 537,900   | 44,363,357         |
| Kose Corp.                                | 138,300   | 20,159,157         |
|   |           | <b>64,522,514</b>  |
| <b>Food Products: 1.5%</b>                |           |                    |
| Ariake Japan Co., Ltd.                    | 480,300   | 35,700,827         |
| <b>Food &amp; Staples Retailing: 1.4%</b> |           |                    |
| San-A Co., Ltd.                           | 699,100   | 31,116,297         |
| <b>Household Products: 0.9%</b>           |           |                    |
| Pigeon Corp.                              | 565,100   | 20,691,811         |
| <b>Total Consumer Staples</b>             |           | <b>152,031,449</b> |

|   | Shares    | Value                |
|---|-----------|----------------------|
| <b>REAL ESTATE: 2.2%</b>                              |           |                      |
| <b>Real Estate Management &amp; Development: 2.2%</b> |           |                      |
| Relo Group, Inc.                                      | 1,022,200 | \$28,433,437         |
| Mitsui Fudosan Co., Ltd.                              | 941,800   | 23,017,525           |
| <b>Total Real Estate</b>                              |           | <b>51,450,962</b>    |
| <b>TOTAL INVESTMENTS: 97.6%</b>                       |           | <b>2,251,607,839</b> |
| (Cost \$1,845,967,971)                                |           |                      |

|  |                        |
|--|------------------------|
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 2.4%</b> | <b>55,061,351</b>      |
| <b>NET ASSETS: 100.0%</b>                                | <b>\$2,306,669,190</b> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.

See accompanying notes to financial statements.



## PORTFOLIO MANAGERS

**Michael J. Oh, CFA**

Lead Manager

**Elli Lee**

Co-Manager

## FUND FACTS

|                                  | Investor  | Institutional |
|----------------------------------|-----------|---------------|
| Ticker                           | MAKOX     | MIKOX         |
| CUSIP                            | 577130305 | 577130826     |
| Inception                        | 1/3/95    | 10/29/10      |
| NAV                              | \$4.38    | \$4.42        |
| Initial Investment               | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup> | 1.15%     | 1.05%         |

### Portfolio Statistics

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 37              |
| Net Assets                      | \$136.8 million |
| Weighted Average Market Cap     | \$79.2 billion  |
| Portfolio Turnover <sup>2</sup> | 36.63%          |

### Benchmark

Korea Composite Stock Price Index

## OBJECTIVE

Long-term capital appreciation.

## STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in South Korea.

# Matthews Korea Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Korea Fund returned 3.80% (Investor Class) and 4.01% (Institutional Class), while its benchmark, the Korea Composite Stock Price Index, returned 4.46%. For the fourth quarter, the Fund returned 10.81% (Investor Class) and 10.73% (Institutional Class) versus 10.41% for the Index.

### Market Environment:

South Korea's equities generated modest gains in 2019. The strongest sector was information technology, as share prices rose on expectations related to the rollout of 5G and easing U.S.–China trade tensions. Looking back at 2017 and 2018, information technology (IT) company share prices suffered amid weaker-than-expected demand, so they started 2019 with relatively low valuations. Shares of IT companies then rebounded sharply in 2019, outperforming all other sectors globally. While sentiment seems to have improved ahead of the actual recovery, we expect to see a more balanced supply-and-demand environment for semiconductor memory products ahead. The surge in IT stock prices created a notable divergence in equity returns between the sector and the broader market.

Equity prices in other sectors were softer. Consumer-related companies were hard hit, especially in the consumer staples, consumer discretionary and health care sectors. Government policies showed mixed results as corporate earnings and hiring tendencies were negatively affected by stiff hikes in the minimum wage over the past two years and controlling working hours. South Korea continued to experience soft disposable-income growth as tax-related expenses rose. Going into 2020, we remain cautious on domestic stocks that may lack clear catalysts for growth. We believe bottom-up stock selection remains key in South Korea's equity market, particularly in the current environment.

### Performance Contributors and Detractors:

For the full year 2019, the Fund underperformed its benchmark. The Fund's underweight to the IT sector was the biggest detractor from relative performance. Close to a third of the benchmark is concentrated in the IT sector, which generated the strongest returns of any sector in the year. While maintaining a meaningful allocation to IT, the Fund was underweight relative to the benchmark. We have a positive view of the IT sector, but also seek to avoid significant sector concentrations and maintain a diversified approach to investing in South Korea. Stock selection in health care and communication services, meanwhile, was a contributor for the year and helped to reduce the impact of our underweight to IT.

Turning to individual securities, household products manufacturer Lock & Lock was a detractor from performance. The company was still going through a restructuring and revamping of its product lineup. We think the restructuring is close to an end and remain optimistic about the company's prospects. The company appears to have a strong vision for its marketing channels and products, so we expect to see healthy revenue growth along with margin improvement.

South Korean search engine and internet content provider NAVER was a strong contributor to performance. As South Korea lacks a dominant e-commerce platform, consumers increasingly are using NAVER's search-engine functions as a primary shopping tool. NAVER also has introduced its own digital-payments service, turning its search engine into an e-commerce platform. The company reported stronger-than-expected results for its core business in the second quarter of 2019, noting that it expected losses at a subsidiary to have peaked. NAVER also announced it would spin off its payments platform to enhance competitiveness and revealed plans to spin off other businesses via public offerings in the next few years.

(continued)

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MAKOX)                         | 10.81%                       | 3.80%  | 5.08%   | 4.59%   | 6.82%    | 5.61%              | 01/03/95       |
| Institutional Class (MIKOX)                    | 10.73%                       | 4.01%  | 5.28%   | 4.73%   | n.a.     | 6.26%              | 10/29/10       |
| Korea Composite Stock Price Index <sup>3</sup> | 10.41%                       | 4.46%  | 5.82%   | 3.35%   | 4.29%    | 3.09% <sup>4</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. For the Fund's most recent month-end performance, visit [matthewsasia.com](http://matthewsasia.com).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>3</sup> Korea Composite Stock Price Index performance data may be readjusted periodically by the Korea Exchange due to certain factors, including the declaration of dividends. It is not possible to invest directly in an index. Source: Index data from Korea Composite Stock Price Index and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>4</sup> Calculated from 1/3/95.

## TOP TEN HOLDINGS<sup>5</sup>

|   | Sector                 | % of Net Assets |
|---|------------------------|-----------------|
| Samsung Electronics Co., Ltd., Pfd.             | Information Technology | 14.1%           |
| Samsung Electronics Co., Ltd.                   | Information Technology | 6.7%            |
| Hyundai Mobis Co., Ltd.                         | Consumer Discretionary | 5.1%            |
| SK Hynix, Inc.                                  | Information Technology | 5.0%            |
| NAVER Corp.                                     | Communication Services | 4.6%            |
| LG Household & Health Care, Ltd., Pfd.          | Consumer Staples       | 4.4%            |
| Orion Corp.                                     | Consumer Staples       | 4.1%            |
| Samsung Fire & Marine Insurance Co., Ltd., Pfd. | Financials             | 3.1%            |
| Shinhan Financial Group Co., Ltd.               | Financials             | 3.1%            |
| Kakao Corp.                                     | Communication Services | 3.1%            |
| <b>% OF ASSETS IN TOP TEN</b>                   |                        | <b>53.3%</b>    |

<sup>5</sup> Holdings may combine more than one security from same issuer and related depository receipts.

## Matthews Korea Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

#### **Notable Portfolio Changes:**

In the fourth quarter, we initiated a new position in LEENO Industrial, a South Korea-based company that develops and manufactures components used in the semiconductor industry. The company is a provider of test pins to a broad range of technology industries. Increasingly, its application is used for the health care area. As its pin is used in the research and development (R&D) stage, the company provides a good way to invest in R&D with a favorable valuation. We believe the company's customer base is well-diversified and that the management team is strong. We were able to buy the stock when valuations appeared attractive for technical reasons. We also exited travel and tourism company Modetour. As a package tour operator, Modetour was negatively impacted by weakness in consumer spending and South Korea and Japan issues. The company was also facing increased competition, losing market share to online travel agency platforms.

#### **Outlook:**

Information technology plays a big role in South Korea's economy. Looking ahead, we remain positive in our outlook for the sector, mainly due to improving supply-and-demand dynamics in 2020. When the sector is performing well, it can help the entire value chain across South Korea in some way. Apart from the IT sector, we think South Korean automotive companies can enjoy an earnings recovery from improving product cycles in 2020. With a generational change in its management team, Hyundai Motor has been launching better products globally and continues to improve corporate governance. We remain positive on South Korean EV battery manufacturers in 2020, driven by Europe to meet emission-reduction targets in 2020-2021. These trends are positive to potential benchmark returns, as the Korea Composite Stock Price Index is heavily concentrated among a few large weights within the IT sector.

In 2020, consumer spending in South Korea could remain softer over the near term, but the share prices of individual companies may grow attractively, in our view. Bottom-up stock selection becomes even more important, as the number of companies generating growth appears limited to a select group of innovators. As ever, we also look to invest in South Korean companies with exposure to customers across Asia and globally. We continue to look for companies with better growth profiles, whether serving domestic Korean consumers, Asian consumers more broadly or global consumers.

| COUNTRY ALLOCATION (%) <sup>6</sup>     |      |
|---|------|
| South Korea                             | 98.1 |
| Cash and Other Assets, Less Liabilities | 1.9  |

| SECTOR ALLOCATION (%) <sup>6</sup>      |      |
|---|------|
| Information Technology                  | 33.3 |
| Consumer Staples                        | 14.3 |
| Financials                              | 12.6 |
| Consumer Discretionary                  | 12.0 |
| Communication Services                  | 7.7  |
| Health Care                             | 7.4  |
| Materials                               | 5.5  |
| Industrials                             | 1.9  |
| Energy                                  | 1.9  |
| Real Estate                             | 1.6  |
| Cash and Other Assets, Less Liabilities | 1.9  |

| MARKET CAP EXPOSURE (%) <sup>6</sup>    |      |
|---|------|
| Mega Cap (over \$25B)                   | 34.4 |
| Large Cap (\$10B–\$25B)                 | 29.6 |
| Mid Cap (\$3B–10B)                      | 7.9  |
| Small Cap (under \$3B)                  | 26.2 |
| Cash and Other Assets, Less Liabilities | 1.9  |

<sup>6</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

Schedule of Investments<sup>a</sup>

COMMON EQUITIES: 67.8%

|   | Shares  | Value             |
|---|---------|-------------------|
| <b>INFORMATION TECHNOLOGY: 19.1%</b>                            |         |                   |
| <b>Semiconductors &amp; Semiconductor Equipment: 8.5%</b>       |         |                   |
| SK Hynix, Inc.  | 84,602  | \$6,881,337       |
| Koh Young Technology, Inc.                                      | 27,749  | 2,528,668         |
| LEENO Industrial, Inc.  | 40,936  | 2,275,444         |
|   |         | <u>11,685,449</u> |
| <b>Technology Hardware, Storage &amp; Peripherals: 6.7%</b>     |         |                   |
| Samsung Electronics Co., Ltd.                                   | 191,600 | 9,232,607         |
| <b>Electronic Equipment, Instruments &amp; Components: 3.1%</b> |         |                   |
| SFA Engineering Corp.   | 55,932  | 2,233,971         |
| Samsung SDI Co., Ltd.   | 9,812   | 1,998,836         |
|   |         | <u>4,232,807</u>  |
| <b>IT Services: 0.8%</b>  |         |                   |
| Cafe24 Corp. <sup>b</sup>                                       | 24,277  | 1,071,814         |
| <b>Total Information Technology</b>                             |         | <u>26,222,677</u> |
| <b>FINANCIALS: 9.4%</b>   |         |                   |
| <b>Banks: 5.5%</b>  |         |                   |
| Shinhan Financial Group Co., Ltd.                               | 112,636 | 4,223,038         |
| KB Financial Group, Inc.  | 79,741  | 3,285,166         |
|   |         | <u>7,508,204</u>  |
| <b>Capital Markets: 3.9%</b>                                    |         |                   |
| Shinyoung Securities Co., Ltd.                                  | 67,692  | 3,184,267         |
| Kiwoom Securities Co., Ltd.                                     | 32,474  | 2,223,270         |
|   |         | <u>5,407,537</u>  |
| <b>Total Financials</b>   |         | <u>12,915,741</u> |
| <b>CONSUMER STAPLES: 8.7%</b>                                   |         |                   |
| <b>Food Products: 5.3%</b>                                      |         |                   |
| Orion Corp.   | 60,817  | 5,546,561         |
| Maeil Dairies Co., Ltd.   | 22,380  | 1,659,321         |
|   |         | <u>7,205,882</u>  |
| <b>Tobacco: 1.9%</b>  |         |                   |
| KT&G Corp.  | 32,742  | 2,649,076         |
| <b>Food &amp; Staples Retailing: 1.5%</b>                       |         |                   |
| BGF Retail Co., Ltd.  | 14,296  | 2,087,549         |
| <b>Total Consumer Staples</b>                                   |         | <u>11,942,507</u> |
| <b>CONSUMER DISCRETIONARY: 8.1%</b>                             |         |                   |
| <b>Auto Components: 5.1%</b>                                    |         |                   |
| Hyundai Mobis Co., Ltd.   | 31,722  | 7,018,194         |
| <b>Automobiles: 1.8%</b>  |         |                   |
| Kia Motors Corp.  | 62,033  | 2,369,072         |
| <b>Specialty Retail: 1.2%</b>                                   |         |                   |
| Cuckoo Homesys Co., Ltd.  | 45,015  | 1,681,567         |
| <b>Total Consumer Discretionary</b>                             |         | <u>11,068,833</u> |
| <b>COMMUNICATION SERVICES: 7.7%</b>                             |         |                   |
| <b>Interactive Media &amp; Services: 7.7%</b>                   |         |                   |
| NAVER Corp.   | 39,367  | 6,333,951         |
| Kakao Corp.   | 31,706  | 4,199,291         |
| <b>Total Communication Services</b>                             |         | <u>10,533,242</u> |

|  | Shares  | Value               |
|--|---------|---------------------|
| <b>HEALTH CARE: 7.4%</b>                                     |         |                     |
| <b>Pharmaceuticals: 4.2%</b>                                 |         |                     |
| Yuhan Corp.  | 14,419  | \$2,942,562         |
| DongKook Pharmaceutical Co., Ltd.                            | 35,478  | 2,727,392           |
|  |         | <u>5,669,954</u>    |
| <b>Biotechnology: 2.1%</b>                                   |         |                     |
| Hugel, Inc. <sup>b</sup>                                     | 8,445   | 2,904,213           |
| <b>Health Care Equipment &amp; Supplies: 1.1%</b>            |         |                     |
| Interojo Co., Ltd.   | 65,879  | 1,509,614           |
| <b>Total Health Care</b>                                     |         | <u>10,083,781</u>   |
| <b>MATERIALS: 3.4%</b>                                       |         |                     |
| <b>Containers &amp; Packaging: 2.0%</b>                      |         |                     |
| Lock&Lock Co., Ltd.  | 224,790 | 2,765,765           |
| <b>Chemicals: 1.4%</b>                                       |         |                     |
| Chunbo Co., Ltd.   | 34,757  | 1,842,229           |
| <b>Total Materials</b>                                       |         | <u>4,607,994</u>    |
| <b>INDUSTRIALS: 1.9%</b>                                     |         |                     |
| <b>Commercial Services &amp; Supplies: 1.9%</b>              |         |                     |
| S-1 Corp.  | 31,882  | 2,583,201           |
| <b>Total Industrials</b>                                     |         | <u>2,583,201</u>    |
| <b>REAL ESTATE: 1.6%</b>                                     |         |                     |
| <b>Equity REITs: 1.6%</b>                                    |         |                     |
| LOTTE Reit Co., Ltd. <sup>b</sup>                            | 402,599 | 2,144,502           |
| <b>Total Real Estate</b>                                     |         | <u>2,144,502</u>    |
| <b>ENERGY: 0.5%</b>  |         |                     |
| <b>Oil, Gas &amp; Consumable Fuels: 0.5%</b>                 |         |                     |
| S-Oil Corp.  | 8,335   | 684,569             |
| <b>Total Energy</b>  |         | <u>684,569</u>      |
| <b>TOTAL COMMON EQUITIES</b>                                 |         | <u>92,787,047</u>   |
|  |         | (Cost \$83,951,527) |
| <b>PREFERRED EQUITIES: 30.3%</b>                             |         |                     |
| <b>INFORMATION TECHNOLOGY: 14.1%</b>                         |         |                     |
| <b>Technology Hardware, Storage &amp; Peripherals: 14.1%</b> |         |                     |
| Samsung Electronics Co., Ltd., Pfd.                          | 492,162 | 19,269,055          |
| <b>Total Information Technology</b>                          |         | <u>19,269,055</u>   |
| <b>CONSUMER STAPLES: 5.6%</b>                                |         |                     |
| <b>Personal Products: 5.6%</b>                               |         |                     |
| LG Household & Health Care, Ltd., Pfd.                       | 8,992   | 5,990,904           |
| Amorepacific Corp., Pfd.                                     | 21,643  | 1,672,132           |
| <b>Total Consumer Staples</b>                                |         | <u>7,663,036</u>    |
| <b>CONSUMER DISCRETIONARY: 3.9%</b>                          |         |                     |
| <b>Automobiles: 3.9%</b>                                     |         |                     |
| Hyundai Motor Co., Ltd., 2nd Pfd.                            | 58,650  | 4,023,494           |
| Hyundai Motor Co., Ltd., Pfd.                                | 21,772  | 1,348,491           |
| <b>Total Consumer Discretionary</b>                          |         | <u>5,371,985</u>    |

*Schedule of Investments<sup>a</sup> (continued)*

**PREFERRED EQUITIES (continued)**

|  |        |                      |
|--|--------|----------------------|
| <b>FINANCIALS: 3.2%</b>                                  |        |                      |
| <b>Insurance: 3.2%</b>                                   |        |                      |
| Samsung Fire & Marine Insurance Co., Ltd., Pfd.          | 29,919 | <u>4,294,934</u>     |
| <b>Total Financials</b>                                  |        | <u>4,294,934</u>     |
| <b>MATERIALS: 2.1%</b>                                   |        |                      |
| <b>Chemicals: 2.1%</b>                                   |        |                      |
| LG Chem, Ltd., Pfd.                                      | 19,078 | <u>2,850,029</u>     |
| <b>Total Materials</b>                                   |        | <u>2,850,029</u>     |
| <b>ENERGY: 1.4%</b>                                      |        |                      |
| <b>Oil, Gas &amp; Consumable Fuels: 1.4%</b>             |        |                      |
| S-Oil Corp., Pfd.  | 41,239 | <u>1,937,455</u>     |
| <b>Total Energy</b>                                      |        | <u>1,937,455</u>     |
| <b>TOTAL PREFERRED EQUITIES</b>                          |        | <u>41,386,494</u>    |
| (Cost \$34,411,511)                                      |        |                      |
| <b>TOTAL INVESTMENTS: 98.1%</b>                          |        | <u>134,173,541</u>   |
| (Cost \$118,363,038)                                     |        |                      |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 1.9%</b> |        | <u>2,640,402</u>     |
| <b>NET ASSETS: 100.0%</b>                                |        | <u>\$136,813,943</u> |

a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Non-income producing security.

Pfd. Preferred

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Lydia So, CFA**  
Lead Manager

**Beini Zhou, CFA**      **Tiffany Hsiao, CFA**  
Co-Manager              Co-Manager

**FUND FACTS**

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MSMLX     | MISMX         |
| CUSIP   | 577125206 | 577125867     |
| Inception                                       | 9/15/08   | 4/30/13       |
| NAV   | \$18.10   | \$18.06       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.60%     | 1.46%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.45%     | 1.24%         |

**Portfolio Statistics**

|                                 |                 |
|---------------------------------|-----------------|
| Total # of Positions            | 78              |
| Net Assets                      | \$181.2 million |
| Weighted Average Market Cap     | \$1.3 billion   |
| Portfolio Turnover <sup>3</sup> | 59.10%          |

**Benchmark**

MSCI AC Asia ex Japan Small Cap Index

**OBJECTIVE**

Long-term capital appreciation.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of Small Companies located in Asia ex Japan, which consists of all countries and markets in Asia excluding Japan, but including all other developed, emerging and frontier countries and markets in the Asian region.

# Matthews Asia Small Companies Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews Asia Small Companies Fund returned 17.38% (Investor Class) and 17.65% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Small Cap Index, returned 7.58%. For the fourth quarter, the Fund returned 4.08% (Investor Class) and 4.12% (Institutional Class), while its benchmark returned 7.64%.

**Market Environment:**

For most of 2019, the anticipation of U.S Federal Reserve rate cuts and uncertainty around the U.S.–China trade war dominated market sentiment. China implemented accommodative economic policies such as value-added tax cuts and payroll-tax reductions that helped drive consumer spending. The targeted stimulus for helping small to medium-sized enterprises announced near the end of the second quarter also helped business sentiment in the second half of the year. In the fourth quarter, the two countries agreed to a partial trade deal, which the market embraced with enthusiasm.

Meanwhile in India, macroeconomic data pointed toward lackluster economic activity after India’s GDP growth slowed to a 26-quarter low in the third quarter of 2019. Despite Prime Minister Narendra Modi being re-elected and winning a strong mandate, India’s economy continued to struggle given the weak capital position of public-sector banks and challenges of poor credit quality in the shadow-banking system.

Several Southeast Asian countries concluded national-level elections in the first half of the year, which helped relieve uncertainty on the public policy front. Southeast Asian countries generally missed out on the global rally in the fourth quarter, however, as they were not major beneficiaries of a U.S.–China trade conflict resolution.

**Performance Contributors and Detractors:**

The Fund outperformed its benchmark for the full-year 2019. The portfolio’s overweights in the information technology, health care and industrials sectors were primary sources of absolute performance. Our long-term holding Silergy was the largest contributor to absolute performance. Silergy is one of China’s largest fabless analog semiconductor companies. It has a strong, diverse product portfolio that we believe can meet its clients’ various needs. As China tries to become less reliant on foreign-sourced technology, we believe Silergy is poised to gain market share, due in part to import substitution.

The portfolio’s outperformance over the benchmark was attributed to favorable stock selection across multiple sectors where the portfolio’s holdings exhibited resilience and an improving earnings trajectory. A handful of holdings in the communication services and consumer discretionary sectors performed poorly due to negative company-specific reasons, however, and hence detracted from performance. For example, Wise Talent Information Technology, an online recruitment platform in China, and Yeah1 Group, a multi-channel digital media network operator in Vietnam, both struggled to execute their business plans in 2019. Hence, the share prices of both companies fell sharply.

(continued)

1 Actual 2019 expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days’ written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

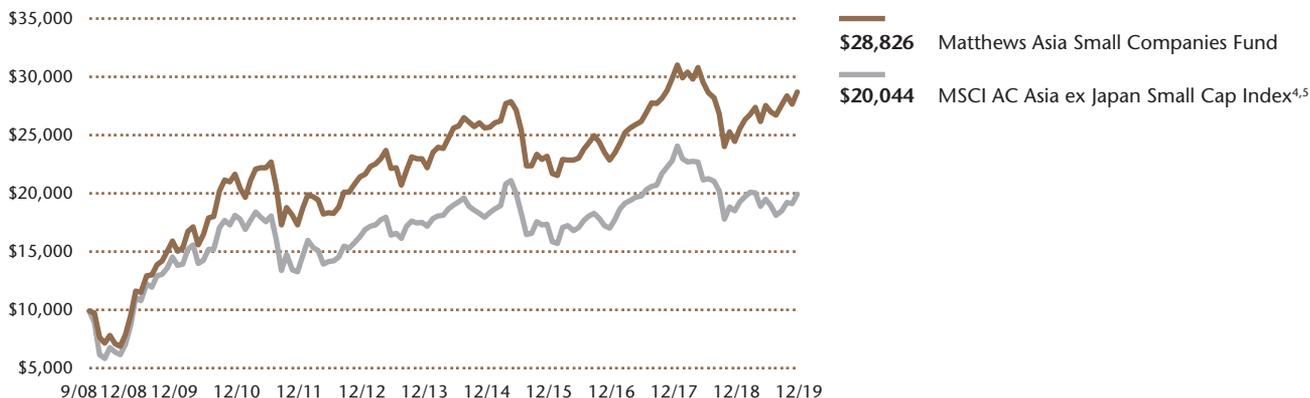
3 The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|  | Average Annual Total Returns |        |         |         |          | Since Inception    | Inception Date |
|--|------------------------------|--------|---------|---------|----------|--------------------|----------------|
|  | 3 Months                     | 1 Year | 3 Years | 5 Years | 10 Years |                    |                |
| Investor Class (MSMLX)                             | 4.08%                        | 17.38% | 7.90%   | 2.32%   | 6.04%    | 9.83%              | 09/15/08       |
| Institutional Class (MISMX)                        | 4.12%                        | 17.65% | 8.14%   | 2.54%   | n.a.     | 3.61%              | 04/30/13       |
| MSCI AC Asia ex Japan Small Cap Index <sup>4</sup> | 7.64%                        | 7.58%  | 5.42%   | 2.11%   | 3.19%    | 6.35% <sup>5</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>5</sup> Calculated from 9/15/08.

## TOP TEN HOLDINGS<sup>6</sup>

|   | Sector                 | Country         | % Net Assets |
|---|------------------------|-----------------|--------------|
| Silergy Corp.                                   | Information Technology | China/Hong Kong | 3.0%         |
| Great Tree Pharmacy Co., Ltd.                   | Consumer Staples       | Taiwan          | 2.5%         |
| Times China Holdings, Ltd.                      | Real Estate            | China/Hong Kong | 2.0%         |
| Advanced Ceramic X Corp.                        | Information Technology | Taiwan          | 2.0%         |
| AP Thailand Public Co., Ltd.                    | Real Estate            | Thailand        | 1.9%         |
| ICICI Securities, Ltd.                          | Financials             | India           | 1.9%         |
| Sunny Friend Environmental Technology Co., Ltd. | Industrials            | Taiwan          | 1.9%         |
| PT Arwana Citramulia                            | Industrials            | Indonesia       | 1.8%         |
| Sunonwealth Electric Machine Industry Co., Ltd. | Industrials            | Taiwan          | 1.8%         |
| Alphamab Oncology                               | Health Care            | China/Hong Kong | 1.8%         |
| <b>% OF ASSETS IN TOP TEN</b>                   |                        |                 | <b>20.6%</b> |

<sup>6</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

# Matthews Asia Small Companies Fund

## *Portfolio Manager Commentary (unaudited) (continued)*

By country, holdings in China/Hong Kong, Taiwan and India registered healthy gains, generating the bulk of the absolute performance for the year. Yihai International, a dominant hot-pot soup company based in China, performed strongly on the back of strong revenue and profit growth. Some holdings in Vietnam and Singapore performed below expectations, however, detracting from absolute performance. Delfi in Singapore, a leading chocolate-confectionary maker with a meaningful market presence in Indonesia, delivered lackluster performance as consumption activities in Indonesia remained soft.

### **Notable Portfolio Changes:**

In 2019, the portfolio accumulated a number of new holdings in India as the sell-off among India's small caps presented attractive opportunities. The portfolio gained new exposure to India's rural economy through companies that we believe are well-positioned to benefit from improving demand. In China/Hong Kong, we focused on companies that are competitive and adaptive to the high value-adding segments of the economy by initiating positions in companies in biopharmaceuticals, software and tech hardware-related industries. The portfolio also increased its positions in a number of A-share companies that are poised to grow nicely as their businesses are primed to address rising domestic consumption and corporate demand.

We also were mindful of valuations. As a result, we trimmed positions in some consumer staples high-flyers and exited positions that we believed had an unattractive risk/reward profile after a share price run-up. The portfolio also exited holdings in companies that failed to show earnings improvement after several quarters. The proceeds were deployed in initiating positions in a handful of South Korean and Taiwanese companies. Toward the second half of 2019, the team increased weightings in a number of companies that are positioned to participate in the recovery of the semiconductor supply chain.

### **Outlook:**

2019 concluded with cheery market sentiment thanks to a partial resolution of the U.S.–China trade war. There still could be bumps along the way as the two countries work out their differences. The upcoming U.S. presidential election and recent geopolitical tensions could contribute to more investor uncertainty.

To be sure, large Asian economies such as China and India are in transition as well. China is experiencing short-term pains in deleveraging its economy while India's economy is hampered by the immediate negative impact of continued disruption in the non-banking financial sector. We recognize that global macroeconomic events can be unpredictable. We continue to focus on identifying structural drivers of Asia's evolving economy, especially in areas such as consumption upgrades, productivity improvements and innovations.

We seek to identify companies that possess competitive moats and financial strengths to execute their business plans. Entrepreneurial and nimble companies in Asia present some of the world's most exciting growth opportunities for long-term investors. We are optimistic that there will be an expanding opportunity set in the small-cap universe in Asia, where many long-term winners may emerge.

| COUNTRY ALLOCATION (%) <sup>7,8</sup>   |      |
|---|------|
| China/Hong Kong                         | 27.5 |
| Taiwan                                  | 18.7 |
| India                                   | 14.9 |
| South Korea                             | 12.7 |
| Thailand                                | 5.9  |
| Vietnam                                 | 5.4  |
| Indonesia                               | 3.2  |
| Malaysia                                | 1.6  |
| Philippines                             | 1.4  |
| Japan                                   | 1.4  |
| Singapore                               | 1.2  |
| Australia                               | 1.2  |
| Cash and Other Assets, Less Liabilities | 4.8  |

| SECTOR ALLOCATION (%) <sup>8</sup>      |      |
|---|------|
| Information Technology                  | 21.1 |
| Industrials                             | 17.4 |
| Health Care                             | 14.7 |
| Consumer Discretionary                  | 11.1 |
| Consumer Staples                        | 8.8  |
| Real Estate                             | 7.0  |
| Financials                              | 6.2  |
| Materials                               | 5.5  |
| Communication Services                  | 3.3  |
| Cash and Other Assets, Less Liabilities | 4.8  |

| MARKET CAP EXPOSURE (%) <sup>8,9</sup>  |      |
|---|------|
| Mega Cap (over \$25B)                   | 0.0  |
| Large Cap (\$10B–\$25B)                 | 0.0  |
| Mid Cap (\$3B–10B)                      | 10.8 |
| Small Cap (under \$3B)                  | 84.4 |
| Cash and Other Assets, Less Liabilities | 4.8  |

7 Not all countries where the Fund may invest are included in the benchmark index.

8 Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

9 The Fund defines Small Companies as companies with market capitalization no higher than the greater of \$5 billion or the market capitalization of the largest company included in the Fund's primary benchmark, the MSCI All Country Asia ex Japan Small Cap Index.

Schedule of Investments<sup>a</sup>

## COMMON EQUITIES: 95.2%

|  | Shares    | Value             |  | Shares      | Value             |
|--|-----------|-------------------|--|-------------|-------------------|
| <b>CHINA/HONG KONG: 27.5%</b>                          |           |                   | <b>SOUTH KOREA: 12.7%</b>              |             |                   |
| Silergy Corp.  | 168,000   | \$5,349,174       | Value Added Technology Co., Ltd.       | 121,233     | \$3,057,306       |
| Times China Holdings, Ltd.                             | 1,854,000 | 3,694,505         | Yuhan Corp.                            | 12,500      | 2,550,942         |
| Alphamab Oncology <sup>b,c,d</sup>                     | 1,795,000 | 3,224,978         | Chunbo Co., Ltd.                       | 47,360      | 2,510,227         |
| Jiajiayue Group Co., Ltd. A Shares                     | 811,989   | 2,838,468         | Koentec Co., Ltd.                      | 258,946     | 2,224,989         |
| Innovent Biologics, Inc. <sup>b,c,d</sup>              | 828,000   | 2,826,106         | SFA Engineering Corp.                  | 53,103      | 2,120,979         |
| Joyoung Co., Ltd. A Shares                             | 779,711   | 2,820,753         | LEENO Industrial, Inc.                 | 35,854      | 1,992,959         |
| China Isotope & Radiation Corp.                        | 1,022,600 | 2,761,110         | Hy-Lok Corp.                           | 116,533     | 1,934,584         |
| BBI Life Sciences Corp. <sup>d</sup>                   | 8,709,000 | 2,725,000         | Douzone Bizon Co., Ltd.                | 27,603      | 1,929,611         |
| Hua Hong Semiconductor, Ltd. <sup>b,d</sup>            | 1,165,000 | 2,653,607         | Cafe24 Corp. <sup>c</sup>              | 35,372      | 1,561,651         |
| Aoyuan Healthy Life Group Co., Ltd. <sup>d</sup>       | 3,274,000 | 2,460,994         | Vitzrocell Co., Ltd. <sup>c</sup>      | 109,300     | 1,262,891         |
| Kingdee International Software Group Co., Ltd.         | 2,396,000 | 2,397,055         | Tongyang Pile, Inc. <sup>c</sup>       | 377,111     | 1,017,141         |
| SITC International Holdings Co., Ltd.                  | 1,915,000 | 2,337,005         | Cosmecca Korea Co., Ltd.               | 91,586      | 897,052           |
| Vitasoy International Holdings, Ltd.                   | 604,000   | 2,191,080         | <b>Total South Korea</b>               |             | <b>23,060,332</b> |
| Precision Tsugami China Corp., Ltd. <sup>d</sup>       | 2,368,000 | 2,030,098         | <b>THAILAND: 5.9%</b>                  |             |                   |
| Mobvista, Inc. <sup>b,d</sup>                          | 4,288,000 | 1,864,047         | AP Thailand Public Co., Ltd.           | 13,707,300  | 3,426,919         |
| SUNeVision Holdings, Ltd.                              | 2,752,000 | 1,860,856         | Humanica Public Co., Ltd.              | 11,168,100  | 2,888,028         |
| Genscript Biotech Corp. <sup>c</sup>                   | 750,000   | 1,704,169         | Rich Sport Public Co., Ltd.            | 22,687,700  | 2,502,700         |
| Centre Testing International Group Co., Ltd. A Shares  | 712,470   | 1,528,273         | Plan B Media Public Co., Ltd. F Shares | 7,289,000   | 1,859,851         |
| Yihai International Holding, Ltd.                      | 210,000   | 1,232,740         | <b>Total Thailand</b>                  |             | <b>10,677,498</b> |
| Venus MedTech Hangzhou, Inc. H Shares <sup>b,c,d</sup> | 185,500   | 892,708           | <b>VIETNAM: 5.4%</b>                   |             |                   |
| Times Neighborhood Holdings, Ltd. <sup>c,d</sup>       | 790,326   | 491,906           | Nam Long Investment Corp.              | 2,600,002   | 3,086,975         |
| <b>Total China/Hong Kong</b>                           |           | <b>49,884,632</b> | Saigon Cargo Service Corp.             | 482,000     | 2,496,062         |
| <b>TAIWAN: 18.7%</b>                                   |           |                   | Ho Chi Minh City Securities Corp.      | 2,234,190   | 2,062,784         |
| Great Tree Pharmacy Co., Ltd.                          | 1,632,282 | 4,448,659         | FPT Digital Retail JSC                 | 1,105,180   | 1,003,950         |
| Advanced Ceramic X Corp.                               | 302,000   | 3,559,477         | FPT Corp.                              | 360,000     | 906,539           |
| Sunny Friend Environmental Technology Co., Ltd.        | 431,000   | 3,360,406         | Mobile World Investment Corp.          | 40,000      | 196,905           |
| Sunonwealth Electric Machine Industry Co., Ltd.        | 2,039,000 | 3,225,116         | <b>Total Vietnam</b>                   |             | <b>9,753,215</b>  |
| Chroma ATE, Inc.                                       | 600,000   | 2,918,078         | <b>INDONESIA: 3.2%</b>                 |             |                   |
| Global Unichip Corp.                                   | 302,000   | 2,430,860         | PT Arwana Citramulia                   | 103,521,400 | 3,251,239         |
| Taiwan Paiho, Ltd.                                     | 846,000   | 2,378,763         | PT Sarimelati Kencana <sup>d</sup>     | 31,809,100  | 2,543,353         |
| Chief Telecom, Inc.                                    | 303,000   | 2,223,744         | <b>Total Indonesia</b>                 |             | <b>5,794,592</b>  |
| Foxsemicon Integrated Technology, Inc.                 | 361,000   | 2,154,600         | <b>MALAYSIA: 1.6%</b>                  |             |                   |
| Global PMX Co., Ltd.                                   | 360,000   | 2,087,981         | Bursa Malaysia BHD                     | 1,904,500   | 2,836,526         |
| FIT Hon Teng, Ltd. <sup>b,d</sup>                      | 5,405,000 | 1,818,823         | <b>Total Malaysia</b>                  |             | <b>2,836,526</b>  |
| K.S. Terminals, Inc.                                   | 1,101,000 | 1,817,971         | <b>PHILIPPINES: 1.5%</b>               |             |                   |
| Kuobrothers Corp.                                      | 1,103,952 | 1,430,715         | Wilcon Depot, Inc.                     | 7,384,400   | 2,624,528         |
| <b>Total Taiwan</b>                                    |           | <b>33,855,193</b> | <b>Total Philippines</b>               |             | <b>2,624,528</b>  |
| <b>INDIA: 14.9%</b>                                    |           |                   | <b>JAPAN: 1.4%</b>                     |             |                   |
| ICICI Securities, Ltd. <sup>b,d</sup>                  | 593,149   | 3,382,969         | CKD Corp.                              | 151,000     | 2,505,485         |
| Galaxy Surfactants, Ltd. <sup>d</sup>                  | 131,835   | 2,772,388         | <b>Total Japan</b>                     |             | <b>2,505,485</b>  |
| Syngene International, Ltd. <sup>b,d</sup>             | 531,669   | 2,384,677         | <b>SINGAPORE: 1.2%</b>                 |             |                   |
| Procter & Gamble Health, Ltd.                          | 36,693    | 2,244,767         | Delfi, Ltd.                            | 3,032,700   | 2,245,858         |
| Amrutanjan Health Care, Ltd.                           | 355,487   | 2,192,841         | <b>Total Singapore</b>                 |             | <b>2,245,858</b>  |
| NIIT Technologies, Ltd.                                | 76,602    | 1,706,260         |  |             |                   |
| Cholamandalam Investment and Finance Co., Ltd.         | 398,560   | 1,706,094         |  |             |                   |
| Zydus Wellness, Ltd.                                   | 78,857    | 1,624,355         |  |             |                   |
| Elgi Equipments, Ltd.                                  | 446,725   | 1,609,078         |  |             |                   |
| M.M. Forgings, Ltd.                                    | 276,964   | 1,486,324         |  |             |                   |
| Escorts, Ltd.  | 166,169   | 1,467,118         |  |             |                   |
| Gabriel India, Ltd.                                    | 824,086   | 1,417,770         |  |             |                   |
| DCB Bank, Ltd.   | 547,544   | 1,318,650         |  |             |                   |
| Shankara Building Products, Ltd.                       | 272,933   | 1,199,323         |  |             |                   |
| Spencer's Retail, Ltd. <sup>c</sup>                    | 671,221   | 532,251           |  |             |                   |
| <b>Total India</b>                                     |           | <b>27,044,865</b> |  |             |                   |

*Schedule of Investments<sup>a</sup> (continued)*

**COMMON EQUITIES** *(continued)*

|  | Shares  | Value                              |
|--|---------|------------------------------------|
| <b>AUSTRALIA: 1.2%</b>                                       |         |                                    |
| OZ Minerals, Ltd.  | 302,465 | \$2,244,604                        |
| <b>Total Australia</b>                                       |         | <u><b>2,244,604</b></u>            |
| <b>TOTAL INVESTMENTS: 95.2%</b>                              |         |                                    |
| (Cost \$172,438,182)   |         | <u><b>172,527,328</b></u>          |
| <br><b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 4.8%</b> |         |                                    |
|  |         | <u><b>8,706,928</b></u>            |
| <br><b>NET ASSETS: 100.0%</b>                                |         |                                    |
|  |         | <u><u><b>\$181,234,256</b></u></u> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$19,047,915, which is 10.51% of net assets.
  - c Non-income producing security.
  - d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
- BHD Berhad  
JSC Joint Stock Co.

See accompanying notes to financial statements.



**PORTFOLIO MANAGERS**

**Tiffany Hsiao, CFA**

Lead Manager

**Lydia So, CFA**

Co-Manager

**FUND FACTS**

|   | Investor  | Institutional |
|---|-----------|---------------|
| Ticker  | MCSMX     | MICMX         |
| CUSIP   | 577125404 | 577125842     |
| Inception                                       | 5/31/11   | 11/30/17      |
| NAV   | \$12.84   | \$12.86       |
| Initial Investment                              | \$2,500   | \$100,000     |
| Gross Expense Ratio <sup>1</sup>                | 1.62%     | 1.51%         |
| After Fee Waiver and Reimbursement <sup>2</sup> | 1.42%     | 1.24%         |

**Portfolio Statistics**

|                                 |                |
|---------------------------------|----------------|
| Total # of Positions            | 56             |
| Net Assets                      | \$95.8 million |
| Weighted Average Market Cap     | \$2.3 billion  |
| Portfolio Turnover <sup>3</sup> | 68.17%         |

**Benchmark**

MSCI China Small Cap Index

**OBJECTIVE**

Long-term capital appreciation.

**STRATEGY**

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of Small Companies located in China. China includes its administrative and other districts, such as Hong Kong.

# Matthews China Small Companies Fund

## Portfolio Manager Commentary (unaudited)

For the year ending December 31, 2019, the Matthews China Small Companies Fund returned 35.41% (Investor Class) and 35.68% (Institutional Class), outperforming its benchmark, the MSCI China Small Cap Index, which returned 6.63% over the same period. For the fourth quarter of the year, the Fund returned 11.16% (Investor Class) and 11.21% (Institutional Class), versus 7.19% for the Index.

**Market Environment:**

Thanks to accommodative monetary policies around the globe and a U.S.–China trade truce, Chinese equity markets performed well in the fourth quarter. We expect the trade negotiations to be an ongoing process for the foreseeable future while China works on areas of self-sufficiency.

Economic data from China were generally healthy in 2019. On the consumer end, value-added tax cuts and payroll tax reductions drove positive effects on consumer spending, keeping retail sales in high single-digit growth year-over-year into the fourth quarter. The targeted stimulus toward helping small to medium enterprises announced near the end of the second quarter also helped business sentiment. The Caixin China General Manufacturing PMI signaled continued expansion toward a three-year high. Longer term, we still expect structural growth in China’s economy—particularly among companies that benefit from an increase in domestic sourcing of key value-added components as trade conflicts remain a risk.

From both a top-down and bottom-up perspective, we anticipate long-term sustainable growth in the Chinese economy and in corporate earnings. Market concerns over trade tensions should, in our view, have little impact on China’s smaller companies, given their domestic focus and lower dependence on financial leverage.

**Performance Contributors and Detractors:**

During the fourth quarter, strong stock selection in the consumer discretionary, information technology and health care sectors contributed most of the Fund’s outperformance versus the benchmark. Our overweight in consumer staples was a drag on performance. For the full-year 2019, all sectors provided positive attribution to performance. The largest positive performance attributors were strong stock selection in information technology, industrials, health care, consumer staples and consumer discretionary.

Top contributors to Fund performance during the fourth quarter included Silergy and China Meidong Auto. Top contributors for the year included Silergy, Yihai International and China Meidong Auto. Silergy is our top holding and is the largest fabless analog semiconductor company in China. Silergy has strong product, process and systems technologies to allow it to make integrated analog circuits for its clients’ various needs. In a seemingly deglobalizing world, Silergy’s scarcity value has emerged as China tries to become more self-sufficient. Although the semiconductor cycle is still far from a full recovery, we expect Silergy to gain share as the cycle recovers. China Meidong Auto is one of the largest luxury import car dealers and service companies in China, specializing in Lexus, BMW and Porsche. The company has embraced data-driven decision-making and management to successfully expand its business. Yihai is a company we discussed throughout the year. It is a top condiment and hot-pot sauce provider in China. It strives to offer

(continued)

<sup>1</sup> Actual 2019 expense ratios.

<sup>2</sup> Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses (e.g., custody fees) of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2021 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days’ written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

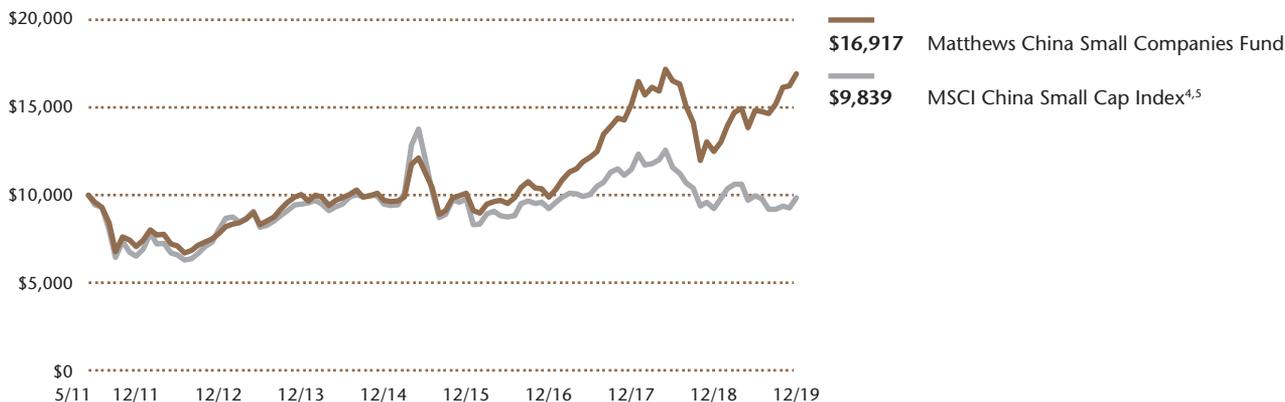
<sup>3</sup> The lesser of fiscal year 2019 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

## PERFORMANCE AS OF DECEMBER 31, 2019

|   | Average Annual Total Returns |        |         |         |                     | Inception date |
|---|------------------------------|--------|---------|---------|---------------------|----------------|
|   | 3 Months                     | 1 Year | 3 Years | 5 Years | Since Inception     |                |
| Investor Class (MCSMX)                  | 11.16%                       | 35.41% | 19.71%  | 11.76%  | 6.31%               | 05/31/11       |
| Institutional Class (MICHX)             | 11.21%                       | 35.68% | n.a.    | n.a.    | 8.66%               | 11/30/17       |
| MSCI China Small Cap Index <sup>4</sup> | 7.19%                        | 6.63%  | 2.26%   | 0.80%   | -0.19% <sup>5</sup> |                |

*Performance assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares 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).*

## GROWTH OF A HYPOTHETICAL \$10,000 INVESTMENT SINCE INCEPTION—INVESTOR CLASS



Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US\$.

<sup>4</sup> It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 85 for index definition.

<sup>5</sup> Calculated from 5/31/11

## TOP TEN HOLDINGS<sup>6</sup>

|  | Sector                 | % of Net Assets |
|--|------------------------|-----------------|
| Silergy Corp.                          | Information Technology | 8.8%            |
| SITC International Holdings Co., Ltd.  | Industrials            | 5.1%            |
| China Meidong Auto Holdings, Ltd.      | Consumer Discretionary | 3.8%            |
| Asia Cement China Holdings Corp.       | Materials              | 3.1%            |
| China Overseas Property Holdings, Ltd. | Real Estate            | 2.7%            |
| China Youzan, Ltd.                     | Information Technology | 2.6%            |
| Zai Lab, Ltd.                          | Health Care            | 2.5%            |
| Greentown Service Group Co., Ltd.      | Industrials            | 2.4%            |
| Alphamab Oncology                      | Health Care            | 2.3%            |
| Venus MedTech Hangzhou, Inc.           | Health Care            | 2.1%            |
| <b>% OF ASSETS IN TOP TEN</b>          |                        | <b>35.4%</b>    |

<sup>6</sup> Holdings may combine more than one security from same issuer and related depositary receipts.

## Matthews China Small Companies Fund

### *Portfolio Manager Commentary (unaudited) (continued)*

innovative products with strict quality standards and a strong brand name. As consumption upgrades continue in China both for the restaurant market and cook-at-home young families, complex sauces such as the ones Yihai provides are increasing in popularity.

FIT Hon Teng and Honma Golf were the top detractors to Fund performance during the fourth quarter. Honma Golf and Huami were the top two detractors to Fund performance for the full year. Honma Golf is a luxury golf brand originating in Japan. The company struggled with the headwind of a sluggish golf-equipment market, despite its success in signing Justin Rose as its sponsored golfer. The company's turnaround was slower than our expectations and we reduced our position throughout the year. FIT Hon Teng, a subsidiary of Hon Hai, focuses on manufacturing connectors and cables for the consumer electronics industry. The company suffered from a de-rating event in the fourth quarter as it reversed part of its acquisition of Avago's optical module group. We were disappointed with the company's inability to move up the value chain and become an original design manufacturer but still saw value in its business given the structural growth in wireless charging and wireless consumer electronics. We will continue to closely monitor developments. Huami is a Chinese wearables brand and a wearables original-design manufacturer. We exited Huami in the first half of the year after the trade war escalation had an irreversible negative impact on the company's ability to recoup its research and development expenses.

#### **Notable Portfolio Changes:**

During the fourth quarter, we initiated positions in Alphamab Oncology and Venus MedTech. Alphamab Oncology is a clinical-stage biopharmaceutical company dedicated to the discovery, development manufacturing and commercialization of innovative biologics for cancer therapy globally. The company has a unique technology platform that is being used in its global potentially first-in-class PD-L1 and CTLA-4 bispecific antibody, which could serve as a backbone combination in immunoncology treatments of various cancer types. We look forward to new data releases as the company moves forward with its clinical trials and partnerships. Venus MedTech is a leading structured heart-device company in China. Its transcatheter aortic valve replacement (TAVR) product leads the Chinese market for high-risk patients and may expand into lower-risk patients, similar to approvals in the U.S. This product helps heart-disease patients avoid open-heart surgery and reduces in-patient hospital time. Both companies are in therapeutic areas that are rapidly expanding off of a smaller base in China with well-validated targets and approaches.

During the fourth quarter we exited our position in Glodon, a leading software solution provider for the construction industry in China. Over the long run, we saw expansion in its addressable market in construction digitalization in China. We expected slower growth and higher costs in the medium term, however, as the company continued to educate the market.

#### **Outlook:**

We remain optimistic about China's small-cap market amid heightened market volatility as we focus rigorously on the sound fundamentals of our portfolio companies. From a macroeconomic perspective, we believe China can stabilize its economy through fiscal spending, tax reform, interest-rate adjustments and currency management. In addition, we believe that steps to correct China's structural issues are on the right track, despite the near-term pains of a deleveraging economy. We are focused on finding innovative and capital-efficient small companies that are relatively insulated from macroeconomic uncertainties. We will continue to seek companies with sustainable, quality earnings streams, strong cash flows and good balance sheets that can weather uncertain economic conditions. We believe sectors such as industrial automation, consumer, health care and technology are among the most attractive from a secular growth perspective.

| COUNTRY ALLOCATION (%) <sup>7</sup>     |      |
|---|------|
| China/Hong Kong                         | 84.8 |
| Taiwan                                  | 3.4  |
| Japan                                   | 1.2  |
| Cash and Other Assets, Less Liabilities | 10.6 |

| SECTOR ALLOCATION (%) <sup>7</sup>      |      |
|---|------|
| Information Technology                  | 18.2 |
| Health Care                             | 17.4 |
| Industrials                             | 16.7 |
| Consumer Discretionary                  | 15.0 |
| Consumer Staples                        | 10.0 |
| Real Estate                             | 7.3  |
| Materials                               | 3.1  |
| Energy                                  | 1.2  |
| Communication Services                  | 0.5  |
| Cash and Other Assets, Less Liabilities | 10.6 |

| MARKET CAP EXPOSURE (%) <sup>7,8</sup>  |      |
|---|------|
| Mega Cap (over \$25B)                   | 0.0  |
| Large Cap (\$10B–\$25B)                 | 0.0  |
| Mid Cap (\$3B–10B)                      | 18.9 |
| Small Cap (under \$3B)                  | 70.5 |
| Cash and Other Assets, Less Liabilities | 10.6 |

<sup>7</sup> Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent, so the values may not sum to 100% due to rounding. Percentage values may be derived from different data sources and may not be consistent with other Fund literature.

<sup>8</sup> The Fund defines Small Companies as companies with market capitalization no higher than the greater of \$5 billion or the market capitalization of the largest company included in the Fund's primary benchmark, the MSCI China Small Cap Index.

Schedule of Investments<sup>a</sup>

## COMMON EQUITIES: 89.4%

|   | Shares     | Value             |  | Shares | Value |
|---|------------|-------------------|--|--------|-------|
| <b>INFORMATION TECHNOLOGY: 18.2%</b>                                      |            |                   |  |        |       |
| <b>Semiconductors &amp; Semiconductor Equipment: 9.9%</b>                 |            |                   |  |        |       |
| Silergy Corp.   | 265,000    | \$8,437,685       |  |        |       |
| Alchip Technologies, Ltd.   | 131,000    | 1,026,594         |  |        |       |
|   |            | <u>9,464,279</u>  |  |        |       |
| <b>Software: 4.8%</b>   |            |                   |  |        |       |
| China Youzan, Ltd. <sup>b</sup>   | 39,388,000 | 2,506,329         |  |        |       |
| Kingdee International Software Group Co., Ltd.                            | 1,243,000  | 1,243,548         |  |        |       |
| Sangfor Technologies, Inc. A Shares                                       | 52,406     | 861,131           |  |        |       |
|   |            | <u>4,611,008</u>  |  |        |       |
| <b>IT Services: 2.7%</b>  |            |                   |  |        |       |
| SUNeVision Holdings, Ltd.   | 2,505,000  | 1,693,839         |  |        |       |
| GDS Holdings, Ltd. ADR <sup>b</sup>                                       | 17,100     | 882,018           |  |        |       |
|   |            | <u>2,575,857</u>  |  |        |       |
| <b>Electronic Equipment, Instruments &amp; Components: 0.8%</b>           |            |                   |  |        |       |
| FIT Hon Teng, Ltd. <sup>c,d</sup>   | 2,438,000  | 820,405           |  |        |       |
| China High Precision Automation Group, Ltd. <sup>b,e</sup>                | 195,000    | 250               |  |        |       |
|   |            | <u>820,655</u>    |  |        |       |
| <b>Total Information Technology</b>                                       |            | <u>17,471,799</u> |  |        |       |
| <b>HEALTH CARE: 17.4%</b>   |            |                   |  |        |       |
| <b>Biotechnology: 7.6%</b>  |            |                   |  |        |       |
| Zai Lab, Ltd. ADR <sup>b</sup>  | 57,900     | 2,408,061         |  |        |       |
| Alphamab Oncology <sup>b,c,d</sup>  | 1,208,000  | 2,170,348         |  |        |       |
| Amoy Diagnostics Co., Ltd. A Shares                                       | 108,760    | 1,044,386         |  |        |       |
| CStone Pharmaceuticals <sup>b,c,d</sup>                                   | 597,000    | 785,011           |  |        |       |
| Shanghai Haohai Biological Technology Co., Ltd. H Shares <sup>b,c,d</sup> | 76,400     | 461,827           |  |        |       |
| Innovent Biologics, Inc. <sup>b,c,d</sup>                                 | 129,000    | 440,299           |  |        |       |
|   |            | <u>7,309,932</u>  |  |        |       |
| <b>Health Care Equipment &amp; Supplies: 5.4%</b>                         |            |                   |  |        |       |
| Venus MedTech Hangzhou, Inc. H Shares <sup>b,c,d</sup>                    | 424,500    | 2,042,882         |  |        |       |
| AK Medical Holdings, Ltd. <sup>c,d</sup>                                  | 1,112,000  | 1,254,745         |  |        |       |
| China Isotope & Radiation Corp.   | 381,600    | 1,030,354         |  |        |       |
| Beijing Chunlizhengda Medical Instruments Co., Ltd. H Shares              | 135,400    | 796,161           |  |        |       |
|   |            | <u>5,124,142</u>  |  |        |       |
| <b>Pharmaceuticals: 1.8%</b>  |            |                   |  |        |       |
| CanSino Biologics, Inc. H Shares <sup>b,c,d</sup>                         | 231,800    | 1,750,725         |  |        |       |
| <b>Life Sciences Tools &amp; Services: 1.5%</b>                           |            |                   |  |        |       |
| Genscript Biotech Corp. <sup>b</sup>                                      | 312,000    | 708,934           |  |        |       |
| BBI Life Sciences Corp. <sup>d</sup>                                      | 2,253,000  | 704,952           |  |        |       |
|   |            | <u>1,413,886</u>  |  |        |       |
| <b>Health Care Providers &amp; Services: 1.1%</b>                         |            |                   |  |        |       |
| C-MER Eye Care Holdings, Ltd. <sup>d</sup>                                | 1,634,000  | 1,051,322         |  |        |       |
| <b>Total Health Care</b>  |            | <u>16,650,007</u> |  |        |       |
| <b>INDUSTRIALS: 16.7%</b>   |            |                   |  |        |       |
| <b>Commercial Services &amp; Supplies: 5.7%</b>                           |            |                   |  |        |       |
| Greentown Service Group Co., Ltd. <sup>d</sup>                            | 2,116,000  | 2,309,811         |  |        |       |
| Ever Sunshine Lifestyle Services Group, Ltd. <sup>d</sup>                 | 2,566,000  | 1,734,795         |  |        |       |
| Sunny Friend Environmental Technology Co., Ltd.                           | 176,000    | 1,372,231         |  |        |       |
| Times Neighborhood Holdings, Ltd. <sup>b,d</sup>                          | 95,486     | 59,431            |  |        |       |
|   |            | <u>5,476,268</u>  |  |        |       |
| <b>Marine: 5.1%</b>   |            |                   |  |        |       |
| SITC International Holdings Co., Ltd.                                     | 3,994,000  | 4,874,150         |  |        |       |
| <b>Machinery: 2.7%</b>  |            |                   |  |        |       |
| TK Group Holdings, Ltd.   | 1,860,000  | \$934,903         |  |        |       |
| Impro Precision Industries, Ltd. <sup>c,d</sup>                           | 2,132,000  | 876,329           |  |        |       |
| Precision Tsugami China Corp., Ltd. <sup>d</sup>                          | 894,000    | 766,431           |  |        |       |
|   |            | <u>2,577,663</u>  |  |        |       |
| <b>Transportation Infrastructure: 1.7%</b>                                |            |                   |  |        |       |
| Yuexiu Transport Infrastructure, Ltd.                                     | 1,796,000  | 1,597,856         |  |        |       |
| <b>Professional Services: 1.5%</b>  |            |                   |  |        |       |
| Centre Testing International Group Co., Ltd. A Shares                     | 683,912    | 1,467,015         |  |        |       |
| <b>Total Industrials</b>  |            | <u>15,992,952</u> |  |        |       |
| <b>CONSUMER DISCRETIONARY: 15.0%</b>                                      |            |                   |  |        |       |
| <b>Specialty Retail: 3.8%</b>   |            |                   |  |        |       |
| China Meidong Auto Holdings, Ltd.   | 2,788,000  | 3,651,505         |  |        |       |
| <b>Household Durables: 3.6%</b>   |            |                   |  |        |       |
| Joyoung Co., Ltd. A Shares  | 531,800    | 1,923,888         |  |        |       |
| Q Technology Group Co., Ltd. <sup>b,d</sup>                               | 903,000    | 1,495,229         |  |        |       |
|   |            | <u>3,419,117</u>  |  |        |       |
| <b>Diversified Consumer Services: 2.8%</b>                                |            |                   |  |        |       |
| Koolearn Technology Holding, Ltd. <sup>b,c,d</sup>                        | 678,500    | 1,617,885         |  |        |       |
| China Yuhua Education Corp., Ltd. <sup>c,d</sup>                          | 1,632,000  | 1,102,920         |  |        |       |
|   |            | <u>2,720,805</u>  |  |        |       |
| <b>Textiles, Apparel &amp; Luxury Goods: 1.8%</b>                         |            |                   |  |        |       |
| Pacific Textiles Holdings, Ltd.   | 2,446,000  | 1,679,574         |  |        |       |
| <b>Leisure Products: 1.2%</b>   |            |                   |  |        |       |
| Honma Golf, Ltd. <sup>c,d</sup>   | 1,613,500  | 1,134,707         |  |        |       |
| <b>Internet &amp; Direct Marketing Retail: 1.0%</b>                       |            |                   |  |        |       |
| Baozun, Inc. ADR <sup>b</sup>   | 30,100     | 996,912           |  |        |       |
| <b>Hotels, Restaurants &amp; Leisure: 0.8%</b>                            |            |                   |  |        |       |
| Huangshan Tourism Development Co., Ltd. B Shares                          | 900,596    | 807,141           |  |        |       |
| <b>Total Consumer Discretionary</b>                                       |            | <u>14,409,761</u> |  |        |       |
| <b>CONSUMER STAPLES: 10.0%</b>  |            |                   |  |        |       |
| <b>Food Products: 5.4%</b>  |            |                   |  |        |       |
| Yihai International Holding, Ltd.   | 345,000    | 2,025,216         |  |        |       |
| Sichuan Teway Food Group Co., Ltd. A Shares                               | 245,800    | 1,584,395         |  |        |       |
| Jonjee Hi-Tech Industrial And Commercial Holding Co., Ltd. A Shares       | 279,124    | 1,578,987         |  |        |       |
|   |            | <u>5,188,598</u>  |  |        |       |
| <b>Food &amp; Staples Retailing: 2.6%</b>                                 |            |                   |  |        |       |
| Jiajiayue Group Co., Ltd. A Shares  | 479,485    | 1,676,134         |  |        |       |
| Yixintang Pharmaceutical Group Co., Ltd. A Shares                         | 254,626    | 852,237           |  |        |       |
|   |            | <u>2,528,371</u>  |  |        |       |
| <b>Personal Products: 2.0%</b>  |            |                   |  |        |       |
| Proya Cosmetics Co., Ltd. A Shares  | 149,900    | 1,897,968         |  |        |       |
| <b>Total Consumer Staples</b>   |            | <u>9,614,937</u>  |  |        |       |
| <b>REAL ESTATE: 7.3%</b>  |            |                   |  |        |       |
| <b>Real Estate Management &amp; Development: 7.3%</b>                     |            |                   |  |        |       |
| China Overseas Property Holdings, Ltd.                                    | 4,115,000  | 2,588,112         |  |        |       |
| Aoyuan Healthy Life Group Co., Ltd. <sup>d</sup>                          | 1,871,000  | 1,406,389         |  |        |       |
| Midea Real Estate Holding, Ltd. <sup>c,d</sup>                            | 413,200    | 1,267,015         |  |        |       |
| Joy City Property, Ltd.   | 11,392,000 | 1,255,940         |  |        |       |
| Times China Holdings, Ltd.  | 224,000    | 446,370           |  |        |       |
| <b>Total Real Estate</b>  |            | <u>6,963,826</u>  |  |        |       |

Schedule of Investments<sup>a</sup> (continued)

COMMON EQUITIES (continued)

|   | Shares    | Value                      |
|---|-----------|----------------------------|
| <b>MATERIALS: 3.1%</b>                                    |           |                            |
| <b>Construction Materials: 3.1%</b>                       |           |                            |
| Asia Cement China Holdings Corp.                          | 1,991,500 | <u>\$2,975,053</u>         |
| <b>Total Materials</b>                                    |           | <u>2,975,053</u>           |
| <b>ENERGY: 1.2%</b>                                       |           |                            |
| <b>Oil, Gas &amp; Consumable Fuels: 1.2%</b>              |           |                            |
| Sinopec Kantons Holdings, Ltd.                            | 2,624,000 | <u>1,104,675</u>           |
| <b>Total Energy</b>                                       |           | <u>1,104,675</u>           |
| <b>COMMUNICATION SERVICES: 0.5%</b>                       |           |                            |
| <b>Media: 0.5%</b>  |           |                            |
| Mobvista, Inc. <sup>c,d</sup>                             | 1,072,000 | <u>466,012</u>             |
| <b>Total Communication Services</b>                       |           | <u>466,012</u>             |
| <b>TOTAL INVESTMENTS: 89.4%</b>                           |           | <b>85,649,022</b>          |
| (Cost \$74,405,493)                                       |           |                            |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 10.6%</b> |           | <u>10,159,271</u>          |
| <b>NET ASSETS: 100.0%</b>                                 |           | <u><u>\$95,808,293</u></u> |

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
  - b Non-income producing security.
  - c Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Funds' Board of Trustees. At December 31, 2019, the aggregate value is \$16,191,110, which is 16.90% of net assets.
  - d The securities may be resold to qualified foreign investors and foreign institutional buyers under Regulation S of the Securities Act of 1933.
  - e Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy. The aggregate value of Level 3 security is \$250 and 0.00% of net assets.
- ADR American Depositary Receipt

See accompanying notes to financial statements.

# Index Definitions

The **Markit iBoxx Asian Local Bond Index (ALBI)** tracks the total return performance of a bond portfolio consisting of local currency denominated, high quality and liquid bonds in Asia ex Japan. The ALBI includes bonds from the following countries: China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **J.P. Morgan Asia Credit Index (JACI)** tracks the total return performance of the Asia fixed-rate dollar bond market. JACI is a market capitalization-weighted index comprising sovereign, quasi-sovereign and corporate bonds and is partitioned by country, sector and credit rating. JACI includes bonds from the following countries: China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea and Thailand.

The **MSCI All Country Asia ex Japan Index** is a free float-adjusted market capitalization-weighted index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **MSCI All Country Asia Pacific Index** is a free float-adjusted market capitalization-weighted index of the stock markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **MSCI China Index** is a free float-adjusted market capitalization-weighted index of Chinese equities that includes H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, Hong Kong-listed securities known as Red Chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (*e.g.*, ADRs).

The **MSCI Emerging Markets (EM) Asia Index** is a free float-adjusted market capitalization-weighted index of the stock

markets of China, India, Indonesia, Malaysia, Pakistan, Philippines, South Korea, Taiwan and Thailand.

The **MSCI China All Shares Index** captures large and mid-cap representation across China A shares, B shares, H shares, Red Chips (issued by entities owned by national or local governments in China), P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (*e.g.*, ADRs). The index aims to reflect the opportunity set of China share classes listed in Hong Kong, Shanghai, Shenzhen and outside of China.

The **S&P Bombay Stock Exchange (BSE) 100 Index** is a free float-adjusted market capitalization-weighted index of the 100 stocks listed on the Bombay Stock Exchange.

The **MSCI Japan Index** is a free float-adjusted market capitalization-weighted index of Japanese equities listed in Japan.

The **Korea Composite Stock Price Index (KOSPI)** is a market capitalization-weighted index of all common stocks listed on the Korea Stock Exchange.

The **MSCI All Country Asia ex Japan Small Cap Index** is a free float-adjusted market capitalization-weighted small cap index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **MSCI China Small Cap Index** is a free float-adjusted market capitalization-weighted small cap index of the Chinese equity securities markets, including H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, and Hong Kong-listed securities known as Red Chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (*e.g.*, ADRs).

# Disclosures

**Fund Holdings:** The Fund holdings shown in this report are as of December 31, 2019. Holdings are subject to change at any time, so holdings shown in this report may not reflect current Fund holdings. The Funds file complete schedules of portfolio holdings with the Securities and Exchange Commission (the “SEC”) for the first and third quarters of each fiscal year on Form N-PORT. The Funds’ Forms N-PORT are available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Complete schedules of investments are also available without charge, upon request, from the Funds by calling us at 800.789.ASIA (2742).

**Proxy Voting Record:** The Funds’ Statement of Additional Information containing a description of the policies and procedures that the Funds have used to vote proxies relating to portfolio securities, along with each Fund’s proxy voting record relating

to portfolio securities held during the most recent 12-month period ended June 30, is available upon request, at no charge, at the Funds’ website at [matthewsasiasia.com](http://matthewsasiasia.com) or by calling 800.789.ASIA (2742), or on the SEC’s website at [www.sec.gov](http://www.sec.gov).

**Shareholder Reports and Prospectuses:** To reduce the Funds’ expenses, we try to identify related shareholders in a household and send only one copy of the Funds’ prospectus and financial reports to that address. This process, called “householding,” will continue indefinitely unless you instruct us otherwise. At any time you may view the Funds’ current prospectus, summary prospectus and financial reports on our website. If you prefer to receive individual copies of the Funds’ prospectus or financial reports, please call us at 800.789.ASIA (2742).

## Disclosure of Fund Expenses *(unaudited)*

We believe it is important for you to understand the impact of fees regarding your investment. All mutual funds have operating expenses. As a shareholder of a mutual fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of the fund. A fund's operating expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The following examples are intended to help you understand the ongoing fees (in dollars) of investing in your fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

**This table illustrates your fund's costs in two ways:**

**Actual Fund Return:** This section helps you to estimate the actual operating expenses, after any applicable fee waivers, that you paid over the period. The "Ending Account Value" shown is derived from the fund's actual return for the past six month period, the "Expense Ratio" column shows the period's annualized expense ratio, and the "Operating Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the fund at the beginning of the period. You may use the information here, together with your account value, to estimate the expenses that you paid over the period. To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided

by \$1,000 = 8.6), then multiply the result by the number given for your fund in the first line under the heading entitled "Operating Expenses Paid During Period."

**Hypothetical 5% Return:** This section is intended to help you compare your fund's costs with those of other mutual funds. It assumes that the fund had an annual return of 5% before operating expenses, but that the expense ratio is unchanged. In this case, because the return used is not the fund's actual return, the results do not apply to your investment. This example is useful in making comparisons to other mutual funds because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on an assumed 5% annual return. You can assess your fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Please note that the operating expenses shown in the table are meant to highlight and help you compare your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees.

Matthews Asia Funds does not charge any sales loads, exchange fees, or 12b-1 fees, but these may be present in other funds to which you compare this data. Therefore, the hypothetical portions of the table are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

# Disclosure of Fund Expenses *(unaudited) (continued)*

|  | Investor Class                 |                               |               |  | Institutional Class            |                               |               |  |
|--|--------------------------------|-------------------------------|---------------|--|--------------------------------|-------------------------------|---------------|--|
|  | Beginning Account Value 7/1/19 | Ending Account Value 12/31/19 | Expense Ratio | Operating Expenses Paid During Period 7/1/19–12/31/19 <sup>1</sup> | Beginning Account Value 7/1/19 | Ending Account Value 12/31/19 | Expense Ratio | Operating Expenses Paid During Period 7/1/19–12/31/19 <sup>1</sup> |
| <b>ASIA FIXED INCOME STRATEGIES</b>            |                                |                               |               |  |                                |                               |               |  |
| <b>Matthews Asia Total Return Bond Fund</b>    |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,042.50                    | 1.00%         | \$5.15   | \$1,000.00                     | \$1,042.10                    | 0.90%         | \$4.63   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,020.16                    | 1.00%         | \$5.09   | \$1,000.00                     | \$1,020.67                    | 0.90%         | \$4.58   |
| <b>Matthews Asia Credit Opportunities Fund</b> |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,036.10                    | 1.09%         | \$5.59   | \$1,000.00                     | \$1,037.00                    | 0.90%         | \$4.62   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.71                    | 1.09%         | \$5.55   | \$1,000.00                     | \$1,020.67                    | 0.90%         | \$4.58   |
| <b>ASIA GROWTH AND INCOME STRATEGIES</b>       |                                |                               |               |  |                                |                               |               |  |
| <b>Matthews Asian Growth and Income Fund</b>   |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,038.50                    | 1.06%         | \$5.45   | \$1,000.00                     | \$1,039.30                    | 0.92%         | \$4.73   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.86                    | 1.06%         | \$5.40   | \$1,000.00                     | \$1,020.57                    | 0.92%         | \$4.69   |
| <b>Matthews Asia Dividend Fund</b>             |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,050.60                    | 1.02%         | \$5.27   | \$1,000.00                     | \$1,051.70                    | 0.93%         | \$4.81   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,020.06                    | 1.02%         | \$5.19   | \$1,000.00                     | \$1,020.52                    | 0.93%         | \$4.74   |
| <b>Matthews China Dividend Fund</b>            |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$995.60                      | 1.17%         | \$5.89   | \$1,000.00                     | \$996.40                      | 1.01%         | \$5.08   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.31                    | 1.17%         | \$5.96   | \$1,000.00                     | \$1,020.11                    | 1.01%         | \$5.14   |
| <b>ASIA VALUE STRATEGY</b>                     |                                |                               |               |  |                                |                               |               |  |
| <b>Matthews Asia Value Fund</b>                |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,011.50                    | 1.32%         | \$6.69   | \$1,000.00                     | \$1,011.20                    | 1.23%         | \$6.24   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,018.55                    | 1.32%         | \$6.72   | \$1,000.00                     | \$1,019.00                    | 1.23%         | \$6.26   |
| <b>ASIA GROWTH STRATEGIES</b>                  |                                |                               |               |  |                                |                               |               |  |
| <b>Matthews Asia Growth Fund</b>               |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,089.80                    | 1.09%         | \$5.74   | \$1,000.00                     | \$1,090.20                    | 0.95%         | \$5.01   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.71                    | 1.09%         | \$5.55   | \$1,000.00                     | \$1,020.42                    | 0.95%         | \$4.84   |
| <b>Matthews Pacific Tiger Fund</b>             |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,028.60                    | 1.06%         | \$5.42   | \$1,000.00                     | \$1,029.60                    | 0.92%         | \$4.71   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.86                    | 1.06%         | \$5.40   | \$1,000.00                     | \$1,020.57                    | 0.92%         | \$4.69   |
| <b>Matthews Asia ESG Fund</b>                  |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,026.70                    | 1.36%         | \$6.95   | \$1,000.00                     | \$1,027.40                    | 1.23%         | \$6.29   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,018.35                    | 1.36%         | \$6.92   | \$1,000.00                     | \$1,019.00                    | 1.23%         | \$6.26   |
| <b>Matthews Emerging Asia Fund</b>             |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,006.80                    | 1.41%         | \$7.13   | \$1,000.00                     | \$1,006.70                    | 1.23%         | \$6.22   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,018.10                    | 1.41%         | \$7.17   | \$1,000.00                     | \$1,019.00                    | 1.23%         | \$6.26   |
| <b>Matthews Asia Innovators Fund</b>           |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,088.20                    | 1.18%         | \$6.21   | \$1,000.00                     | \$1,088.40                    | 1.05%         | \$5.53   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.26                    | 1.18%         | \$6.01   | \$1,000.00                     | \$1,019.91                    | 1.05%         | \$5.35   |
| <b>Matthews China Fund</b>                     |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,100.60                    | 1.09%         | \$5.77   | \$1,000.00                     | \$1,101.50                    | 0.90%         | \$4.77   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.71                    | 1.09%         | \$5.55   | \$1,000.00                     | \$1,020.67                    | 0.90%         | \$4.58   |
| <b>Matthews India Fund</b>                     |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$969.10                      | 1.12%         | \$5.56   | \$1,000.00                     | \$969.80                      | 0.96%         | \$4.77   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.56                    | 1.12%         | \$5.70   | \$1,000.00                     | \$1,020.37                    | 0.96%         | \$4.89   |
| <b>Matthews Japan Fund</b>                     |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,108.30                    | 0.93%         | \$4.94   | \$1,000.00                     | \$1,108.70                    | 0.88%         | \$4.68   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,020.52                    | 0.93%         | \$4.74   | \$1,000.00                     | \$1,020.77                    | 0.88%         | \$4.48   |
| <b>Matthews Korea Fund</b>                     |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                             | \$1,000.00                     | \$1,047.10                    | 1.12%         | \$5.78   | \$1,000.00                     | \$1,046.90                    | 1.04%         | \$5.37   |
| Hypothetical 5% Returns                        | \$1,000.00                     | \$1,019.56                    | 1.12%         | \$5.70   | \$1,000.00                     | \$1,019.96                    | 1.04%         | \$5.30   |

<sup>1</sup> Operating expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by 184 days, then divided by 365.

# Disclosure of Fund Expenses *(unaudited) (continued)*

|  | Investor Class                 |                               |               |  | Institutional Class            |                               |               |  |
|--|--------------------------------|-------------------------------|---------------|--|--------------------------------|-------------------------------|---------------|--|
|  | Beginning Account Value 7/1/19 | Ending Account Value 12/31/19 | Expense Ratio | Operating Expenses Paid During Period 7/1/19–12/31/19 <sup>1</sup> | Beginning Account Value 7/1/19 | Ending Account Value 12/31/19 | Expense Ratio | Operating Expenses Paid During Period 7/1/19–12/31/19 <sup>1</sup> |
| <b>ASIA SMALL COMPANY STRATEGIES</b>       |                                |                               |               |  |                                |                               |               |  |
| <b>Matthews Asia Small Companies Fund</b>  |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                         | \$1,000.00                     | \$1,042.00                    | 1.39%         | \$7.15   | \$1,000.00                     | \$1,043.60                    | 1.23%         | \$6.34   |
| Hypothetical 5% Returns                    | \$1,000.00                     | \$1,018.20                    | 1.39%         | \$7.07   | \$1,000.00                     | \$1,019.00                    | 1.23%         | \$6.26   |
| <b>Matthews China Small Companies Fund</b> |                                |                               |               |  |                                |                               |               |  |
| Actual Fund Return                         | \$1,000.00                     | \$1,141.00                    | 1.35%         | \$7.29   | \$1,000.00                     | \$1,041.40                    | 1.23%         | \$6.64   |
| Hypothetical 5% Returns                    | \$1,000.00                     | \$1,018.40                    | 1.35%         | \$6.87   | \$1,000.00                     | \$1,019.00                    | 1.23%         | \$6.26   |

1 Operating expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied by 184 days, then divided by 365.

# Statements of Assets and Liabilities

December 31, 2019

|   | Matthews Asia<br>Total Return<br>Bond Fund | Matthews Asia<br>Credit<br>Opportunities Fund | Matthews Asia<br>Growth and<br>Income Fund |
|---|--|---|--|
| <b>ASSETS:</b>  |  |   |  |
| Investments at value (A) (Note 2-A and 7):                                  |  |   |  |
| Unaffiliated issuers  | \$109,726,142                              | \$82,991,011                                  | \$1,437,303,535                            |
| Cash  | 5,008,888                                  | 8,027,941                                     | 28,431,752                                 |
| Segregated foreign currency at value  | 20,046                                     | 6,801   | —  |
| Foreign currency at value (B)   | 413  | 173   | 159,104                                    |
| Dividends, interest and other receivable                                    | 2,246,270                                  | 1,462,233                                     | 3,482,968                                  |
| Receivable for securities sold  | —  | —   | 1,551,724                                  |
| Receivable for capital shares sold  | 79,340                                     | 728,529                                       | 2,693,167                                  |
| Unrealized appreciation on forward foreign currency exchange contracts      | 357,223                                    | —   | —  |
| Unrealized appreciation on interest rate swaps                              | 167,864                                    | —   | —  |
| Prepaid expenses  | 19,720                                     | 6,044   | 23,440                                     |
| <b>TOTAL ASSETS</b>   | <b>117,625,906</b>                         | <b>93,222,732</b>                             | <b>1,473,645,690</b>                       |
| <b>LIABILITIES:</b>   |  |   |  |
| Cash received as collateral for forward foreign currency exchange contracts | 330,000                                    | —   | —  |
| Payable for securities purchased  | —  | 642,225                                       | 4,466                                      |
| Payable for capital shares redeemed   | 137,522                                    | 17,633  | 3,736,272                                  |
| Unrealized depreciation on forward foreign currency exchange contracts      | 218,836                                    | —   | —  |
| Deferred foreign capital gains tax liability (Note 2-F)                     | 61,727                                     | —   | 659,509                                    |
| Due to Advisor (Note 5)   | 48,283                                     | 37,364  | 821,090                                    |
| Administration and accounting fees payable (Note 5)                         | 2,326                                      | 1,428   | 28,866                                     |
| Administration and shareholder servicing fees payable (Note 5)              | 13,965                                     | 9,933   | 174,338                                    |
| Custodian fees payable  | 9,134                                      | 4,302   | 65,911                                     |
| Intermediary service fees payable (Note 5)                                  | 17,503                                     | 8,952   | 206,082                                    |
| Professional fees payable   | 52,930                                     | 53,701  | 54,080                                     |
| Transfer agent fees payable   | 1,175                                      | 332   | 13,147                                     |
| Accrued other expenses payable  | 18,841                                     | 12,134  | 115,590                                    |
| <b>TOTAL LIABILITIES</b>  | <b>912,242</b>                             | <b>788,004</b>                                | <b>5,879,351</b>                           |
| <b>NET ASSETS</b>   | <b>\$116,713,664</b>                       | <b>\$92,434,728</b>                           | <b>\$1,467,766,339</b>                     |
| <b>NET ASSETS:</b>  |  |   |  |
| Investor Class  | \$39,485,237                               | \$12,996,824                                  | \$723,815,053                              |
| Institutional Class   | 77,228,427                                 | 79,437,904                                    | 743,951,286                                |
| <b>TOTAL</b>  | <b>\$116,713,664</b>                       | <b>\$92,434,728</b>                           | <b>\$1,467,766,339</b>                     |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Total Return<br>Bond Fund | Matthews Asia<br>Credit<br>Opportunities Fund | Matthews Asian<br>Growth and<br>Income Fund |
|--|--|---|---|
| <b>SHARES OUTSTANDING:</b>   |  |   |   |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |  |   |   |
| Investor Class   | 3,551,964                                  | 1,229,386                                     | 46,024,614                                  |
| Institutional Class  | 6,946,586                                  | 7,514,950                                     | 47,391,541                                  |
| <b>TOTAL</b>   | <b>10,498,550</b>                          | <b>8,744,336</b>                              | <b>93,416,155</b>                           |
| <b>NET ASSET VALUE:</b>  |  |   |   |
| Investor Class, offering price and redemption price  | \$11.12                                    | \$10.57                                       | \$15.73                                     |
| Institutional Class, offering price and redemption price   | \$11.12                                    | \$10.57                                       | \$15.70                                     |
| <b>NET ASSETS CONSISTS OF:</b>   |  |   |   |
| Capital paid-in  | \$114,479,171                              | \$90,701,284                                  | \$1,288,852,754                             |
| Total distributable earnings/(accumulated loss)  | 2,234,493                                  | 1,733,444                                     | 178,913,585                                 |
| <b>NET ASSETS</b>  | <b>\$116,713,664</b>                       | <b>\$92,434,728</b>                           | <b>\$1,467,766,339</b>                      |
| <b>(A) Investments at cost:</b>  |  |   |   |
| Unaffiliated Issuers   | \$106,237,540                              | \$81,454,387                                  | \$1,249,476,795                             |
| <b>(B) Foreign Currency at Cost</b>  | <b>\$411</b>                               | <b>\$173</b>                                  | <b>\$158,563</b>                            |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Dividend Fund | Matthews China<br>Dividend Fund | Matthews Asia<br>Value Fund |
|--|--------------------------------|---------------------------------|-----------------------------|
| <b>ASSETS:</b>   |                                |                                 |                             |
| Investments at value (A) (Note 2-A and 7):                     |                                |                                 |                             |
| Unaffiliated issuers   | \$4,347,880,247                | \$370,569,423                   | \$16,780,296                |
| Affiliated issuers   | 960,969,376                    | —                               | —                           |
| Cash   | 29,935,486                     | 10,498,304                      | 2,766,742                   |
| Segregated foreign currency at value                           | 159,096                        | 20,410                          | —                           |
| Foreign currency at value (B)                                  | 14,551,625                     | 1,123,067                       | 2,645                       |
| Dividends, interest and other receivable                       | 14,881,901                     | 293,203                         | 102,939                     |
| Receivable for securities sold                                 | 10,299,779                     | 492,173                         | 113,353                     |
| Receivable for capital shares sold                             | 5,077,281                      | 754,531                         | 142,210                     |
| Prepaid expenses   | 27,569                         | 22,416                          | 18,916                      |
| <b>TOTAL ASSETS</b>  | <b>5,383,782,360</b>           | <b>383,773,527</b>              | <b>19,927,101</b>           |
| <b>LIABILITIES:</b>  |                                |                                 |                             |
| Payable for securities purchased                               | 39,022                         | 331,124                         | —                           |
| Payable for capital shares redeemed                            | 7,969,365                      | 2,261,080                       | 12,406                      |
| Deferred foreign capital gains tax liability (Note 2-F)        | —                              | —                               | 7,651                       |
| Due to Advisor (Note 5)  | 3,020,220                      | 209,196                         | 3,019                       |
| Administration and accounting fees payable (Note 5)            | 110,393                        | 7,299                           | 417                         |
| Administration and shareholder servicing fees payable (Note 5) | 625,173                        | 44,454                          | 2,322                       |
| Custodian fees payable   | 319,634                        | 26,324                          | 6,740                       |
| Intermediary service fees payable (Note 5)                     | 754,597                        | 66,384                          | 3,485                       |
| Professional fees payable                                      | 78,145                         | 46,338                          | 54,030                      |
| Transfer agent fees payable                                    | 24,594                         | 3,418                           | 636                         |
| Accrued other expenses payable                                 | 385,343                        | 37,291                          | 16,522                      |
| <b>TOTAL LIABILITIES</b>                                       | <b>13,326,486</b>              | <b>3,032,908</b>                | <b>107,228</b>              |
| <b>NET ASSETS</b>  | <b>\$5,370,455,874</b>         | <b>\$380,740,619</b>            | <b>\$19,819,873</b>         |
| <b>NET ASSETS:</b>   |                                |                                 |                             |
| Investor Class   | \$2,312,559,619                | \$258,110,786                   | \$13,245,948                |
| Institutional Class  | 3,057,896,255                  | 122,629,833                     | 6,573,925                   |
| <b>TOTAL</b>   | <b>\$5,370,455,874</b>         | <b>\$380,740,619</b>            | <b>\$19,819,873</b>         |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Dividend Fund | Matthews China<br>Dividend Fund | Matthews Asia<br>Value Fund |
|--|--------------------------------|---------------------------------|-----------------------------|
| <b>SHARES OUTSTANDING:</b>   |                                |                                 |                             |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |                                |                                 |                             |
| Investor Class   | 132,366,600                    | 15,936,651                      | 1,197,738                   |
| Institutional Class  | 175,076,229                    | 7,571,238                       | 599,192                     |
| <b>TOTAL</b>   | <b>307,442,829</b>             | <b>23,507,889</b>               | <b>1,796,930</b>            |
| <b>NET ASSET VALUE:</b>  |                                |                                 |                             |
| Investor Class, offering price and redemption price  | \$17.47                        | \$16.20                         | \$11.06                     |
| Institutional Class, offering price and redemption price   | \$17.47                        | \$16.20                         | \$10.97                     |
| <b>NET ASSETS CONSISTS OF:</b>   |                                |                                 |                             |
| Capital paid-in  | \$4,462,161,862                | \$362,935,095                   | \$22,361,852                |
| Total distributable earnings/(accumulated loss)  | 908,294,012                    | 17,805,524                      | (2,541,979)                 |
| <b>NET ASSETS</b>  | <b>\$5,370,455,874</b>         | <b>\$380,740,619</b>            | <b>\$19,819,873</b>         |
| <b>(A) Investments at cost:</b>  |                                |                                 |                             |
| Unaffiliated Issuers   | \$3,626,116,213                | \$346,291,261                   | \$16,328,944                |
| Affiliated Issuers   | 664,911,165                    | —                               | —                           |
| <b>(B) Foreign Currency at Cost</b>  |                                |                                 |                             |
|  | \$14,452,210                   | \$1,119,169                     | \$2,645                     |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Growth Fund | Matthews Pacific<br>Tiger Fund | Matthews Asia<br>ESG Fund |
|--|------------------------------|--------------------------------|---------------------------|
| <b>ASSETS:</b>   |                              |                                |                           |
| Investments at value (A) (Note 2-A and 7):                     |                              |                                |                           |
| Unaffiliated issuers   | \$1,133,076,827              | \$7,953,927,497                | \$54,615,724              |
| Affiliated issuers   | 38,211,595                   | 746,107,379                    | —                         |
| Cash   | 48,814,469                   | 40,485,774                     | 1,524,233                 |
| Segregated foreign currency at value                           | —                            | 167,240                        | 730                       |
| Foreign currency at value (B)                                  | —                            | 4,085,643                      | 62                        |
| Dividends, interest and other receivable                       | 677,235                      | 20,641,665                     | 102,039                   |
| Receivable for securities sold                                 | 3,976,284                    | 6,418,716                      | 231,964                   |
| Receivable for capital shares sold                             | 4,743,970                    | 9,583,152                      | 389,840                   |
| Prepaid expenses   | 33,430                       | 26,262                         | 5,687                     |
| <b>TOTAL ASSETS</b>  | <b>1,229,533,810</b>         | <b>8,781,443,328</b>           | <b>56,870,279</b>         |
| <b>LIABILITIES:</b>  |                              |                                |                           |
| Foreign currency overdraft                                     | 10                           | —                              | —                         |
| Payable for securities purchased                               | 23,766,565                   | 5,126,500                      | 1,333,741                 |
| Payable for capital shares redeemed                            | 998,377                      | 11,959,781                     | 9,529                     |
| Deferred foreign capital gains tax liability (Note 2-F)        | 246,697                      | 30,615,315                     | 98,020                    |
| Due to Advisor (Note 5)  | 667,769                      | 4,770,992                      | 33,262                    |
| Administration and accounting fees payable (Note 5)            | 23,162                       | 172,773                        | 1,013                     |
| Administration and shareholder servicing fees payable (Note 5) | 141,925                      | 951,934                        | 6,330                     |
| Custodian fees payable   | 77,327                       | 554,160                        | 18,075                    |
| Intermediary service fees payable (Note 5)                     | 148,676                      | 990,194                        | 5,617                     |
| Professional fees payable                                      | 51,983                       | 98,905                         | 48,218                    |
| Transfer agent fees payable                                    | 7,708                        | 27,474                         | 316                       |
| Accrued other expenses payable                                 | 69,222                       | 316,610                        | 17,326                    |
| <b>TOTAL LIABILITIES</b>                                       | <b>26,199,421</b>            | <b>55,584,638</b>              | <b>1,571,447</b>          |
| <b>NET ASSETS</b>  | <b>\$1,203,334,389</b>       | <b>\$8,725,858,690</b>         | <b>\$55,298,832</b>       |
| <b>NET ASSETS:</b>   |                              |                                |                           |
| Investor Class   | \$504,537,860                | \$2,536,843,513                | \$19,291,271              |
| Institutional Class  | 698,796,529                  | 6,189,015,177                  | 36,007,561                |
| <b>TOTAL</b>   | <b>\$1,203,334,389</b>       | <b>\$8,725,858,690</b>         | <b>\$55,298,832</b>       |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Growth Fund | Matthews Pacific<br>Tiger Fund | Matthews Asia<br>ESG Fund |
|--|------------------------------|--------------------------------|---------------------------|
| <b>SHARES OUTSTANDING:</b>   |                              |                                |                           |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |                              |                                |                           |
| Investor Class   | 17,956,645                   | 88,254,849                     | 1,741,172                 |
| Institutional Class  | 24,656,895                   | 215,588,527                    | 3,255,731                 |
| <b>TOTAL</b>   | <b>42,613,540</b>            | <b>303,843,376</b>             | <b>4,996,903</b>          |
| <b>NET ASSET VALUE:</b>  |                              |                                |                           |
| Investor Class, offering price and redemption price  | \$28.10                      | \$28.74                        | \$11.08                   |
| Institutional Class, offering price and redemption price   | \$28.34                      | \$28.71                        | \$11.06                   |
| <b>NET ASSETS CONSISTS OF:</b>   |                              |                                |                           |
| Capital paid-in  | \$893,520,702                | \$5,893,619,623                | \$51,583,134              |
| Total distributable earnings/(accumulated loss)  | 309,813,687                  | 2,832,239,067                  | 3,715,698                 |
| <b>NET ASSETS</b>  | <b>\$1,203,334,389</b>       | <b>\$8,725,858,690</b>         | <b>\$55,298,832</b>       |
| <b>(A) Investments at cost:</b>  |                              |                                |                           |
| Unaffiliated Issuers   | \$818,002,898                | \$4,770,562,285                | \$50,815,802              |
| Affiliated Issuers   | 46,733,941                   | 1,132,954,394                  | —                         |
| <b>(B) Foreign Currency at Cost</b>  | <b>\$—</b>                   | <b>\$4,108,548</b>             | <b>\$62</b>               |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Emerging<br>Asia Fund | Matthews Asia<br>Innovators Fund | Matthews<br>China Fund |
|--|--------------------------------|----------------------------------|------------------------|
| <b>ASSETS:</b>   |                                |                                  |                        |
| Investments at value (A) (Note 2-A and 7):                     |                                |                                  |                        |
| Unaffiliated issuers   | \$306,855,412                  | \$301,778,262                    | \$894,165,296          |
| Affiliated issuers   | 12,153,554                     | —                                | —                      |
| Cash   | —                              | 884,473                          | 10,663,673             |
| Segregated foreign currency at value                           | —                              | 8,077                            | 34,448                 |
| Foreign currency at value (B)                                  | 4,455,135                      | 2,956,015                        | 1,225                  |
| Dividends, interest and other receivable                       | 1,328,893                      | 294,761                          | —                      |
| Receivable for securities sold                                 | 5,139,198                      | —                                | —                      |
| Receivable for capital shares sold                             | 1,079,130                      | 1,222,827                        | 1,045,401              |
| Prepaid expenses   | 6,987                          | 16,953                           | 22,080                 |
| <b>TOTAL ASSETS</b>  | <b>331,018,309</b>             | <b>307,161,368</b>               | <b>905,932,123</b>     |
| <b>LIABILITIES:</b>  |                                |                                  |                        |
| Cash overdraft   | 4,233,838                      | —                                | —                      |
| Payable for securities purchased                               | 2,174,671                      | 726,899                          | —                      |
| Payable for capital shares redeemed                            | 1,798,095                      | 520,065                          | 2,467,062              |
| Deferred foreign capital gains tax liability (Note 2-F)        | 1,745,395                      | 1,000,929                        | —                      |
| Due to Advisor (Note 5)  | 208,094                        | 165,439                          | 496,132                |
| Administration and accounting fees payable (Note 5)            | 7,415                          | 5,731                            | 17,115                 |
| Administration and shareholder servicing fees payable (Note 5) | 41,391                         | 35,165                           | 105,295                |
| Custodian fees payable   | 155,491                        | 29,947                           | 29,298                 |
| Foreign capital gains tax payable (Note 2-F)                   | 329,738                        | —                                | —                      |
| Intermediary service fees payable (Note 5)                     | 53,401                         | 44,885                           | 126,643                |
| Professional fees payable                                      | 50,302                         | 46,363                           | 46,467                 |
| Transfer agent fees payable                                    | 2,987                          | 4,604                            | 18,026                 |
| Accrued other expenses payable                                 | 35,492                         | 32,162                           | 231,060                |
| <b>TOTAL LIABILITIES</b>                                       | <b>10,836,310</b>              | <b>2,612,189</b>                 | <b>3,537,098</b>       |
| <b>NET ASSETS</b>  | <b>\$320,181,999</b>           | <b>\$304,549,179</b>             | <b>\$902,395,025</b>   |
| <b>NET ASSETS:</b>   |                                |                                  |                        |
| Investor Class   | \$84,543,037                   | \$177,638,556                    | \$718,632,959          |
| Institutional Class  | 235,638,962                    | 126,910,623                      | 183,762,066            |
| <b>TOTAL</b>   | <b>\$320,181,999</b>           | <b>\$304,549,179</b>             | <b>\$902,395,025</b>   |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Emerging<br>Asia Fund | Matthews Asia<br>Innovators Fund | Matthews<br>China Fund |
|--|--------------------------------|----------------------------------|------------------------|
| <b>SHARES OUTSTANDING:</b>   |                                |                                  |                        |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |                                |                                  |                        |
| Investor Class   | 7,007,202                      | 12,207,820                       | 37,585,979             |
| Institutional Class  | 19,428,870                     | 8,667,456                        | 9,632,127              |
| <b>TOTAL</b>   | <b>26,436,072</b>              | <b>20,875,276</b>                | <b>47,218,106</b>      |
| <b>NET ASSET VALUE:</b>  |                                |                                  |                        |
| Investor Class, offering price and redemption price  | \$12.07                        | \$14.55                          | \$19.12                |
| Institutional Class, offering price and redemption price   | \$12.13                        | \$14.64                          | \$19.08                |
| <b>NET ASSETS CONSISTS OF:</b>   |                                |                                  |                        |
| Capital paid-in  | \$364,001,282                  | \$236,696,430                    | \$823,735,748          |
| Total distributable earnings/(accumulated loss)  | (43,819,283)                   | 67,852,749                       | 78,659,277             |
| <b>NET ASSETS</b>  | <b>\$320,181,999</b>           | <b>\$304,549,179</b>             | <b>\$902,395,025</b>   |
| <b>(A) Investments at cost:</b>  |                                |                                  |                        |
| Unaffiliated Issuers   | \$313,708,791                  | \$234,346,243                    | \$782,836,701          |
| Affiliated Issuers   | 18,385,911                     | —                                | —                      |
| <b>(B) Foreign Currency at Cost</b>  |                                |                                  |                        |
|  | \$4,455,823                    | \$2,933,119                      | \$1,225                |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews<br>India Fund | Matthews<br>Japan Fund | Matthews<br>Korea Fund |
|--|------------------------|------------------------|------------------------|
| <b>ASSETS:</b>   |                        |                        |                        |
| Investments at value (A) (Note 2-A and 7):                     |                        |                        |                        |
| Unaffiliated issuers   | \$913,326,019          | \$2,251,607,839        | \$134,173,541          |
| Affiliated issuers   | 48,471,387             | —                      | —                      |
| Cash   | 18,584,395             | 44,924,736             | 1,391,214              |
| Foreign currency at value (B)                                  | 3,540,703              | —                      | —                      |
| Dividends, interest and other receivable                       | 1,138,623              | 2,646,837              | 1,692,303              |
| Receivable for securities sold                                 | 601,416                | 25,824,162             | —                      |
| Receivable for capital shares sold                             | 1,345,642              | 7,024,196              | 52,345                 |
| Prepaid expenses   | 24,456                 | 11,741                 | 12,085                 |
| <b>TOTAL ASSETS</b>  | <b>987,032,641</b>     | <b>2,332,039,511</b>   | <b>137,321,488</b>     |
| <b>LIABILITIES:</b>  |                        |                        |                        |
| Foreign currency overdraft                                     | —                      | 345                    | —                      |
| Payable for securities purchased                               | 853,626                | 12,728,487             | —                      |
| Payable for capital shares redeemed                            | 7,164,859              | 10,345,265             | 317,397                |
| Deferred foreign capital gains tax liability (Note 2-F)        | 13,311,650             | —                      | —                      |
| Due to Advisor (Note 5)  | 570,957                | 1,351,717              | 75,356                 |
| Administration and accounting fees payable (Note 5)            | 22,558                 | 48,645                 | 2,810                  |
| Administration and shareholder servicing fees payable (Note 5) | 121,208                | 286,941                | 15,998                 |
| Custodian fees payable   | 141,048                | 50,372                 | 7,015                  |
| Foreign capital gains tax payable (Note 2-F)                   | 62,240                 | —                      | —                      |
| Intermediary service fees payable (Note 5)                     | 193,412                | 225,727                | 21,570                 |
| Professional fees payable                                      | 58,415                 | 56,244                 | 43,364                 |
| Transfer agent fees payable                                    | 18,951                 | 29,435                 | 5,087                  |
| Accrued other expenses payable                                 | 106,813                | 247,143                | 18,948                 |
| <b>TOTAL LIABILITIES</b>                                       | <b>22,625,737</b>      | <b>25,370,321</b>      | <b>507,545</b>         |
| <b>NET ASSETS</b>  | <b>\$964,406,904</b>   | <b>\$2,306,669,190</b> | <b>\$136,813,943</b>   |
| <b>NET ASSETS:</b>   |                        |                        |                        |
| Investor Class   | \$786,880,707          | \$1,466,193,529        | \$113,388,168          |
| Institutional Class  | 177,526,197            | 840,475,661            | 23,425,775             |
| <b>TOTAL</b>   | <b>\$964,406,904</b>   | <b>\$2,306,669,190</b> | <b>\$136,813,943</b>   |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews<br>India Fund | Matthews<br>Japan Fund | Matthews<br>Korea Fund |
|--|------------------------|------------------------|------------------------|
| <b>SHARES OUTSTANDING:</b>   |                        |                        |                        |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |                        |                        |                        |
| Investor Class   | 33,812,192             | 68,179,068             | 25,870,262             |
| Institutional Class  | 7,538,582              | 39,010,212             | 5,301,332              |
| <b>TOTAL</b>   | <b>41,350,774</b>      | <b>107,189,280</b>     | <b>31,171,594</b>      |
| <b>NET ASSET VALUE:</b>  |                        |                        |                        |
| Investor Class, offering price and redemption price  | \$23.27                | \$21.51                | \$4.38                 |
| Institutional Class, offering price and redemption price   | \$23.55                | \$21.55                | \$4.42                 |
| <b>NET ASSETS CONSISTS OF:</b>   |                        |                        |                        |
| Capital paid-in  | \$843,175,893          | \$1,914,203,282        | \$126,365,089          |
| Total distributable earnings/(accumulated loss)  | 121,231,011            | 392,465,908            | 10,448,854             |
| <b>NET ASSETS</b>  | <b>\$964,406,904</b>   | <b>\$2,306,669,190</b> | <b>\$136,813,943</b>   |
| <b>(A) Investments at cost:</b>  |                        |                        |                        |
| Unaffiliated Issuers   | \$823,523,649          | \$1,845,967,971        | \$118,363,038          |
| Affiliated Issuers   | 22,747,836             | —                      | —                      |
| <b>(B) Foreign Currency at Cost</b>  | <b>\$3,542,806</b>     | <b>\$—</b>             | <b>\$—</b>             |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Small Companies<br>Fund | Matthews China<br>Small Companies<br>Fund |
|--|--|---|
| <b>ASSETS:</b>   |  |   |
| Investments at value (A) (Note 2-A and 7):                     |  |   |
| Unaffiliated issuers   | \$172,527,328                            | \$85,649,022                              |
| Cash   | 8,399,644                                | 9,657,921                                 |
| Segregated foreign currency at value                           | —  | 7,653                                     |
| Foreign currency at value (B)                                  | 1,453,290                                | 42,116                                    |
| Dividends, interest and other receivable                       | 555,246                                  | 19,670                                    |
| Receivable for securities sold                                 | 66,480                                   | 12,618                                    |
| Receivable for capital shares sold                             | 275,406                                  | 683,779                                   |
| Prepaid expenses   | 12,908                                   | 12,094                                    |
| <b>TOTAL ASSETS</b>  | <b>183,290,302</b>                       | <b>96,084,873</b>                         |
| <b>LIABILITIES:</b>  |  |   |
| Payable for securities purchased                               | 154,934                                  | —   |
| Payable for capital shares redeemed                            | 530,112                                  | 111,717                                   |
| Deferred foreign capital gains tax liability (Note 2-F)        | 1,058,762                                | —   |
| Due to Advisor (Note 5)  | 129,526                                  | 66,949                                    |
| Administration and accounting fees payable (Note 5)            | 3,634                                    | 1,718                                     |
| Administration and shareholder servicing fees payable (Note 5) | 21,183                                   | 11,032                                    |
| Custodian fees payable   | 33,353                                   | 11,696                                    |
| Intermediary service fees payable (Note 5)                     | 32,410                                   | 10,920                                    |
| Professional fees payable                                      | 60,793                                   | 45,044                                    |
| Transfer agent fees payable                                    | 3,597                                    | 1,611                                     |
| Accrued other expenses payable                                 | 27,742                                   | 15,893                                    |
| <b>TOTAL LIABILITIES</b>                                       | <b>2,056,046</b>                         | <b>276,580</b>                            |
| <b>NET ASSETS</b>  | <b>\$181,234,256</b>                     | <b>\$95,808,293</b>                       |
| <b>NET ASSETS:</b>   |  |   |
| Investor Class   | \$96,228,566                             | \$63,431,871                              |
| Institutional Class  | 85,005,690                               | 32,376,422                                |
| <b>TOTAL</b>   | <b>\$181,234,256</b>                     | <b>\$95,808,293</b>                       |

See accompanying notes to financial statements.

# Statements of Assets and Liabilities *(continued)*

December 31, 2019

|  | Matthews Asia<br>Small Companies<br>Fund | Matthews China<br>Small Companies<br>Fund |
|--|--|---|
| <b>SHARES OUTSTANDING:</b>   |  |   |
| (shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value) |  |   |
| Investor Class   | 5,315,645                                | 4,940,998                                 |
| Institutional Class  | 4,707,598                                | 2,517,993                                 |
| <b>TOTAL</b>   | <b>10,023,243</b>                        | <b>7,458,991</b>                          |
| <b>NET ASSET VALUE:</b>  |  |   |
| Investor Class, offering price and redemption price  | \$18.10                                  | \$12.84                                   |
| Institutional Class, offering price and redemption price   | \$18.06                                  | \$12.86                                   |
| <b>NET ASSETS CONSISTS OF:</b>   |  |   |
| Capital paid-in  | \$182,934,761                            | \$85,558,822                              |
| Total distributable earnings/(accumulated loss)  | (1,700,505)                              | 10,249,471                                |
| <b>NET ASSETS</b>  | <b>\$181,234,256</b>                     | <b>\$95,808,293</b>                       |
| (A) Investments at cost:   |  |   |
| Unaffiliated Issuers   | \$172,438,182                            | \$74,405,493                              |
| (B) Foreign Currency at Cost   | \$1,453,278                              | \$41,889                                  |

See accompanying notes to financial statements.

# Statements of Operations

Year Ended December 31, 2019

|   | Matthews Asia<br>Total Return<br>Bond Fund | Matthews Asia<br>Credit<br>Opportunities Fund | Matthews Asia<br>Growth and<br>Income Fund |
|---|--|---|--|
| <b>INVESTMENT INCOME:</b>   |  |   |  |
| Dividends—Unaffiliated Issuers  | \$28,573                                   | \$37,924                                      | \$40,359,134                               |
| Interest  | 6,457,148                                  | 3,249,150                                     | 1,717,173                                  |
| Foreign withholding tax   | (141,431)                                  | (34,047)                                      | (2,606,881)                                |
| <b>TOTAL INVESTMENT INCOME</b>  | <b>6,344,290</b>                           | <b>3,253,027</b>                              | <b>39,469,426</b>                          |
| <b>EXPENSES:</b>  |  |   |  |
| Investment advisory fees (Note 5)   | 611,661                                    | 314,601                                       | 9,541,100                                  |
| Administration and accounting fees (Note 5)   | 8,897                                      | 4,576   | 115,107                                    |
| Administration and shareholder servicing fees (Note 5)  | 155,170                                    | 79,904  | 2,006,211                                  |
| Accounting out-of-pocket fees   | 22,189                                     | 18,951  | 33,477                                     |
| Custodian fees  | 48,511                                     | 25,742  | 405,923                                    |
| Printing fees   | 29,559                                     | 24,441  | 128,971                                    |
| Intermediary service fees (Note 5)  | 117,070                                    | 49,249  | 2,055,349                                  |
| Professional fees   | 55,934                                     | 55,529  | 75,943                                     |
| Registration fees   | 43,562                                     | 44,840  | 65,323                                     |
| Transfer agent fees   | 5,515                                      | 1,503   | 63,530                                     |
| Trustees fees   | 5,370                                      | 2,522   | 75,695                                     |
| Other expenses  | 20,095                                     | 7,159   | 63,343                                     |
| <b>TOTAL EXPENSES</b>   | <b>1,123,533</b>                           | <b>629,017</b>                                | <b>14,629,972</b>                          |
| Advisory fees waived and expenses waived or reimbursed (Note 5)   | (54,751)                                   | (90,168)                                      | —  |
| <b>NET EXPENSES</b>   | <b>1,068,782</b>                           | <b>538,849</b>                                | <b>14,629,972</b>                          |
| <b>NET INVESTMENT INCOME (LOSS)</b>   | <b>5,275,508</b>                           | <b>2,714,178</b>                              | <b>24,839,454</b>                          |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS, FOREIGN CURRENCY RELATED TRANSACTIONS, SWAPS, AND FOREIGN CAPITAL GAINS TAXES:</b>    |  |   |  |
| Net realized gain (loss) on investments—Unaffiliated Issuers  | 2,512,651                                  | 1,176,605                                     | 33,643,298                                 |
| Net realized gain (loss) on forward foreign currency exchange contracts   | 144,098                                    | 728   | —  |
| Net realized gain (loss) on swaps   | 127,919                                    | —   | —  |
| Net realized foreign capital gains tax  | (13,103)                                   | —   | —  |
| Net realized gain (loss) on foreign currency related transactions   | (10,740)                                   | 271   | (225,116)                                  |
| Net change in unrealized appreciation/depreciation on investments—Unaffiliated Issuers  | 5,893,939                                  | 2,961,449                                     | 169,869,883                                |
| Net change in unrealized appreciation/depreciation on forward foreign currency exchange contracts   | (555,493)                                  | (728)   | —  |
| Net change in unrealized appreciation/depreciation on swaps   | 167,864                                    | —   | —  |
| Net change in deferred foreign capital gains taxes on unrealized appreciation   | (61,630)                                   | —   | (415,629)                                  |
| Net change in unrealized appreciation/depreciation on foreign currency related translations   | 1,286                                      | (56)  | (27,626)                                   |
| <b>Net realized and unrealized gain (loss) on investments, forward foreign currency exchange contracts, foreign currency related transactions, swaps, and foreign capital gains taxes</b> | <b>8,206,791</b>                           | <b>4,138,269</b>                              | <b>202,844,810</b>                         |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>  | <b>\$13,482,299</b>                        | <b>\$6,852,447</b>                            | <b>\$227,684,264</b>                       |

See accompanying notes to financial statements.

# Statements of Operations *(continued)*

Year Ended December 31, 2019

|   | Matthews Asia<br>Dividend Fund | Matthews China<br>Dividend Fund | Matthews Asia<br>Value Fund |
|---|--------------------------------|---------------------------------|-----------------------------|
| <b>INVESTMENT INCOME:</b>   |                                |                                 |                             |
| Dividends—Unaffiliated Issuers  | \$153,099,547                  | \$12,210,758                    | \$747,099                   |
| Dividends—Affiliated Issuers (Note 7)   | 21,222,374                     | —                               | —                           |
| Foreign withholding tax   | (15,341,228)                   | (658,351)                       | (65,580)                    |
| <b>TOTAL INVESTMENT INCOME</b>  | <b>158,980,693</b>             | <b>11,552,407</b>               | <b>681,519</b>              |
| <b>EXPENSES:</b>  |                                |                                 |                             |
| Investment advisory fees (Note 5)   | 38,850,877                     | 2,339,083                       | 163,984                     |
| Administration and accounting fees (Note 5)   | 468,729                        | 28,219                          | 1,979                       |
| Administration and shareholder servicing fees (Note 5)  | 8,165,103                      | 491,931                         | 34,437                      |
| Accounting out-of-pocket fees   | 31,265                         | 29,352                          | 21,152                      |
| Custodian fees  | 1,821,127                      | 183,012                         | 41,685                      |
| Printing fees   | 390,163                        | 58,551                          | 19,750                      |
| Intermediary service fees (Note 5)  | 6,520,606                      | 619,340                         | 34,634                      |
| Professional fees   | 198,192                        | 49,181                          | 65,585                      |
| Registration fees   | 159,561                        | 57,551                          | 42,091                      |
| Transfer agent fees   | 131,477                        | 16,041                          | 2,981                       |
| Trustees fees   | 302,177                        | 16,913                          | 1,279                       |
| Other expenses  | 258,856                        | 18,227                          | 19,843                      |
| <b>TOTAL EXPENSES</b>   | <b>57,298,133</b>              | <b>3,907,401</b>                | <b>449,400</b>              |
| Advisory fees waived and expenses waived or reimbursed (Note 5)   | (324,071)                      | —                               | (111,890)                   |
| Administration fees waived (Note 5)   | (324,071)                      | —                               | —                           |
| <b>NET EXPENSES</b>   | <b>56,649,991</b>              | <b>3,907,401</b>                | <b>337,510</b>              |
| <b>NET INVESTMENT INCOME (LOSS)</b>   | <b>102,330,702</b>             | <b>7,645,006</b>                | <b>344,009</b>              |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY RELATED TRANSACTIONS, AND FOREIGN CAPITAL GAINS TAXES:</b>    |                                |                                 |                             |
| Net realized gain (loss) on investments—Unaffiliated Issuers  | (52,812,939)                   | (4,267,830)                     | (979,118)                   |
| Net realized gain (loss) on investments—Affiliated Issuers  | 35,960,635                     | —                               | —                           |
| Net realized foreign capital gains tax  | —                              | —                               | (15)                        |
| Net realized gain (loss) on foreign currency related transactions   | (1,661,207)                    | (269,258)                       | (3,144)                     |
| Net change in unrealized appreciation/depreciation on investments—Unaffiliated Issuers  | 364,576,715                    | 39,009,214                      | 2,169,989                   |
| Net change in unrealized appreciation/depreciation on investments—Affiliated Issuers  | 145,887,003                    | —                               | —                           |
| Net change in deferred foreign capital gains taxes on unrealized appreciation   | 4,810,331                      | —                               | (3,548)                     |
| Net change in unrealized appreciation/depreciation on foreign currency related translations   | 127,766                        | 7,532                           | (126)                       |
| <b>Net realized and unrealized gain (loss) on investments, foreign currency related transactions, and foreign capital gains taxes</b> | <b>496,888,304</b>             | <b>34,479,658</b>               | <b>1,184,038</b>            |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>  | <b>\$599,219,006</b>           | <b>\$42,124,664</b>             | <b>\$1,528,047</b>          |

See accompanying notes to financial statements.

# Statements of Operations *(continued)*

Year Ended December 31, 2019

|  | Matthews Asia<br>Growth Fund | Matthews Pacific<br>Tiger Fund | Matthews Asia<br>ESG Fund |
|--|------------------------------|--------------------------------|---------------------------|
| <b>INVESTMENT INCOME:</b>  |                              |                                |                           |
| Dividends—Unaffiliated Issuers   | \$11,143,120                 | \$145,711,686                  | \$891,301                 |
| Dividends—Affiliated Issuers (Note 7)  | 395,119                      | 19,709,829                     | —                         |
| Foreign withholding tax  | (1,128,499)                  | (14,494,048)                   | (90,637)                  |
| <b>TOTAL INVESTMENT INCOME</b>   | <b>10,409,740</b>            | <b>150,927,467</b>             | <b>800,664</b>            |
| <b>EXPENSES:</b>   |                              |                                |                           |
| Investment advisory fees (Note 5)  | 7,306,056                    | 58,476,072                     | 295,062                   |
| Administration and accounting fees (Note 5)  | 88,141                       | 705,483                        | 3,560                     |
| Administration and shareholder servicing fees (Note 5)   | 1,536,737                    | 12,294,789                     | 62,098                    |
| Accounting out-of-pocket fees  | 30,291                       | 32,715                         | 31,619                    |
| Custodian fees   | 485,469                      | 3,440,636                      | 86,321                    |
| Printing fees  | 85,626                       | 422,903                        | 20,494                    |
| Intermediary service fees (Note 5)   | 1,315,284                    | 9,288,802                      | 40,361                    |
| Professional fees  | 66,280                       | 251,020                        | 51,299                    |
| Registration fees  | 72,179                       | 220,776                        | 37,180                    |
| Transfer agent fees  | 35,632                       | 132,020                        | 1,488                     |
| Trustees fees  | 53,679                       | 437,662                        | 1,929                     |
| Other expenses   | 49,568                       | 321,328                        | 14,464                    |
| <b>TOTAL EXPENSES</b>  | <b>11,124,942</b>            | <b>86,024,206</b>              | <b>645,875</b>            |
| Advisory fees waived and expenses waived or reimbursed (Note 5)  | —                            | (995,561)                      | (67,253)                  |
| Administration fees waived (Note 5)  | —                            | (995,561)                      | —                         |
| <b>NET EXPENSES</b>  | <b>11,124,942</b>            | <b>84,033,084</b>              | <b>578,622</b>            |
| <b>NET INVESTMENT INCOME (LOSS)</b>  | <b>(715,202)</b>             | <b>66,894,383</b>              | <b>222,042</b>            |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS,<br/>FOREIGN CURRENCY RELATED TRANSACTIONS, AND FOREIGN<br/>CAPITAL GAINS TAXES:</b> |                              |                                |                           |
| Net realized gain (loss) on investments—Unaffiliated Issuers   | 19,601,992                   | 224,424,937                    | 941,792                   |
| Net realized gain (loss) on investments—Affiliated Issuers   | —                            | —                              | —                         |
| Net realized foreign capital gains tax   | 889                          | (7,095,635)                    | (7,209)                   |
| Net realized gain (loss) on foreign currency related transactions  | (160,892)                    | (714,775)                      | (16,013)                  |
| Net change in unrealized appreciation/depreciation on investments—<br>Unaffiliated Issuers   | 233,281,360                  | 733,193,485                    | 3,585,643                 |
| Net change in unrealized appreciation/depreciation on investments—<br>Affiliated Issuers   | (4,337,428)                  | (134,044,302)                  | —                         |
| Net change in deferred foreign capital gains taxes on unrealized<br>appreciation   | 511,519                      | (14,695,530)                   | (64,762)                  |
| Net change in unrealized appreciation/depreciation on foreign currency<br>related translations   | (22,460)                     | (86,374)                       | 286                       |
| <b>Net realized and unrealized gain (loss) on investments, foreign<br/>currency related transactions, and foreign capital gains taxes</b>  | <b>248,874,980</b>           | <b>800,981,806</b>             | <b>4,439,737</b>          |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>   | <b>\$248,159,778</b>         | <b>\$867,876,189</b>           | <b>\$4,661,779</b>        |

See accompanying notes to financial statements.

# Statements of Operations *(continued)*

Year Ended December 31, 2019

|  | Matthews Emerging<br>Asia Fund | Matthews Asia<br>Innovators Fund | Matthews<br>China Fund |
|--|--------------------------------|----------------------------------|------------------------|
| <b>INVESTMENT INCOME:</b>  |                                |                                  |                        |
| Dividends—Unaffiliated Issuers   | \$11,934,773                   | \$3,476,247                      | \$17,988,851           |
| Dividends—Affiliated Issuers (Note 7)  | 237,202                        | —                                | —                      |
| Foreign withholding tax  | (1,430,920)                    | (265,083)                        | (1,119,986)            |
| <b>TOTAL INVESTMENT INCOME</b>   | <b>10,741,055</b>              | <b>3,211,164</b>                 | <b>16,868,865</b>      |
| <b>EXPENSES:</b>   |                                |                                  |                        |
| Investment advisory fees (Note 5)  | 4,090,229                      | 1,850,053                        | 5,445,543              |
| Administration and accounting fees (Note 5)  | 32,722                         | 22,319                           | 65,697                 |
| Administration and shareholder servicing fees (Note 5)   | 569,952                        | 389,047                          | 1,145,038              |
| Accounting out-of-pocket fees  | 29,586                         | 26,418                           | 25,899                 |
| Custodian fees   | 901,805                        | 232,965                          | 231,223                |
| Printing fees  | 39,807                         | 40,315                           | 78,208                 |
| Intermediary service fees (Note 5)   | 455,523                        | 431,846                          | 1,443,334              |
| Professional fees  | 70,969                         | 58,419                           | 59,513                 |
| Registration fees  | 61,164                         | 54,610                           | 59,472                 |
| Transfer agent fees  | 14,118                         | 21,884                           | 84,875                 |
| Trustees fees  | 21,314                         | 13,273                           | 39,775                 |
| Other expenses   | 41,490                         | 23,203                           | 33,276                 |
| <b>TOTAL EXPENSES</b>  | <b>6,328,679</b>               | <b>3,164,352</b>                 | <b>8,711,853</b>       |
| Advisory fees waived and expenses waived or reimbursed (Note 5)  | (997,574)                      | —                                | —                      |
| <b>NET EXPENSES</b>  | <b>5,331,105</b>               | <b>3,164,352</b>                 | <b>8,711,853</b>       |
| <b>NET INVESTMENT INCOME (LOSS)</b>  | <b>5,409,950</b>               | <b>46,812</b>                    | <b>8,157,012</b>       |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS,<br/>FOREIGN CURRENCY RELATED TRANSACTIONS, AND FOREIGN<br/>CAPITAL GAINS TAXES:</b> |                                |                                  |                        |
| Net realized gain (loss) on investments—Unaffiliated Issuers   | (26,661,395)                   | 3,106,971                        | (10,511,231)           |
| Net realized gain (loss) on investments—Affiliated Issuers   | (1,337,967)                    | —                                | —                      |
| Net realized foreign capital gains tax   | (394,262)                      | (228,636)                        | —                      |
| Net realized gain (loss) on foreign currency related transactions  | (431,559)                      | (261,026)                        | (60,136)               |
| Net change in unrealized appreciation/depreciation on<br>investments—Unaffiliated Issuers  | 13,922,307                     | 68,292,854                       | 228,068,559            |
| Net change in unrealized appreciation/depreciation on<br>investments—Affiliated Issuers  | 1,108,387                      | —                                | —                      |
| Net change in deferred foreign capital gains taxes on unrealized<br>appreciation   | 825,523                        | (579,902)                        | —                      |
| Net change in unrealized appreciation/depreciation on foreign<br>currency related translations   | (22,132)                       | 14,356                           | 8,562                  |
| <b>Net realized and unrealized gain (loss) on investments, foreign<br/>currency related transactions, and foreign capital gains taxes</b>  | <b>(12,991,098)</b>            | <b>70,344,617</b>                | <b>217,505,754</b>     |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>   | <b>(\$7,581,148)</b>           | <b>\$70,391,429</b>              | <b>\$225,662,766</b>   |

See accompanying notes to financial statements.

# Statements of Operations *(continued)*

Year Ended December 31, 2019

|   | Matthews<br>India Fund | Matthews<br>Japan Fund | Matthews<br>Korea Fund |
|---|------------------------|------------------------|------------------------|
| <b>INVESTMENT INCOME:</b>   |                        |                        |                        |
| Dividends—Unaffiliated Issuers  | \$13,254,160           | \$42,313,489           | \$2,466,203            |
| Dividends—Affiliated Issuers (Note 7)   | 1,498,521              | —                      | —                      |
| Foreign withholding tax   | (124,730)              | (4,097,158)            | (399,907)              |
| <b>TOTAL INVESTMENT INCOME</b>  | <b>14,627,951</b>      | <b>38,216,331</b>      | <b>2,066,296</b>       |
| <b>EXPENSES:</b>  |                        |                        |                        |
| Investment advisory fees (Note 5)   | 9,054,676              | 17,717,992             | 967,440                |
| Administration and accounting fees (Note 5)   | 109,250                | 213,768                | 11,672                 |
| Administration and shareholder servicing fees (Note 5)  | 1,901,377              | 3,722,766              | 203,348                |
| Accounting out-of-pocket fees   | 27,186                 | 25,981                 | 24,400                 |
| Custodian fees  | 692,396                | 267,641                | 46,018                 |
| Printing fees   | 119,298                | 355,459                | 26,267                 |
| Intermediary service fees (Note 5)  | 2,247,270              | 1,431,076              | 248,370                |
| Professional fees   | 130,676                | 98,908                 | 45,881                 |
| Registration fees   | 76,640                 | 77,722                 | 39,495                 |
| Transfer agent fees   | 89,200                 | 138,971                | 24,001                 |
| Trustees fees   | 74,447                 | 145,859                | 7,499                  |
| Other expenses  | 79,112                 | 117,598                | 8,500                  |
| <b>TOTAL EXPENSES</b>   | <b>14,601,528</b>      | <b>24,313,741</b>      | <b>1,652,891</b>       |
| <b>NET INVESTMENT INCOME (LOSS)</b>   | <b>26,423</b>          | <b>13,902,590</b>      | <b>413,405</b>         |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY RELATED TRANSACTIONS, AND FOREIGN CAPITAL GAINS TAXES:</b>    |                        |                        |                        |
| Net realized gain (loss) on investments—Unaffiliated Issuers  | 29,464,033             | 119,928,518            | (2,917,579)            |
| Net realized gain (loss) on investments—Affiliated Issuers  | 9,394,516              | —                      | —                      |
| Net realized foreign capital gains tax  | (4,840,063)            | —                      | —                      |
| Net realized gain (loss) on foreign currency related transactions   | (1,563,144)            | 500,981                | (52,948)               |
| Net change in unrealized appreciation/depreciation on investments—Unaffiliated Issuers  | (50,892,071)           | 491,191,132            | 7,151,986              |
| Net change in unrealized appreciation/depreciation on investments—Affiliated Issuers  | 2,763,341              | —                      | —                      |
| Net change in deferred foreign capital gains taxes on unrealized appreciation   | (1,438,891)            | —                      | —                      |
| Net change in unrealized appreciation/depreciation on foreign currency related translations   | (67,231)               | 36,139                 | (15,631)               |
| <b>Net realized and unrealized gain (loss) on investments, foreign currency related transactions, and foreign capital gains taxes</b> | <b>(17,179,510)</b>    | <b>611,656,770</b>     | <b>4,165,828</b>       |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>  | <b>(\$17,153,087)</b>  | <b>\$625,559,360</b>   | <b>\$4,579,233</b>     |

See accompanying notes to financial statements.

# Statements of Operations *(continued)*

Year Ended December 31, 2019

|   | Matthews Asia<br>Small Companies<br>Fund | Matthews China<br>Small Companies<br>Fund |
|---|--|---|
| <b>INVESTMENT INCOME:</b>   |  |   |
| Dividends—Unaffiliated Issuers  | \$4,329,653                              | \$2,042,954                               |
| Dividends—Affiliated Issuers (Note 7)   | —  | —   |
| Foreign withholding tax   | (318,032)                                | (54,627)                                  |
| <b>TOTAL INVESTMENT INCOME</b>  | <b>4,011,621</b>                         | <b>1,988,327</b>                          |
| <b>EXPENSES:</b>  |  |   |
| Investment advisory fees (Note 5)   | 1,875,299                                | 752,663                                   |
| Administration and accounting fees (Note 5)   | 15,002                                   | 6,021                                     |
| Administration and shareholder servicing fees (Note 5)  | 261,408                                  | 104,995                                   |
| Accounting out-of-pocket fees   | 31,163                                   | 20,575                                    |
| Custodian fees  | 216,643                                  | 67,776                                    |
| Printing fees   | 30,838                                   | 26,688                                    |
| Intermediary service fees (Note 5)  | 285,656                                  | 106,893                                   |
| Professional fees   | 84,836                                   | 43,472                                    |
| Registration fees   | 47,113                                   | 43,766                                    |
| Transfer agent fees   | 16,926                                   | 7,483                                     |
| Trustees fees   | 10,718                                   | 3,436                                     |
| Other expenses  | 23,168                                   | 5,689                                     |
| <b>TOTAL EXPENSES</b>   | <b>2,898,770</b>                         | <b>1,189,457</b>                          |
| Advisory fees waived and expenses waived or reimbursed (Note 5)   | (336,966)                                | (167,178)                                 |
| <b>NET EXPENSES</b>   | <b>2,561,804</b>                         | <b>1,022,279</b>                          |
| <b>NET INVESTMENT INCOME (LOSS)</b>   | <b>1,449,817</b>                         | <b>966,048</b>                            |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY RELATED TRANSACTIONS, AND FOREIGN CAPITAL GAINS TAXES:</b>    |  |   |
| Net realized gain (loss) on investments—Unaffiliated Issuers  | 399,449                                  | (885,971)                                 |
| Net realized foreign capital gains tax  | (786,513)                                | —   |
| Net realized gain (loss) on foreign currency related transactions   | (78,182)                                 | (42,271)                                  |
| Net change in unrealized appreciation/depreciation on investments—Unaffiliated Issuers  | 29,660,296                               | 22,079,555                                |
| Net change in unrealized appreciation/depreciation on investments—Affiliated Issuers  | —  | —   |
| Net change in deferred foreign capital gains taxes on unrealized appreciation   | (61,919)                                 | —   |
| Net change in unrealized appreciation/depreciation on foreign currency related translations   | (13,900)                                 | (5,153)                                   |
| <b>Net realized and unrealized gain (loss) on investments, foreign currency related transactions, and foreign capital gains taxes</b> | <b>29,119,231</b>                        | <b>21,146,160</b>                         |
| <b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>  | <b>\$30,569,048</b>                      | <b>\$22,112,208</b>                       |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets

| <b>MATTHEWS ASIA TOTAL RETURN BOND FUND</b>   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$5,275,508                     | \$4,279,959                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 2,760,825                       | (4,697,556)                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 5,339,732                       | (4,886,159)                     |
| Net change on foreign capital gains taxes on unrealized appreciation  | (61,630)                        | 72,858                          |
| Net change in unrealized appreciation/depreciation on swaps   | 167,864                         | —                               |
| Net increase (decrease) in net assets resulting from operations   | 13,482,299                      | (5,230,898)                     |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (1,587,247)                     | (1,482,265)                     |
| Institutional Class   | (3,115,399)                     | (1,402,339)                     |
| <b>Return of Capital</b>  |                                 |                                 |
| Investor Class  | —                               | (194,306)                       |
| Institutional Class   | —                               | (187,644)                       |
| Net decrease in net assets resulting from distributions   | (4,702,646)                     | (3,266,554)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | 7,218,828                       | 14,620,480                      |
| Total increase (decrease) in net assets   | 15,998,481                      | 6,123,028                       |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 100,715,183                     | 94,592,155                      |
| End of year   | \$116,713,664                   | \$100,715,183                   |

| <b>MATTHEWS ASIA CREDIT OPPORTUNITIES FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$2,714,178                     | \$1,530,022                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 1,177,604                       | (807,786)                       |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 2,960,665                       | (1,914,582)                     |
| Net increase (decrease) in net assets resulting from operations   | 6,852,447                       | (1,192,346)                     |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (524,567)                       | (346,586)                       |
| Institutional Class   | (2,481,265)                     | (1,064,779)                     |
| Net decrease in net assets resulting from distributions   | (3,005,832)                     | (1,411,365)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | 48,835,145                      | 10,664,938                      |
| Total increase (decrease) in net assets   | 52,681,760                      | 8,061,227                       |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 39,752,968                      | 31,691,741                      |
| End of year   | \$92,434,728                    | \$39,752,968                    |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS ASIAN GROWTH AND INCOME FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$24,839,454                    | \$45,280,897                    |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 33,418,182                      | 108,473,321                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 169,842,257                     | (403,082,443)                   |
| Net change on foreign capital gains taxes on unrealized appreciation  | (415,629)                       | (107,296)                       |
| Net increase (decrease) in net assets resulting from operations   | 227,684,264                     | (249,435,521)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (27,564,628)                    | (94,856,451)                    |
| Institutional Class   | (26,611,609)                    | (85,765,453)                    |
| Net decrease in net assets resulting from distributions   | (54,176,237)                    | (180,621,904)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | (101,433,061)                   | (1,020,164,659)                 |
| Total increase (decrease) in net assets   | 72,074,966                      | (1,450,222,084)                 |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 1,395,691,373                   | 2,845,913,457                   |
| End of year   | \$1,467,766,339                 | \$1,395,691,373                 |

| <b>MATTHEWS ASIA DIVIDEND FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$102,330,702                   | \$141,577,757                   |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (18,513,511)                    | 403,086,377                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 510,591,484                     | (1,469,585,251)                 |
| Net change on foreign capital gains taxes on unrealized appreciation  | 4,810,331                       | (160,170)                       |
| Net increase (decrease) in net assets resulting from operations   | 599,219,006                     | (925,081,287)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (53,870,328)                    | (211,389,650)                   |
| Institutional Class   | (70,646,662)                    | (237,144,125)                   |
| Net decrease in net assets resulting from distributions   | (124,516,990)                   | (448,533,775)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | (872,071,489)                   | 144,094,328                     |
| Total increase (decrease) in net assets   | (397,369,473)                   | (1,229,520,734)                 |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 5,767,825,347                   | 6,997,346,081                   |
| End of year   | \$5,370,455,874                 | \$5,767,825,347                 |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS CHINA DIVIDEND FUND</b>   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$7,645,006                     | \$7,726,552                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (4,537,088)                     | 23,400,629                      |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 39,016,746                      | (66,519,586)                    |
| Net increase (decrease) in net assets resulting from operations   | 42,124,664                      | (35,392,405)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (4,319,260)                     | (21,468,293)                    |
| Institutional Class   | (1,789,894)                     | (8,057,266)                     |
| Net decrease in net assets resulting from distributions   | (6,109,154)                     | (29,525,559)                    |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>75,065,788</b>               | <b>19,837,199</b>               |
| Total increase (decrease) in net assets   | 111,081,298                     | (45,080,765)                    |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 269,659,321                     | 314,740,086                     |
| End of year   | \$380,740,619                   | \$269,659,321                   |

| <b>MATTHEWS ASIA VALUE FUND</b>   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$344,009                       | \$262,120                       |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (982,277)                       | (126,184)                       |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 2,169,863                       | (3,582,664)                     |
| Net change on foreign capital gains taxes on unrealized appreciation  | (3,548)                         | (4,103)                         |
| Net increase (decrease) in net assets resulting from operations   | 1,528,047                       | (3,450,831)                     |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (781,895)                       | (795,360)                       |
| Institutional Class   | (402,259)                       | (257,755)                       |
| Net decrease in net assets resulting from distributions   | (1,184,154)                     | (1,053,115)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(3,719,029)</b>              | <b>(3,035,025)</b>              |
| Total increase (decrease) in net assets   | (3,375,136)                     | (7,538,971)                     |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 23,195,009                      | 30,733,980                      |
| End of year   | \$19,819,873                    | \$23,195,009                    |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| MATTHEWS ASIA GROWTH FUND   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | (\$715,202)                     | \$827,153                       |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 19,441,989                      | 5,493,132                       |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 228,921,472                     | (208,530,498)                   |
| Net change on foreign capital gains taxes on unrealized appreciation  | 511,519                         | 1,093,836                       |
| Net increase (decrease) in net assets resulting from operations   | 248,159,778                     | (201,116,377)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (4,892,092)                     | (7,253,289)                     |
| Institutional Class   | (6,690,700)                     | (8,131,385)                     |
| Net decrease in net assets resulting from distributions   | (11,582,792)                    | (15,384,674)                    |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>36,423,847</b>               | <b>296,272,663</b>              |
| Total increase (decrease) in net assets   | 273,000,833                     | 79,771,612                      |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 930,333,556                     | 850,561,944                     |
| End of year   | \$1,203,334,389                 | \$930,333,556                   |

| MATTHEWS PACIFIC TIGER FUND   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$66,894,383                    | \$82,597,259                    |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 216,614,527                     | 314,042,088                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 599,062,809                     | (1,456,251,388)                 |
| Net change on foreign capital gains taxes on unrealized appreciation  | (14,695,530)                    | (12,961,619)                    |
| Net increase (decrease) in net assets resulting from operations   | 867,876,189                     | (1,072,573,660)                 |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (85,396,598)                    | (121,255,981)                   |
| Institutional Class   | (218,660,671)                   | (275,120,994)                   |
| Net decrease in net assets resulting from distributions   | (304,057,269)                   | (396,376,975)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(145,194,433)</b>            | <b>51,147,953</b>               |
| Total increase (decrease) in net assets   | 418,624,487                     | (1,417,802,682)                 |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 8,307,234,203                   | 9,725,036,885                   |
| End of year   | \$8,725,858,690                 | \$8,307,234,203                 |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS ASIA ESG FUND</b>   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$222,042                       | \$85,056                        |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 918,570                         | 614,957                         |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 3,585,929                       | (2,813,567)                     |
| Net change on foreign capital gains taxes on unrealized appreciation  | (64,762)                        | 34,007                          |
| Net increase (decrease) in net assets resulting from operations   | 4,661,779                       | (2,079,547)                     |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (254,181)                       | (389,328)                       |
| Institutional Class   | (519,330)                       | (560,925)                       |
| Net decrease in net assets resulting from distributions   | (773,511)                       | (950,253)                       |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>18,878,771</b>               | <b>17,507,714</b>               |
| Total increase (decrease) in net assets   | 22,767,039                      | 14,477,914                      |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 32,531,793                      | 18,053,879                      |
| End of year   | \$55,298,832                    | \$32,531,793                    |

| <b>MATTHEWS EMERGING ASIA FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$5,409,950                     | \$4,233,785                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (28,825,183)                    | 11,192,808                      |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 15,008,562                      | (112,214,332)                   |
| Net change on foreign capital gains taxes on unrealized appreciation  | 825,523                         | 1,804,989                       |
| Net increase (decrease) in net assets resulting from operations   | (7,581,148)                     | (94,982,750)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (2,211,813)                     | (2,684,365)                     |
| Institutional Class   | (6,143,721)                     | (6,570,784)                     |
| Net decrease in net assets resulting from distributions   | (8,355,534)                     | (9,255,149)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(39,111,583)</b>             | <b>(15,498,956)</b>             |
| <b>REDEMPTION FEES</b>  | <b>55,503</b>                   | <b>82,599</b>                   |
| Total increase (decrease) in net assets   | (54,992,762)                    | (119,654,256)                   |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 375,174,761                     | 494,829,017                     |
| End of year   | \$320,181,999                   | \$375,174,761                   |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS ASIA INNOVATORS FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$46,812                        | (\$103,238)                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 2,617,309                       | 2,546,956                       |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 68,307,210                      | (59,878,788)                    |
| Net change on foreign capital gains taxes on unrealized appreciation  | (579,902)                       | (5,393)                         |
| Net increase (decrease) in net assets resulting from operations   | 70,391,429                      | (57,440,463)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (517,344)                       | (3,970,300)                     |
| Institutional Class   | (360,553)                       | (2,656,060)                     |
| Net decrease in net assets resulting from distributions   | (877,897)                       | (6,626,360)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(9,182,208)</b>              | <b>101,996,223</b>              |
| Total increase (decrease) in net assets   | 60,331,324                      | 37,929,400                      |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 244,217,855                     | 206,288,455                     |
| End of year   | \$304,549,179                   | \$244,217,855                   |

| <b>MATTHEWS CHINA FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$8,157,012                     | \$9,876,601                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (10,571,367)                    | 111,510,918                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 228,077,121                     | (335,815,337)                   |
| Net increase (decrease) in net assets resulting from operations   | 225,662,766                     | (214,427,818)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (8,017,681)                     | (109,557,899)                   |
| Institutional Class   | (2,383,141)                     | (9,475,103)                     |
| Net decrease in net assets resulting from distributions   | (10,400,822)                    | (119,033,002)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>74,020,367</b>               | <b>41,090,545</b>               |
| Total increase (decrease) in net assets   | 289,282,311                     | (292,370,275)                   |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 613,112,714                     | 905,482,989                     |
| End of year   | \$902,395,025                   | \$613,112,714                   |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS INDIA FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$26,423                        | (\$2,070,170)                   |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 32,455,342                      | 331,211,413                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | (48,195,961)                    | (567,019,183)                   |
| Net change on foreign capital gains taxes on unrealized appreciation  | (1,438,891)                     | (2,413,851)                     |
| Net increase (decrease) in net assets resulting from operations   | (17,153,087)                    | (240,291,791)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (88,576,196)                    | (159,591,192)                   |
| Institutional Class   | (20,261,209)                    | (75,460,576)                    |
| Net decrease in net assets resulting from distributions   | (108,837,405)                   | (235,051,768)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | (451,382,627)                   | (255,309,634)                   |
| Total increase (decrease) in net assets   | (577,373,119)                   | (730,653,193)                   |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 1,541,780,023                   | 2,272,433,216                   |
| End of year   | \$964,406,904                   | \$1,541,780,023                 |

| <b>MATTHEWS JAPAN FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$13,902,590                    | \$18,472,839                    |
| Net realized gain (loss) on investments and foreign currency related transactions                           | 120,429,499                     | 194,213,809                     |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 491,227,271                     | (1,069,641,926)                 |
| Net increase (decrease) in net assets resulting from operations   | 625,559,360                     | (856,955,278)                   |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (120,196,392)                   | (71,970,442)                    |
| Institutional Class   | (74,901,937)                    | (51,381,225)                    |
| Net decrease in net assets resulting from distributions   | (195,098,329)                   | (123,351,667)                   |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | (995,366,160)                   | (260,612,861)                   |
| Total increase (decrease) in net assets   | (564,905,129)                   | (1,240,919,806)                 |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 2,871,574,319                   | 4,112,494,125                   |
| End of year   | \$2,306,669,190                 | \$2,871,574,319                 |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| <b>MATTHEWS KOREA FUND</b>  | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$413,405                       | \$1,887,805                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (2,970,527)                     | 30,298,095                      |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 7,136,355                       | (83,113,064)                    |
| Net increase (decrease) in net assets resulting from operations   | 4,579,233                       | (50,927,164)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (9,142,261)                     | (19,838,627)                    |
| Institutional Class   | (1,778,394)                     | (2,831,158)                     |
| Net decrease in net assets resulting from distributions   | (10,920,655)                    | (22,669,785)                    |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(3,301,705)</b>              | <b>(4,964,199)</b>              |
| Total increase (decrease) in net assets   | (9,643,127)                     | (78,561,148)                    |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 146,457,070                     | 225,018,218                     |
| End of year   | \$136,813,943                   | \$146,457,070                   |

| <b>MATTHEWS ASIA SMALL COMPANIES FUND</b>   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$1,449,817                     | \$2,416,511                     |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (465,246)                       | 32,060,275                      |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 29,646,396                      | (104,112,981)                   |
| Net change on foreign capital gains taxes on unrealized appreciation  | (61,919)                        | (535,103)                       |
| Net increase (decrease) in net assets resulting from operations   | 30,569,048                      | (70,171,298)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (493,289)                       | (22,501,099)                    |
| Institutional Class   | (598,845)                       | (18,262,086)                    |
| Net decrease in net assets resulting from distributions   | (1,092,134)                     | (40,763,185)                    |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | <b>(34,658,494)</b>             | <b>(144,037,484)</b>            |
| <b>REDEMPTION FEES</b>  | <b>25,416</b>                   | <b>69,377</b>                   |
| Total increase (decrease) in net assets   | (5,156,164)                     | (254,902,590)                   |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 186,390,420                     | 441,293,010                     |
| End of year   | \$181,234,256                   | \$186,390,420                   |

See accompanying notes to financial statements.

# Statements of Changes in Net Assets *(continued)*

| MATTHEWS CHINA SMALL COMPANIES FUND   | Year Ended<br>December 31, 2019 | Year Ended<br>December 31, 2018 |
|---|---------------------------------|---------------------------------|
| <b>OPERATIONS:</b>  |                                 |                                 |
| Net investment income (loss)  | \$966,048                       | \$464,514                       |
| Net realized gain (loss) on investments and foreign currency related transactions                           | (928,242)                       | 1,508,682                       |
| Net change in unrealized appreciation/depreciation on investments and foreign currency related translations | 22,074,402                      | (17,732,735)                    |
| Net increase (decrease) in net assets resulting from operations   | 22,112,208                      | (15,759,539)                    |
| <b>DISTRIBUTIONS TO SHAREHOLDERS:</b>   |                                 |                                 |
| Investor Class  | (636,765)                       | (958,588)                       |
| Institutional Class   | (367,639)                       | (327,972)                       |
| Net decrease in net assets resulting from distributions   | (1,004,404)                     | (1,286,560)                     |
| <b>CAPITAL SHARE TRANSACTIONS (net) (Note 4)</b>  | 12,164,538                      | 43,659,977                      |
| <b>REDEMPTION FEES</b>  | 56,296                          | 180,654                         |
| Total increase (decrease) in net assets   | 33,328,638                      | 26,794,532                      |
| <b>NET ASSETS:</b>  |                                 |                                 |
| Beginning of year   | 62,479,655                      | 35,685,123                      |
| End of year   | \$95,808,293                    | \$62,479,655                    |

See accompanying notes to financial statements.

# Financial Highlights

## Matthews Asia Total Return Bond Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                |              |              |                |
|--|--------------------|----------------|--------------|--------------|----------------|
|  | 2019               | 2018           | 2017         | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$10.25            | \$10.98        | \$10.43      | \$9.96       | \$10.31        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |              |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.50               | 0.40           | 0.51         | 0.50         | 0.47           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, forward foreign currency exchange contracts, swaps, foreign currency related transactions, and foreign capital gains taxes | 0.81               | (0.84)         | 0.46         | 0.38         | (0.53)         |
| Total from investment operations   | 1.31               | (0.44)         | 0.97         | 0.88         | (0.06)         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |              |              |                |
| Net investment income  | (0.44)             | (0.25)         | (0.42)       | (0.41)       | (0.29)         |
| Net realized gains on investments  | —                  | (0.04)         | —            | —            | —              |
| Total distributions  | (0.44)             | (0.29)         | (0.42)       | (0.41)       | (0.29)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —              | —            | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$11.12            | \$10.25        | \$10.98      | \$10.43      | \$9.96         |
| <b>TOTAL RETURN</b>  | <b>13.00%</b>      | <b>(4.05%)</b> | <b>9.40%</b> | <b>8.85%</b> | <b>(0.58%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                |              |              |                |
| Net assets, end of year (in 000's)   | \$39,485           | \$40,698       | \$63,437     | \$55,409     | \$51,130       |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)  | 1.08%              | 1.23%          | 1.29%        | 1.33%        | 1.28%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator  | 1.07%              | 1.15%          | 1.15%        | 1.15%        | 1.12%          |
| Ratio of net investment income (loss) to average net assets  | 4.61%              | 3.76%          | 4.70%        | 4.85%        | 4.57%          |
| Portfolio turnover <sup>3</sup>  | 84.38%             | 82.32%         | 36.58%       | 71.50%       | 50.09%         |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                |              |              |                |
|--|--------------------|----------------|--------------|--------------|----------------|
|  | 2019               | 2018           | 2017         | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$10.25            | \$10.97        | \$10.42      | \$9.96       | \$10.30        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |              |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.52               | 0.42           | 0.53         | 0.53         | 0.49           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, forward foreign currency exchange contracts, swaps, foreign currency related transactions, and foreign capital gains taxes | 0.81               | (0.83)         | 0.47         | 0.36         | (0.52)         |
| Total from investment operations   | 1.33               | (0.41)         | 1.00         | 0.89         | (0.03)         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |              |              |                |
| Net investment income  | (0.46)             | (0.27)         | (0.45)       | (0.43)       | (0.31)         |
| Net realized gains on investments  | —                  | (0.04)         | —            | —            | —              |
| Total distributions  | (0.46)             | (0.31)         | (0.45)       | (0.43)       | (0.31)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —              | —            | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$11.12            | \$10.25        | \$10.97      | \$10.42      | \$9.96         |
| <b>TOTAL RETURN</b>  | <b>13.20%</b>      | <b>(3.78%)</b> | <b>9.67%</b> | <b>9.02%</b> | <b>(0.27%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                |              |              |                |
| Net assets, end of year (in 000's)   | \$77,228           | \$60,017       | \$31,155     | \$13,398     | \$11,001       |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)  | 0.97%              | 1.04%          | 1.08%        | 1.12%        | 1.09%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator  | 0.90%              | 0.90%          | 0.90%        | 0.90%        | 0.90%          |
| Ratio of net investment income (loss) to average net assets  | 4.81%              | 4.03%          | 4.93%        | 5.13%        | 4.81%          |
| Portfolio turnover <sup>3</sup>  | 84.38%             | 82.32%         | 36.58%       | 71.50%       | 50.09%         |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Credit Opportunities Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                |              | Period Ended               |
|---|--------------------|----------------|--------------|----------------------------|
|   | 2019               | 2018           | 2017         | Dec. 31, 2016 <sup>1</sup> |
| Net Asset Value, beginning of period  | \$9.76             | \$10.39        | \$10.13      | \$10.00                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                |              |                            |
| Net investment income (loss) <sup>2</sup>   | 0.47               | 0.37           | 0.44         | 0.29                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, swaps, and foreign currency related transactions      | 0.82               | (0.67)         | 0.35         | 0.18                       |
| Total from investment operations  | 1.29               | (0.30)         | 0.79         | 0.47                       |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                |              |                            |
| Net investment income   | (0.44)             | (0.33)         | (0.43)       | (0.32)                     |
| Net realized gains on investments   | (0.04)             | —              | (0.10)       | (0.02)                     |
| Total distributions   | (0.48)             | (0.33)         | (0.53)       | (0.34)                     |
| Net Asset Value, end of period  | \$10.57            | \$9.76         | \$10.39      | \$10.13                    |
| <b>TOTAL RETURN</b>   | <b>13.34%</b>      | <b>(2.88%)</b> | <b>7.86%</b> | <b>4.66%</b> <sup>3</sup>  |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                |              |                            |
| Net assets, end of period (in 000's)  | \$12,997           | \$8,668        | \$10,201     | \$10,119                   |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.24%              | 1.44%          | 1.86%        | 2.24% <sup>4</sup>         |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 1.12%              | 1.15%          | 1.15%        | 1.15% <sup>4</sup>         |
| Ratio of net investment income (loss) to average net assets   | 4.55%              | 3.62%          | 4.17%        | 4.12% <sup>4</sup>         |
| Portfolio turnover <sup>5</sup>   | 81.08%             | 49.06%         | 27.86%       | 18.80% <sup>3</sup>        |
| <b>INSTITUTIONAL CLASS</b>  |                    |                |              |                            |
| Net Asset Value, beginning of period  | \$9.75             | \$10.39        | \$10.13      | \$10.00                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                |              |                            |
| Net investment income (loss) <sup>2</sup>   | 0.50               | 0.39           | 0.46         | 0.30                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, swaps, and foreign currency related transactions      | 0.82               | (0.67)         | 0.36         | 0.18                       |
| Total from investment operations  | 1.32               | (0.28)         | 0.82         | 0.48                       |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                |              |                            |
| Net investment income   | (0.46)             | (0.36)         | (0.46)       | (0.33)                     |
| Net realized gains on investments   | (0.04)             | —              | (0.10)       | (0.02)                     |
| Total distributions   | (0.50)             | (0.36)         | (0.56)       | (0.35)                     |
| Net Asset Value, end of period  | \$10.57            | \$9.75         | \$10.39      | \$10.13                    |
| <b>TOTAL RETURN</b>   | <b>13.69%</b>      | <b>(2.75%)</b> | <b>8.13%</b> | <b>4.82%</b> <sup>3</sup>  |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                |              |                            |
| Net assets, end of period (in 000's)  | \$79,438           | \$31,085       | \$21,491     | \$6,205                    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.07%              | 1.25%          | 1.62%        | 1.99% <sup>4</sup>         |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 0.90%              | 0.90%          | 0.90%        | 0.90% <sup>4</sup>         |
| Ratio of net investment income (loss) to average net assets   | 4.79%              | 3.90%          | 4.45%        | 4.28% <sup>4</sup>         |
| Portfolio turnover <sup>5</sup>   | 81.08%             | 49.06%         | 27.86%       | 18.80% <sup>3</sup>        |

1 Commenced operations on April, 29 2016.

2 Calculated using the average daily shares method.

3 Not annualized.

4 Annualized.

5 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asian Growth And Income Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |                |              |                |
|--|--------------------|-----------------|----------------|--------------|----------------|
|  | 2019               | 2018            | 2017           | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$13.92            | \$17.46         | \$14.94        | \$16.03      | \$18.01        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |                |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.25               | 0.32            | 0.33           | 0.32         | 0.39           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | 2.13               | (2.20)          | 2.92           | (0.06)       | (1.19)         |
| Total from investment operations   | 2.38               | (1.88)          | 3.25           | 0.26         | (0.80)         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |                |              |                |
| Net investment income  | (0.35)             | (0.32)          | (0.46)         | (0.48)       | (0.42)         |
| Net realized gains on investments  | (0.22)             | (1.34)          | (0.27)         | (0.87)       | (0.76)         |
| Total distributions  | (0.57)             | (1.66)          | (0.73)         | (1.35)       | (1.18)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | — <sup>2</sup> | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$15.73            | \$13.92         | \$17.46        | \$14.94      | \$16.03        |
| <b>TOTAL RETURN</b>  | <b>17.26%</b>      | <b>(10.96%)</b> | <b>21.85%</b>  | <b>1.34%</b> | <b>(4.50%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |                |              |                |
| Net assets, end of year (in 000's)   | \$723,815          | \$799,328       | \$1,535,746    | \$1,684,987  | \$2,045,435    |
| Ratio of expenses to average net assets before any reimbursement, waiver or<br>recapture of expenses by Advisor and Administrator (Note 5)                 | 1.08%              | 1.08%           | 1.07%          | 1.09%        | 1.09%          |
| Ratio of net investment income (loss) to average net assets  | 1.67%              | 1.95%           | 1.95%          | 1.90%        | 2.17%          |
| Portfolio turnover <sup>3</sup>  | 21.89%             | 32.24%          | 23.23%         | 15.64%       | 16.48%         |
| <b>INSTITUTIONAL CLASS</b>   |                    |                 |                |              |                |
| Year Ended Dec. 31   |                    |                 |                |              |                |
|  | 2019               | 2018            | 2017           | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$13.89            | \$17.43         | \$14.92        | \$16.02      | \$18.00        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |                |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.27               | 0.35            | 0.36           | 0.34         | 0.42           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | 2.14               | (2.20)          | 2.91           | (0.07)       | (1.19)         |
| Total from investment operations   | 2.41               | (1.85)          | 3.27           | 0.27         | (0.77)         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |                |              |                |
| Net investment income  | (0.38)             | (0.35)          | (0.49)         | (0.50)       | (0.45)         |
| Net realized gains on investments  | (0.22)             | (1.34)          | (0.27)         | (0.87)       | (0.76)         |
| Total distributions  | (0.60)             | (1.69)          | (0.76)         | (1.37)       | (1.21)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | — <sup>2</sup> | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$15.70            | \$13.89         | \$17.43        | \$14.92      | \$16.02        |
| <b>TOTAL RETURN</b>  | <b>17.46%</b>      | <b>(10.84%)</b> | <b>22.00%</b>  | <b>1.44%</b> | <b>(4.33%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |                |              |                |
| Net assets, end of year (in 000's)   | \$743,951          | \$596,364       | \$1,310,168    | \$809,254    | \$823,619      |
| Ratio of expenses to average net assets before any reimbursement, waiver or<br>recapture of expenses by Advisor and Administrator (Note 5)                 | 0.94%              | 0.93%           | 0.93%          | 0.94%        | 0.92%          |
| Ratio of net investment income (loss) to average net assets  | 1.80%              | 2.14%           | 2.16%          | 2.06%        | 2.34%          |
| Portfolio turnover <sup>3</sup>  | 21.89%             | 32.24%          | 23.23%         | 15.64%       | 16.48%         |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Dividend Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                 |                |                   |                   |
|---|--------------------|-----------------|----------------|-------------------|-------------------|
|   | 2019               | 2018            | 2017           | 2016 <sup>1</sup> | 2015 <sup>1</sup> |
| Net Asset Value, beginning of year  | \$16.05            | \$19.74         | \$15.52        | \$15.36           | \$15.26           |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |                   |                   |
| Net investment income (loss) <sup>2</sup>   | 0.28               | 0.37            | 0.31           | 0.28              | 0.29              |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 1.50               | (2.83)          | 5.02           | 0.37              | 0.31              |
| Total from investment operations  | 1.78               | (2.46)          | 5.33           | 0.65              | 0.60              |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |                   |                   |
| Net investment income   | (0.36)             | (0.31)          | (0.69)         | (0.29)            | (0.27)            |
| Net realized gains on investments   | —                  | (0.92)          | (0.42)         | (0.11)            | (0.23)            |
| Return of capital   | —                  | —               | —              | (0.09)            | —                 |
| Total distributions   | (0.36)             | (1.23)          | (1.11)         | (0.49)            | (0.50)            |
| Paid-in capital from redemption fees (Note 4)   | —                  | —               | — <sup>3</sup> | —                 | — <sup>3</sup>    |
| Net Asset Value, end of year  | \$17.47            | \$16.05         | \$19.74        | \$15.52           | \$15.36           |
| <b>TOTAL RETURN</b>   | <b>11.17%</b>      | <b>(12.72%)</b> | <b>34.69%</b>  | <b>4.13%</b>      | <b>3.86%</b>      |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |                   |                   |
| Net assets, end of year (in 000's)  | \$2,312,560        | \$2,728,599     | \$3,713,276    | \$2,650,611       | \$2,757,910       |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 1.03%              | 1.02%           | 1.03%          | 1.06%             | 1.06%             |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 1.02%              | 1.01%           | 1.02%          | 1.06%             | 1.05%             |
| Ratio of net investment income (loss) to average net assets   | 1.68%              | 1.97%           | 1.67%          | 1.79%             | 1.82%             |
| Portfolio turnover <sup>4</sup>   | 30.32%             | 39.75%          | 28.11%         | 39.76%            | 35.98%            |

| INSTITUTIONAL CLASS   | Year Ended Dec. 31 |                 |                |                   |                   |
|---|--------------------|-----------------|----------------|-------------------|-------------------|
|   | 2019               | 2018            | 2017           | 2016 <sup>1</sup> | 2015 <sup>1</sup> |
| Net Asset Value, beginning of year  | \$16.04            | \$19.73         | \$15.52        | \$15.35           | \$15.26           |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |                   |                   |
| Net investment income (loss) <sup>2</sup>   | 0.30               | 0.39            | 0.33           | 0.30              | 0.32              |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 1.50               | (2.83)          | 5.01           | 0.38              | 0.29              |
| Total from investment operations  | 1.80               | (2.44)          | 5.34           | 0.68              | 0.61              |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |                   |                   |
| Net investment income   | (0.37)             | (0.33)          | (0.71)         | (0.31)            | (0.29)            |
| Net realized gains on investments   | —                  | (0.92)          | (0.42)         | (0.11)            | (0.23)            |
| Return of capital   | —                  | —               | —              | (0.09)            | —                 |
| Total distributions   | (0.37)             | (1.25)          | (1.13)         | (0.51)            | (0.52)            |
| Paid-in capital from redemption fees (Note 4)   | —                  | —               | — <sup>3</sup> | —                 | — <sup>3</sup>    |
| Net Asset Value, end of year  | \$17.47            | \$16.04         | \$19.73        | \$15.52           | \$15.35           |
| <b>TOTAL RETURN</b>   | <b>11.35%</b>      | <b>(12.64%)</b> | <b>34.77%</b>  | <b>4.33%</b>      | <b>3.93%</b>      |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |                   |                   |
| Net assets, end of year (in 000's)  | \$3,057,896        | \$3,039,226     | \$3,284,070    | \$2,034,276       | \$2,045,713       |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 0.93%              | 0.91%           | 0.92%          | 0.94%             | 0.93%             |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 0.92%              | 0.90%           | 0.91%          | 0.93%             | 0.92%             |
| Ratio of net investment income (loss) to average net assets   | 1.80%              | 2.09%           | 1.81%          | 1.91%             | 1.98%             |
| Portfolio turnover <sup>4</sup>   | 30.32%             | 39.75%          | 28.11%         | 39.76%            | 35.98%            |

<sup>1</sup> Consolidated Financial Highlights. See Note 2-C.

<sup>2</sup> Calculated using the average daily shares method.

<sup>3</sup> Less than \$0.01 per share.

<sup>4</sup> The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews China Dividend Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                |               |              |                |
|--|--------------------|----------------|---------------|--------------|----------------|
|  | 2019               | 2018           | 2017          | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$14.32            | \$17.61        | \$14.09       | \$13.79      | \$13.37        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |               |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.34               | 0.41           | 0.35          | 0.31         | 0.29           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 1.80               | (2.09)         | 4.85          | 0.47         | 1.01           |
| Total from investment operations   | 2.14               | (1.68)         | 5.20          | 0.78         | 1.30           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |               |              |                |
| Net investment income  | (0.26)             | (0.40)         | (0.49)        | (0.28)       | (0.28)         |
| Net realized gains on investments  | —                  | (1.21)         | (1.19)        | (0.20)       | (0.60)         |
| Total distributions  | (0.26)             | (1.61)         | (1.68)        | (0.48)       | (0.88)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —              | —             | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$16.20            | \$14.32        | \$17.61       | \$14.09      | \$13.79        |
| <b>TOTAL RETURN</b>  | <b>15.00%</b>      | <b>(9.98%)</b> | <b>37.69%</b> | <b>5.70%</b> | <b>9.54%</b>   |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets, end of year (in 000's)  | \$258,111 | \$196,626 | \$260,593 | \$160,400 | \$165,514 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.15%     | 1.15%     | 1.19%     | 1.22%     | 1.19%     |
| Ratio of net investment income (loss) to average net assets   | 2.14%     | 2.33%     | 2.12%     | 2.28%     | 1.97%     |
| Portfolio turnover <sup>3</sup>   | 65.69%    | 66.47%    | 69.14%    | 72.96%    | 79.91%    |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                |               |              |                |
|--|--------------------|----------------|---------------|--------------|----------------|
|  | 2019               | 2018           | 2017          | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$14.32            | \$17.61        | \$14.09       | \$13.79      | \$13.37        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |               |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.35               | 0.42           | 0.37          | 0.29         | 0.28           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 1.81               | (2.07)         | 4.85          | 0.51         | 1.04           |
| Total from investment operations   | 2.16               | (1.65)         | 5.22          | 0.80         | 1.32           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |               |              |                |
| Net investment income  | (0.28)             | (0.43)         | (0.51)        | (0.30)       | (0.30)         |
| Net realized gains on investments  | —                  | (1.21)         | (1.19)        | (0.20)       | (0.60)         |
| Total distributions  | (0.28)             | (1.64)         | (1.70)        | (0.50)       | (0.90)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —              | —             | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$16.20            | \$14.32        | \$17.61       | \$14.09      | \$13.79        |
| <b>TOTAL RETURN</b>  | <b>15.16%</b>      | <b>(9.83%)</b> | <b>37.88%</b> | <b>5.90%</b> | <b>9.71%</b>   |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |           |          |          |          |          |
|---|-----------|----------|----------|----------|----------|
| Net assets, end of year (in 000's)  | \$122,630 | \$73,033 | \$54,147 | \$27,758 | \$15,406 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.01%     | 1.01%    | 1.04%    | 1.06%    | 1.00%    |
| Ratio of net investment income (loss) to average net assets   | 2.25%     | 2.44%    | 2.25%    | 2.09%    | 1.89%    |
| Portfolio turnover <sup>3</sup>   | 65.69%    | 66.47%   | 69.14%   | 72.96%   | 79.91%   |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Value Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

|  | Year Ended Dec. 31 |                 |               |              | Period Ended<br>Dec. 31, 2015 <sup>1</sup> |
|--|--------------------|-----------------|---------------|--------------|--|
|  | 2019               | 2018            | 2017          | 2016         |  |
| Net Asset Value, beginning of period   | \$10.86            | \$12.83         | \$9.96        | \$9.85       | \$10.00                                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |              |  |
| Net investment income (loss) <sup>2</sup>  | 0.15               | 0.10            | 0.14          | 0.09         | 0.02                                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign<br>currency related transactions and foreign capital gains taxes | 0.73               | (1.49)          | 3.45          | 0.65         | (0.16)                                     |
| Total from investment operations   | 0.88               | (1.39)          | 3.59          | 0.74         | (0.14)                                     |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |              |  |
| Net investment income  | (0.68)             | (0.16)          | (0.29)        | (0.59)       | (0.01)                                     |
| Net realized gains on investments  | —                  | (0.42)          | (0.43)        | (0.04)       | —  |
| Total distributions  | (0.68)             | (0.58)          | (0.72)        | (0.63)       | (0.01)                                     |
| Net Asset Value, end of period   | \$11.06            | \$10.86         | \$12.83       | \$9.96       | \$9.85                                     |
| <b>TOTAL RETURN</b>  | <b>8.23%</b>       | <b>(10.93%)</b> | <b>36.12%</b> | <b>7.43%</b> | <b>(1.35%)<sup>3</sup></b>                 |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |              |  |
| Net assets, end of period (in 000's)   | \$13,246           | \$16,326        | \$27,346      | \$2,548      | \$1,589                                    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator (Note 5)                 | 1.85%              | 1.77%           | 2.32%         | 11.48%       | 36.42% <sup>4</sup>                        |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator                           | 1.42%              | 1.50%           | 1.50%         | 1.50%        | 1.50% <sup>4</sup>                         |
| Ratio of net investment income (loss) to average net assets  | 1.35%              | 0.81%           | 1.10%         | 0.84%        | 2.70% <sup>4</sup>                         |
| Portfolio turnover <sup>5</sup>  | 32.03%             | 48.29%          | 31.93%        | 19.60%       | 10.80% <sup>3</sup>                        |
| <b>INSTITUTIONAL CLASS</b>   |                    |                 |               |              |  |
|  |                    |                 |               |              |  |
| Net Asset Value, beginning of period   | \$10.78            | \$12.73         | \$9.85        | \$9.83       | \$10.00                                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |              |  |
| Net investment income (loss) <sup>2</sup>  | 0.17               | 0.14            | 0.32          | 0.10         | 0.02                                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign<br>currency related transactions and foreign capital gains taxes | 0.72               | (1.49)          | 3.25          | 0.67         | (0.15)                                     |
| Total from investment operations   | 0.89               | (1.35)          | 3.57          | 0.77         | (0.13)                                     |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |              |  |
| Net investment income  | (0.70)             | (0.18)          | (0.26)        | (0.71)       | (0.04)                                     |
| Net realized gains on investments  | —                  | (0.42)          | (0.43)        | (0.04)       | —  |
| Total distributions  | (0.70)             | (0.60)          | (0.69)        | (0.75)       | (0.04)                                     |
| Net Asset Value, end of period   | \$10.97            | \$10.78         | \$12.73       | \$9.85       | \$9.83                                     |
| <b>TOTAL RETURN</b>  | <b>8.35%</b>       | <b>(10.65%)</b> | <b>36.35%</b> | <b>7.72%</b> | <b>(1.30%)<sup>3</sup></b>                 |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |              |  |
| Net assets, end of period (in 000's)   | \$6,574            | \$6,869         | \$3,388       | \$155        | \$143                                      |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator (Note 5)                 | 1.74%              | 1.54%           | 2.08%         | 11.26%       | 36.17% <sup>4</sup>                        |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator                           | 1.24%              | 1.25%           | 1.25%         | 1.25%        | 1.25% <sup>4</sup>                         |
| Ratio of net investment income (loss) to average net assets  | 1.49%              | 1.18%           | 2.59%         | 1.01%        | 2.41% <sup>4</sup>                         |
| Portfolio turnover <sup>5</sup>  | 32.03%             | 48.29%          | 31.93%        | 19.60%       | 10.80% <sup>3</sup>                        |

1 Commenced operations on November 30, 2015.

2 Calculated using the average daily shares method.

3 Not annualized.

4 Annualized.

5 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Growth Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |              |                |
|--|--------------------|-----------------|---------------|--------------|----------------|
|  | 2019               | 2018            | 2017          | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$22.49            | \$27.25         | \$21.05       | \$21.09      | \$21.10        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |              |                |
| Net investment income (loss) <sup>1</sup>  | (0.03)             | — <sup>2</sup>  | 0.04          | 0.06         | 0.11           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | 5.91               | (4.41)          | 8.14          | 0.13         | (0.12)         |
| Total from investment operations   | 5.88               | (4.41)          | 8.18          | 0.19         | (0.01)         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |              |                |
| Net investment income  | —                  | (0.03)          | (0.16)        | (0.23)       | —              |
| Net realized gains on investments  | (0.27)             | (0.32)          | (1.82)        | —            | —              |
| Total distributions  | (0.27)             | (0.35)          | (1.98)        | (0.23)       | —              |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$28.10            | \$22.49         | \$27.25       | \$21.05      | \$21.09        |
| <b>TOTAL RETURN</b>  | <b>26.18%</b>      | <b>(16.25%)</b> | <b>39.39%</b> | <b>0.92%</b> | <b>(0.05%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |              |                |
| Net assets, end of year (in 000's)   | \$504,538          | \$463,600       | \$554,309     | \$419,516    | \$526,969      |
| Ratio of expenses to average net assets  | 1.09%              | 1.10%           | 1.12%         | 1.14%        | 1.11%          |
| Ratio of net investment income (loss) to average net assets  | (0.14%)            | —% <sup>3</sup> | 0.16%         | 0.30%        | 0.49%          |
| Portfolio turnover <sup>4</sup>  | 38.05%             | 12.12%          | 23.19%        | 13.61%       | 29.51%         |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                 |               |              |                |
|--|--------------------|-----------------|---------------|--------------|----------------|
|  | 2019               | 2018            | 2017          | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$22.65            | \$27.45         | \$21.19       | \$21.24      | \$21.19        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |              |                |
| Net investment income (loss) <sup>1</sup>  | — <sup>2</sup>     | 0.05            | 0.09          | 0.10         | 0.16           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | 5.96               | (4.45)          | 8.20          | 0.13         | (0.11)         |
| Total from investment operations   | 5.96               | (4.40)          | 8.29          | 0.23         | 0.05           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |              |                |
| Net investment income  | —                  | (0.08)          | (0.21)        | (0.28)       | —              |
| Net realized gains on investments  | (0.27)             | (0.32)          | (1.82)        | —            | —              |
| Total distributions  | (0.27)             | (0.40)          | (2.03)        | (0.28)       | —              |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$28.34            | \$22.65         | \$27.45       | \$21.19      | \$21.24        |
| <b>TOTAL RETURN</b>  | <b>26.34%</b>      | <b>(16.10%)</b> | <b>39.64%</b> | <b>1.06%</b> | <b>0.24%</b>   |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |              |                |
| Net assets, end of year (in 000's)   | \$698,797          | \$466,733       | \$296,253     | \$195,949    | \$249,886      |
| Ratio of expenses to average net assets  | 0.94%              | 0.93%           | 0.93%         | 0.96%        | 0.91%          |
| Ratio of net investment income (loss) to average net assets  | —% <sup>3</sup>    | 0.17%           | 0.35%         | 0.47%        | 0.72%          |
| Portfolio turnover <sup>4</sup>  | 38.05%             | 12.12%          | 23.19%        | 13.61%       | 29.51%         |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 Less than 0.01%.

4 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Pacific Tiger Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                 |                |                |                |
|---|--------------------|-----------------|----------------|----------------|----------------|
|   | 2019               | 2018            | 2017           | 2016           | 2015           |
| Net Asset Value, beginning of year  | \$26.86            | \$31.66         | \$22.92        | \$23.54        | \$26.57        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |                |                |
| Net investment income (loss) <sup>1</sup>   | 0.19               | 0.24            | 0.17           | 0.11           | 0.42           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 2.68               | (3.75)          | 8.96           | (0.13)         | (0.82)         |
| Total from investment operations  | 2.87               | (3.51)          | 9.13           | (0.02)         | (0.40)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |                |                |
| Net investment income   | (0.15)             | (0.21)          | (0.17)         | (0.13)         | (0.42)         |
| Net realized gains on investments   | (0.84)             | (1.08)          | (0.22)         | (0.47)         | (2.21)         |
| Total distributions   | (0.99)             | (1.29)          | (0.39)         | (0.60)         | (2.63)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>2</sup>     | —               | — <sup>2</sup> | —              | — <sup>2</sup> |
| Net Asset Value, end of year  | \$28.74            | \$26.86         | \$31.66        | \$22.92        | \$23.54        |
| <b>TOTAL RETURN</b>   | <b>10.72%</b>      | <b>(11.11%)</b> | <b>39.96%</b>  | <b>(0.16%)</b> | <b>(1.30%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |                |                |
| Net assets, end of year (in 000's)  | \$2,536,844        | \$2,618,155     | \$3,335,795    | \$2,445,183    | \$2,720,869    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 1.08%              | 1.07%           | 1.08%          | 1.09%          | 1.09%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 1.05%              | 1.04%           | 1.06%          | 1.08%          | 1.07%          |
| Ratio of net investment income (loss) to average net assets   | 0.66%              | 0.79%           | 0.63%          | 0.47%          | 1.53%          |
| Portfolio turnover <sup>3</sup>   | 17.08%             | 11.48%          | 9.18%          | 5.73%          | 12.56%         |

| INSTITUTIONAL CLASS   | Year Ended Dec. 31 |                 |                |              |                |
|---|--------------------|-----------------|----------------|--------------|----------------|
|   | 2019               | 2018            | 2017           | 2016         | 2015           |
| Net Asset Value, beginning of year  | \$26.83            | \$31.63         | \$22.90        | \$23.52      | \$26.56        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |              |                |
| Net investment income (loss) <sup>1</sup>   | 0.23               | 0.28            | 0.22           | 0.16         | 0.44           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 2.68               | (3.74)          | 8.95           | (0.14)       | (0.80)         |
| Total from investment operations  | 2.91               | (3.46)          | 9.17           | 0.02         | (0.36)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |              |                |
| Net investment income   | (0.19)             | (0.26)          | (0.22)         | (0.17)       | (0.47)         |
| Net realized gains on investments   | (0.84)             | (1.08)          | (0.22)         | (0.47)       | (2.21)         |
| Total distributions   | (1.03)             | (1.34)          | (0.44)         | (0.64)       | (2.68)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>2</sup>     | —               | — <sup>2</sup> | —            | — <sup>2</sup> |
| Net Asset Value, end of year  | \$28.71            | \$26.83         | \$31.63        | \$22.90      | \$23.52        |
| <b>TOTAL RETURN</b>   | <b>10.90%</b>      | <b>(10.94%)</b> | <b>40.17%</b>  | <b>0.03%</b> | <b>(1.15%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |              |                |
| Net assets, end of year (in 000's)  | \$6,189,015        | \$5,689,079     | \$6,389,242    | \$4,207,508  | \$3,964,547    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 0.93%              | 0.90%           | 0.91%          | 0.91%        | 0.91%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 0.91%              | 0.88%           | 0.89%          | 0.90%        | 0.89%          |
| Ratio of net investment income (loss) to average net assets   | 0.80%              | 0.95%           | 0.80%          | 0.65%        | 1.61%          |
| Portfolio turnover <sup>3</sup>   | 17.08%             | 11.48%          | 9.18%          | 5.73%        | 12.56%         |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia ESG Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                |               |                | Period Ended<br>Dec. 31, 2015 <sup>1</sup> |
|--|--------------------|----------------|---------------|----------------|--|
|  | 2019               | 2018           | 2017          | 2016           |  |
| Net Asset Value, beginning of period   | \$9.98             | \$11.56        | \$8.97        | \$9.23         | \$10.00                                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |               |                |  |
| Net investment income (loss) <sup>2</sup>  | 0.04               | 0.03           | 0.05          | 0.07           | 0.02                                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign<br>currency related transactions and foreign capital gains taxes | 1.21               | (1.16)         | 2.97          | (0.20)         | (0.75)                                     |
| Total from investment operations   | 1.25               | (1.13)         | 3.02          | (0.13)         | (0.73)                                     |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |               |                |  |
| Net investment income  | (0.03)             | (0.02)         | (0.27)        | (0.13)         | (0.04)                                     |
| Net realized gains on investments  | (0.12)             | (0.43)         | (0.16)        | —              | —  |
| Total distributions  | (0.15)             | (0.45)         | (0.43)        | (0.13)         | (0.04)                                     |
| Net Asset Value, end of period   | \$11.08            | \$9.98         | \$11.56       | \$8.97         | \$9.23                                     |
| <b>TOTAL RETURN</b>  | <b>12.55%</b>      | <b>(9.73%)</b> | <b>33.79%</b> | <b>(1.40%)</b> | <b>(7.30%)<sup>3</sup></b>                 |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                |               |                |  |
| Net assets, end of period (in 000's)   | \$19,291           | \$9,283        | \$10,695      | \$5,376        | \$3,248                                    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator (Note 5)                 | 1.54%              | 2.20%          | 2.65%         | 3.54%          | 9.09% <sup>4</sup>                         |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator                           | 1.42%              | 1.50%          | 1.50%         | 1.48%          | 1.44% <sup>4</sup>                         |
| Ratio of net investment income (loss) to average net assets  | 0.41%              | 0.27%          | 0.45%         | 0.77%          | 0.25% <sup>4</sup>                         |
| Portfolio turnover <sup>5</sup>  | 29.67%             | 22.93%         | 28.82%        | 16.10%         | 21.72% <sup>3</sup>                        |
| <b>INSTITUTIONAL CLASS</b>   |                    |                |               |                |  |
| Net Asset Value, beginning of period   | \$9.96             | \$11.50        | \$8.92        | \$9.17         | \$10.00                                    |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |               |                |  |
| Net investment income (loss) <sup>2</sup>  | 0.06               | 0.06           | 0.08          | 0.09           | 0.05                                       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign<br>currency related transactions and foreign capital gains taxes | 1.21               | (1.16)         | 2.95          | (0.19)         | (0.77)                                     |
| Total from investment operations   | 1.27               | (1.10)         | 3.03          | (0.10)         | (0.72)                                     |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |               |                |  |
| Net investment income  | (0.05)             | (0.01)         | (0.29)        | (0.15)         | (0.11)                                     |
| Net realized gains on investments  | (0.12)             | (0.43)         | (0.16)        | —              | —  |
| Total distributions  | (0.17)             | (0.44)         | (0.45)        | (0.15)         | (0.11)                                     |
| Net Asset Value, end of period   | \$11.06            | \$9.96         | \$11.50       | \$8.92         | \$9.17                                     |
| <b>TOTAL RETURN</b>  | <b>12.74%</b>      | <b>(9.52%)</b> | <b>34.11%</b> | <b>(1.16%)</b> | <b>(7.14%)<sup>3</sup></b>                 |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                |               |                |  |
| Net assets, end of period (in 000's)   | \$36,008           | \$23,249       | \$7,359       | \$3,382        | \$1,686                                    |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator (Note 5)                 | 1.41%              | 2.01%          | 2.46%         | 3.36%          | 8.90% <sup>4</sup>                         |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of<br>expenses by Advisor and Administrator                           | 1.24%              | 1.25%          | 1.25%         | 1.25%          | 1.25% <sup>4</sup>                         |
| Ratio of net investment income (loss) to average net assets  | 0.54%              | 0.55%          | 0.71%         | 0.97%          | 0.75% <sup>4</sup>                         |
| Portfolio turnover <sup>5</sup>  | 29.67%             | 22.93%         | 28.82%        | 16.10%         | 21.72% <sup>3</sup>                        |

1 Commenced operations on April 30, 2015.

2 Calculated using the average daily shares method.

3 Not annualized.

4 Annualized.

5 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Emerging Asia Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                 |                |               |                |
|---|--------------------|-----------------|----------------|---------------|----------------|
|   | 2019               | 2018            | 2017           | 2016          | 2015           |
| Net Asset Value, beginning of year  | \$12.50            | \$15.51         | \$13.18        | \$11.27       | \$11.60        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |               |                |
| Net investment income (loss) <sup>1</sup>   | 0.14               | 0.10            | 0.07           | 0.15          | 0.04           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | (0.27)             | (2.82)          | 2.35           | 2.01          | (0.34)         |
| Total from investment operations  | (0.13)             | (2.72)          | 2.42           | 2.16          | (0.30)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |               |                |
| Net investment income   | —                  | (0.10)          | (0.04)         | (0.13)        | — <sup>2</sup> |
| Net realized gains on investments   | (0.30)             | (0.19)          | (0.05)         | (0.13)        | (0.03)         |
| Total distributions   | (0.30)             | (0.29)          | (0.09)         | (0.26)        | (0.03)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>3</sup>     | — <sup>2</sup>  | — <sup>2</sup> | 0.01          | — <sup>2</sup> |
| Net Asset Value, end of year  | \$12.07            | \$12.50         | \$15.51        | \$13.18       | \$11.27        |
| <b>TOTAL RETURN</b>   | <b>(1.01%)</b>     | <b>(17.58%)</b> | <b>18.42%</b>  | <b>19.25%</b> | <b>(2.56%)</b> |

| RATIOS/SUPPLEMENTAL DATA  |          |           |           |           |           |
|---|----------|-----------|-----------|-----------|-----------|
| Net assets, end of year (in 000's)  | \$84,543 | \$118,505 | \$219,596 | \$145,164 | \$114,590 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.65%    | 1.66%     | 1.70%     | 1.77%     | 1.75%     |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 1.46%    | 1.48%     | 1.48%     | 1.47%     | 1.50%     |
| Ratio of net investment income (loss) to average net assets   | 1.15%    | 0.72%     | 0.49%     | 1.26%     | 0.33%     |
| Portfolio turnover <sup>4</sup>   | 18.77%   | 26.09%    | 7.74%     | 34.90%    | 12.14%    |

| INSTITUTIONAL CLASS   | Year Ended Dec. 31 |                 |                |               |                |
|---|--------------------|-----------------|----------------|---------------|----------------|
|   | 2019               | 2018            | 2017           | 2016          | 2015           |
| Net Asset Value, beginning of year  | \$12.54            | \$15.57         | \$13.22        | \$11.29       | \$11.60        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |               |                |
| Net investment income (loss) <sup>1</sup>   | 0.17               | 0.14            | 0.10           | 0.21          | 0.07           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | (0.28)             | (2.85)          | 2.37           | 1.99          | (0.34)         |
| Total from investment operations  | (0.11)             | (2.71)          | 2.47           | 2.20          | (0.27)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |               |                |
| Net investment income   | —                  | (0.13)          | (0.07)         | (0.15)        | (0.01)         |
| Net realized gains on investments   | (0.30)             | (0.19)          | (0.05)         | (0.13)        | (0.03)         |
| Total distributions   | (0.30)             | (0.32)          | (0.12)         | (0.28)        | (0.04)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>3</sup>     | — <sup>2</sup>  | — <sup>2</sup> | 0.01          | — <sup>2</sup> |
| Net Asset Value, end of year  | \$12.13            | \$12.54         | \$15.57        | \$13.22       | \$11.29        |
| <b>TOTAL RETURN</b>   | <b>(0.85%)</b>     | <b>(17.41%)</b> | <b>18.70%</b>  | <b>19.61%</b> | <b>(2.33%)</b> |

| RATIOS/SUPPLEMENTAL DATA  |           |           |           |          |          |
|---|-----------|-----------|-----------|----------|----------|
| Net assets, end of year (in 000's)  | \$235,639 | \$256,669 | \$275,233 | \$95,724 | \$55,278 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.51%     | 1.50%     | 1.52%     | 1.62%    | 1.57%    |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 1.25%     | 1.25%     | 1.25%     | 1.25%    | 1.25%    |
| Ratio of net investment income (loss) to average net assets   | 1.39%     | 0.97%     | 0.70%     | 1.72%    | 0.65%    |
| Portfolio turnover <sup>4</sup>   | 18.77%    | 26.09%    | 7.74%     | 34.90%   | 12.14%   |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The Fund charged redemption fees through October 31, 2019.

4 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Innovators Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                 |               |                |              |
|---|--------------------|-----------------|---------------|----------------|--------------|
|   | 2019               | 2018            | 2017          | 2016           | 2015         |
| Net Asset Value, beginning of year  | \$11.26            | \$14.19         | \$10.10       | \$12.32        | \$13.61      |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |               |                |              |
| Net investment income (loss) <sup>1</sup>   | (0.01)             | (0.01)          | (0.02)        | (0.02)         | (0.05)       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 3.34               | (2.62)          | 5.31          | (1.07)         | 0.64         |
| Total from investment operations  | 3.33               | (2.63)          | 5.29          | (1.09)         | 0.59         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |               |                |              |
| Net investment income   | —                  | (0.04)          | (0.24)        | —              | —            |
| Net realized gains on investments   | (0.04)             | (0.26)          | (0.96)        | (1.13)         | (1.88)       |
| Total distributions   | (0.04)             | (0.30)          | (1.20)        | (1.13)         | (1.88)       |
| Net Asset Value, end of year  | \$14.55            | \$11.26         | \$14.19       | \$10.10        | \$12.32      |
| <b>TOTAL RETURN</b>   | <b>29.60%</b>      | <b>(18.62%)</b> | <b>52.88%</b> | <b>(9.10%)</b> | <b>4.48%</b> |

| RATIOS/SUPPLEMENTAL DATA                                    |           |           |           |          |           |
|---|-----------|-----------|-----------|----------|-----------|
| Net assets, end of year (in 000's)                          | \$177,639 | \$152,449 | \$175,331 | \$83,926 | \$129,763 |
| Ratio of expenses to average net assets                     | 1.19%     | 1.19%     | 1.24%     | 1.24%    | 1.18%     |
| Ratio of net investment income (loss) to average net assets | (0.04%)   | (0.07%)   | (0.18%)   | (0.19%)  | (0.33%)   |
| Portfolio turnover <sup>2</sup>                             | 80.10%    | 85.73%    | 66.51%    | 92.25%   | 72.85%    |

| INSTITUTIONAL CLASS   | Year Ended Dec. 31 |                 |               |                |              |
|---|--------------------|-----------------|---------------|----------------|--------------|
|   | 2019               | 2018            | 2017          | 2016           | 2015         |
| Net Asset Value, beginning of year  | \$11.32            | \$14.26         | \$10.14       | \$12.34        | \$13.61      |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |               |                |              |
| Net investment income (loss) <sup>1</sup>   | 0.01               | 0.01            | 0.01          | 0.01           | (0.02)       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 3.35               | (2.62)          | 5.33          | (1.08)         | 0.63         |
| Total from investment operations  | 3.36               | (2.61)          | 5.34          | (1.07)         | 0.61         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |               |                |              |
| Net investment income   | —                  | (0.07)          | (0.26)        | —              | —            |
| Net realized gains on investments   | (0.04)             | (0.26)          | (0.96)        | (1.13)         | (1.88)       |
| Total distributions   | (0.04)             | (0.33)          | (1.22)        | (1.13)         | (1.88)       |
| Net Asset Value, end of year  | \$14.64            | \$11.32         | \$14.26       | \$10.14        | \$12.34      |
| <b>TOTAL RETURN</b>   | <b>29.71%</b>      | <b>(18.40%)</b> | <b>53.18%</b> | <b>(8.92%)</b> | <b>4.63%</b> |

| RATIOS/SUPPLEMENTAL DATA                                    |           |          |          |          |          |
|---|-----------|----------|----------|----------|----------|
| Net assets, end of year (in 000's)                          | \$126,911 | \$91,769 | \$30,957 | \$16,545 | \$36,770 |
| Ratio of expenses to average net assets                     | 1.05%     | 1.02%    | 1.05%    | 1.01%    | 0.97%    |
| Ratio of net investment income (loss) to average net assets | 0.10%     | 0.07%    | 0.06%    | 0.06%    | (0.16%)  |
| Portfolio turnover <sup>2</sup>                             | 80.10%    | 85.73%   | 66.51%   | 92.25%   | 72.85%   |

1 Calculated using the average daily shares method.

2 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews China Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |                   |                   |
|--|--------------------|-----------------|---------------|-------------------|-------------------|
|  | 2019               | 2018            | 2017          | 2016 <sup>1</sup> | 2015 <sup>1</sup> |
| Net Asset Value, beginning of year   | \$14.37            | \$22.20         | \$15.47       | \$18.42           | \$21.46           |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                   |                   |
| Net investment income (loss) <sup>2</sup>  | 0.16               | 0.21            | 0.16          | 0.21              | 0.20              |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 4.80               | (4.84)          | 8.86          | (1.04)            | 0.30              |
| Total from investment operations   | 4.96               | (4.63)          | 9.02          | (0.83)            | 0.50              |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                   |                   |
| Net investment income  | (0.21)             | (0.29)          | (0.37)        | (0.26)            | (0.21)            |
| Net realized gains on investments  | —                  | (2.91)          | (1.92)        | (1.29)            | (3.33)            |
| Return of capital  | —                  | —               | —             | (0.57)            | —                 |
| Total distributions  | (0.21)             | (3.20)          | (2.29)        | (2.12)            | (3.54)            |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | — <sup>3</sup>    | — <sup>3</sup>    |
| Net Asset Value, end of year   | \$19.12            | \$14.37         | \$22.20       | \$15.47           | \$18.42           |
| <b>TOTAL RETURN</b>  | <b>34.56%</b>      | <b>(21.42%)</b> | <b>59.37%</b> | <b>(5.18%)</b>    | <b>2.41%</b>      |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |                   |                   |
| Net assets, end of year (in 000's)   | \$718,633          | \$566,456       | \$843,508     | \$495,900         | \$709,767         |
| Ratio of expenses to average net assets  | 1.09%              | 1.10%           | 1.09%         | 1.18%             | 1.14%             |
| Ratio of net investment income (loss) to average net assets  | 0.96%              | 1.00%           | 0.78%         | 1.24%             | 0.89%             |
| Portfolio turnover <sup>4</sup>  | 68.93%             | 96.98%          | 78.74%        | 83.82%            | 66.22%            |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                 |               |                   |                   |
|--|--------------------|-----------------|---------------|-------------------|-------------------|
|  | 2019               | 2018            | 2017          | 2016 <sup>1</sup> | 2015 <sup>1</sup> |
| Net Asset Value, beginning of year   | \$14.33            | \$22.17         | \$15.44       | \$18.39           | \$21.44           |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                   |                   |
| Net investment income (loss) <sup>2</sup>  | 0.20               | 0.33            | 0.21          | 0.22              | 0.25              |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 4.80               | (4.93)          | 8.84          | (1.03)            | 0.27              |
| Total from investment operations   | 5.00               | (4.60)          | 9.05          | (0.81)            | 0.52              |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                   |                   |
| Net investment income  | (0.25)             | (0.33)          | (0.40)        | (0.28)            | (0.24)            |
| Net realized gains on investments  | —                  | (2.91)          | (1.92)        | (1.29)            | (3.33)            |
| Return of capital  | —                  | —               | —             | (0.57)            | —                 |
| Total distributions  | (0.25)             | (3.24)          | (2.32)        | (2.14)            | (3.57)            |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | — <sup>3</sup>    | — <sup>3</sup>    |
| Net Asset Value, end of year   | \$19.08            | \$14.33         | \$22.17       | \$15.44           | \$18.39           |
| <b>TOTAL RETURN</b>  | <b>34.90%</b>      | <b>(21.32%)</b> | <b>59.71%</b> | <b>(5.06%)</b>    | <b>2.50%</b>      |
| <b>RATIOS/SUPPLEMENTAL DATA</b>  |                    |                 |               |                   |                   |
| Net assets, end of year (in 000's)   | \$183,762          | \$46,657        | \$61,975      | \$15,874          | \$24,276          |
| Ratio of expenses to average net assets  | 0.91%              | 0.91%           | 0.93%         | 1.03%             | 0.99%             |
| Ratio of net investment income (loss) to average net assets  | 1.17%              | 1.53%           | 0.99%         | 1.32%             | 1.09%             |
| Portfolio turnover <sup>4</sup>  | 68.93%             | 96.98%          | 78.74%        | 83.82%            | 66.22%            |

1 Consolidated Financial Highlights. See Note 2-C.

2 Calculated using the average daily shares method.

3 Less than \$0.01 per share.

4 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews India Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |                |              |
|--|--------------------|-----------------|---------------|----------------|--------------|
|  | 2019               | 2018            | 2017          | 2016           | 2015         |
| Net Asset Value, beginning of year   | \$26.32            | \$34.31         | \$25.65       | \$26.43        | \$26.46      |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                |              |
| Net investment income (loss) <sup>1</sup>  | (0.01)             | (0.05)          | (0.09)        | 0.01           | (0.05)       |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | (0.24)             | (3.60)          | 9.24          | (0.33)         | 0.26         |
| Total from investment operations   | (0.25)             | (3.65)          | 9.15          | (0.32)         | 0.21         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                |              |
| Net investment income  | —                  | —               | —             | —              | (0.03)       |
| Net realized gains on investments  | (2.80)             | (4.34)          | (0.49)        | (0.46)         | (0.23)       |
| Total distributions  | (2.80)             | (4.34)          | (0.49)        | (0.46)         | (0.26)       |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —              | 0.02         |
| Net Asset Value, end of year   | \$23.27            | \$26.32         | \$34.31       | \$25.65        | \$26.43      |
| <b>TOTAL RETURN</b>  | <b>(0.88%)</b>     | <b>(10.09%)</b> | <b>35.79%</b> | <b>(1.23%)</b> | <b>0.90%</b> |

| <b>RATIOS/SUPPLEMENTAL DATA</b>                             |           |             |             |           |             |
|---|-----------|-------------|-------------|-----------|-------------|
| Net assets, end of year (in 000's)                          | \$786,881 | \$1,077,990 | \$1,484,045 | \$967,009 | \$1,151,948 |
| Ratio of expenses to average net assets                     | 1.11%     | 1.09%       | 1.09%       | 1.12%     | 1.11%       |
| Ratio of net investment income (loss) to average net assets | (0.03%)   | (0.16%)     | (0.30%)     | 0.02%     | (0.17%)     |
| Portfolio turnover <sup>2</sup>                             | 24.00%    | 20.87%      | 16.81%      | 15.76%    | 9.51%       |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                |               |                |              |
|--|--------------------|----------------|---------------|----------------|--------------|
|  | 2019               | 2018           | 2017          | 2016           | 2015         |
| Net Asset Value, beginning of year   | \$26.56            | \$34.51        | \$25.77       | \$26.49        | \$26.49      |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                |               |                |              |
| Net investment income (loss) <sup>1</sup>  | 0.02               | 0.01           | (0.03)        | 0.04           | 0.01         |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments,<br>foreign currency related transactions and foreign capital gains taxes | (0.23)             | (3.62)         | 9.29          | (0.30)         | 0.26         |
| Total from investment operations   | (0.21)             | (3.61)         | 9.26          | (0.26)         | 0.27         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                |               |                |              |
| Net investment income  | —                  | —              | (0.03)        | —              | (0.06)       |
| Net realized gains on investments  | (2.80)             | (4.34)         | (0.49)        | (0.46)         | (0.23)       |
| Total distributions  | (2.80)             | (4.34)         | (0.52)        | (0.46)         | (0.29)       |
| Paid-in capital from redemption fees (Note 4)  | —                  | —              | —             | —              | 0.02         |
| Net Asset Value, end of year   | \$23.55            | \$26.56        | \$34.51       | \$25.77        | \$26.49      |
| <b>TOTAL RETURN</b>  | <b>(0.76%)</b>     | <b>(9.92%)</b> | <b>36.05%</b> | <b>(1.00%)</b> | <b>1.12%</b> |

| <b>RATIOS/SUPPLEMENTAL DATA</b>                             |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets, end of year (in 000's)                          | \$177,526 | \$463,790 | \$788,388 | \$551,202 | \$353,879 |
| Ratio of expenses to average net assets                     | 0.94%     | 0.90%     | 0.89%     | 0.91%     | 0.90%     |
| Ratio of net investment income (loss) to average net assets | 0.09%     | 0.02%     | (0.08%)   | 0.16%     | 0.02%     |
| Portfolio turnover <sup>2</sup>                             | 24.00%    | 20.87%    | 16.81%    | 15.76%    | 9.51%     |

1 Calculated using the average daily shares method.

2 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Japan Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |              |                |
|--|--------------------|-----------------|---------------|--------------|----------------|
|  | 2019               | 2018            | 2017          | 2016         | 2015           |
| Net Asset Value, beginning of year   | \$18.53            | \$24.12         | \$18.83       | \$18.97      | \$15.70        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |              |                |
| Net investment income (loss) <sup>1</sup>  | 0.11               | 0.09            | 0.09          | 0.08         | 0.04           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 4.73               | (4.91)          | 6.13          | (0.01)       | 3.23           |
| Total from investment operations   | 4.84               | (4.82)          | 6.22          | 0.07         | 3.27           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |              |                |
| Net investment income  | (0.12)             | (0.06)          | (0.20)        | (0.16)       | —              |
| Net realized gains on investments  | (1.74)             | (0.71)          | (0.73)        | (0.05)       | —              |
| Total distributions  | (1.86)             | (0.77)          | (0.93)        | (0.21)       | —              |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —            | — <sup>2</sup> |
| Net Asset Value, end of year   | \$21.51            | \$18.53         | \$24.12       | \$18.83      | \$18.97        |
| <b>TOTAL RETURN</b>  | <b>26.08%</b>      | <b>(20.18%)</b> | <b>33.14%</b> | <b>0.40%</b> | <b>20.83%</b>  |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
| Net assets, end of year (in 000's)  | \$1,466,194 | \$1,704,102 | \$2,155,280 | \$1,685,872 | \$1,330,743 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 0.93%       | 0.91%       | 0.95%       | 0.98%       | 0.99%       |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 0.93%       | 0.91%       | 0.94%       | 0.98%       | 0.99%       |
| Ratio of net investment income (loss) to average net assets   | 0.51%       | 0.40%       | 0.40%       | 0.43%       | 0.22%       |
| Portfolio turnover <sup>3</sup>   | 25.42%      | 46.11%      | 44.34%      | 55.15%      | 24.19%      |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                 |               |                |                |
|--|--------------------|-----------------|---------------|----------------|----------------|
|  | 2019               | 2018            | 2017          | 2016           | 2015           |
| Net Asset Value, beginning of year   | \$18.57            | \$24.16         | \$18.86       | \$19.00        | \$15.71        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                |                |
| Net investment income (loss) <sup>1</sup>  | 0.11               | 0.11            | 0.10          | 0.10           | 0.05           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 4.74               | (4.91)          | 6.14          | — <sup>2</sup> | 3.24           |
| Total from investment operations   | 4.85               | (4.80)          | 6.24          | 0.10           | 3.29           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                |                |
| Net investment income  | (0.13)             | (0.08)          | (0.21)        | (0.19)         | —              |
| Net realized gains on investments  | (1.74)             | (0.71)          | (0.73)        | (0.05)         | —              |
| Total distributions  | (1.87)             | (0.79)          | (0.94)        | (0.24)         | —              |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —              | — <sup>2</sup> |
| Net Asset Value, end of year   | \$21.55            | \$18.57         | \$24.16       | \$18.86        | \$19.00        |
| <b>TOTAL RETURN</b>  | <b>26.10%</b>      | <b>(20.08%)</b> | <b>33.23%</b> | <b>0.51%</b>   | <b>20.94%</b>  |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |           |             |             |             |           |
|---|-----------|-------------|-------------|-------------|-----------|
| Net assets, end of year (in 000's)  | \$840,476 | \$1,167,472 | \$1,957,214 | \$1,302,317 | \$618,583 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 0.88%     | 0.85%       | 0.87%       | 0.88%       | 0.87%     |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 0.88%     | 0.84%       | 0.86%       | 0.88%       | 0.87%     |
| Ratio of net investment income (loss) to average net assets   | 0.53%     | 0.46%       | 0.46%       | 0.54%       | 0.28%     |
| Portfolio turnover <sup>3</sup>   | 25.42%    | 46.11%      | 44.34%      | 55.15%      | 24.19%    |

<sup>1</sup> Calculated using the average daily shares method.

<sup>2</sup> Less than \$0.01 per share.

<sup>3</sup> The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Korea Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |                |                |
|--|--------------------|-----------------|---------------|----------------|----------------|
|  | 2019               | 2018            | 2017          | 2016           | 2015           |
| Net Asset Value, beginning of year   | \$4.58             | \$6.91          | \$5.25        | \$6.15         | \$5.65         |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                |                |
| Net investment income (loss) <sup>1</sup>  | 0.01               | 0.06            | 0.06          | 0.02           | 0.01           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 0.16               | (1.61)          | 2.22          | (0.41)         | 0.83           |
| Total from investment operations   | 0.17               | (1.55)          | 2.28          | (0.39)         | 0.84           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                |                |
| Net investment income  | —                  | (0.13)          | (0.29)        | (0.08)         | (0.01)         |
| Net realized gains on investments  | (0.37)             | (0.65)          | (0.33)        | (0.43)         | (0.33)         |
| Total distributions  | (0.37)             | (0.78)          | (0.62)        | (0.51)         | (0.34)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —              | — <sup>2</sup> |
| Net Asset Value, end of year   | \$4.38             | \$4.58          | \$6.91        | \$5.25         | \$6.15         |
| <b>TOTAL RETURN</b>  | <b>3.80%</b>       | <b>(22.21%)</b> | <b>43.70%</b> | <b>(6.32%)</b> | <b>15.16%</b>  |

| <b>RATIOS/SUPPLEMENTAL DATA</b>                             |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Net assets, end of year (in 000's)                          | \$113,388 | \$127,080 | \$192,431 | \$142,726 | \$147,685 |
| Ratio of expenses to average net assets                     | 1.15%     | 1.14%     | 1.15%     | 1.15%     | 1.10%     |
| Ratio of net investment income (loss) to average net assets | 0.28%     | 1.01%     | 0.90%     | 0.41%     | 0.18%     |
| Portfolio turnover <sup>3</sup>                             | 36.63%    | 35.60%    | 25.37%    | 34.73%    | 20.36%    |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                 |               |                |                |
|--|--------------------|-----------------|---------------|----------------|----------------|
|  | 2019               | 2018            | 2017          | 2016           | 2015           |
| Net Asset Value, beginning of year   | \$4.61             | \$6.95          | \$5.27        | \$6.18         | \$5.68         |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                |                |
| Net investment income (loss) <sup>1</sup>  | 0.01               | 0.04            | 0.10          | (0.02)         | 0.02           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 0.17               | (1.60)          | 2.21          | (0.37)         | 0.83           |
| Total from investment operations   | 0.18               | (1.56)          | 2.31          | (0.39)         | 0.85           |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                |                |
| Net investment income  | —                  | (0.13)          | (0.30)        | (0.09)         | (0.02)         |
| Net realized gains on investments  | (0.37)             | (0.65)          | (0.33)        | (0.43)         | (0.33)         |
| Total distributions  | (0.37)             | (0.78)          | (0.63)        | (0.52)         | (0.35)         |
| Paid-in capital from redemption fees (Note 4)  | —                  | —               | —             | —              | — <sup>2</sup> |
| Net Asset Value, end of year   | \$4.42             | \$4.61          | \$6.95        | \$5.27         | \$6.18         |
| <b>TOTAL RETURN</b>  | <b>4.01%</b>       | <b>(22.15%)</b> | <b>44.11%</b> | <b>(6.31%)</b> | <b>15.27%</b>  |

| <b>RATIOS/SUPPLEMENTAL DATA</b>                             |          |          |          |         |          |
|---|----------|----------|----------|---------|----------|
| Net assets, end of year (in 000's)                          | \$23,426 | \$19,377 | \$32,587 | \$7,462 | \$59,982 |
| Ratio of expenses to average net assets                     | 1.05%    | 1.02%    | 1.01%    | 0.97%   | 0.93%    |
| Ratio of net investment income (loss) to average net assets | 0.29%    | 0.67%    | 1.51%    | (0.31%) | 0.28%    |
| Portfolio turnover <sup>3</sup>                             | 36.63%   | 35.60%   | 25.37%   | 34.73%  | 20.36%   |

1 Calculated using the average daily shares method.

2 Less than \$0.01 per share.

3 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews Asia Small Companies Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS  | Year Ended Dec. 31 |                 |                |                |                |
|---|--------------------|-----------------|----------------|----------------|----------------|
|   | 2019               | 2018            | 2017           | 2016           | 2015           |
| Net Asset Value, beginning of year  | \$15.50            | \$22.89         | \$19.05        | \$19.41        | \$21.46        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |                |                |
| Net investment income (loss) <sup>1</sup>   | 0.12               | 0.12            | 0.02           | 0.09           | 0.02           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 2.57               | (4.20)          | 5.68           | (0.37)         | (2.05)         |
| Total from investment operations  | 2.69               | (4.08)          | 5.70           | (0.28)         | (2.03)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |                |                |
| Net investment income   | (0.09)             | (0.08)          | (0.10)         | (0.08)         | (0.03)         |
| Net realized gains on investments   | —                  | (3.23)          | (1.76)         | —              | —              |
| Total distributions   | (0.09)             | (3.31)          | (1.86)         | (0.08)         | (0.03)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>2</sup>     | — <sup>3</sup>  | — <sup>3</sup> | — <sup>3</sup> | 0.01           |
| Net Asset Value, end of year  | \$18.10            | \$15.50         | \$22.89        | \$19.05        | \$19.41        |
| <b>TOTAL RETURN</b>   | <b>17.38%</b>      | <b>(18.05%)</b> | <b>30.59%</b>  | <b>(1.44%)</b> | <b>(9.43%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |                |                |
| Net assets, end of year (in 000's)  | \$96,229           | \$111,456       | \$208,339      | \$254,226      | \$387,747      |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 1.60%              | 1.51%           | 1.49%          | 1.49%          | 1.48%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 1.45%              | 1.46%           | 1.46%          | 1.47%          | 1.47%          |
| Ratio of net investment income (loss) to average net assets   | 0.72%              | 0.53%           | 0.09%          | 0.45%          | 0.08%          |
| Portfolio turnover <sup>4</sup>   | 59.10%             | 69.79%          | 67.13%         | 44.44%         | 48.29%         |

| INSTITUTIONAL CLASS   | Year Ended Dec. 31 |                 |                |                |                |
|---|--------------------|-----------------|----------------|----------------|----------------|
|   | 2019               | 2018            | 2017           | 2016           | 2015           |
| Net Asset Value, beginning of year  | \$15.46            | \$22.86         | \$19.03        | \$19.40        | \$21.46        |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>  |                    |                 |                |                |                |
| Net investment income (loss) <sup>1</sup>   | 0.15               | 0.16            | 0.07           | 0.12           | 0.11           |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments, foreign currency related transactions and foreign capital gains taxes | 2.58               | (4.19)          | 5.67           | (0.36)         | (2.10)         |
| Total from investment operations  | 2.73               | (4.03)          | 5.74           | (0.24)         | (1.99)         |
| <b>LESS DISTRIBUTIONS FROM:</b>   |                    |                 |                |                |                |
| Net investment income   | (0.13)             | (0.14)          | (0.15)         | (0.13)         | (0.08)         |
| Net realized gains on investments   | —                  | (3.23)          | (1.76)         | —              | —              |
| Total distributions   | (0.13)             | (3.37)          | (1.91)         | (0.13)         | (0.08)         |
| Paid-in capital from redemption fees (Note 4)   | — <sup>2</sup>     | — <sup>3</sup>  | — <sup>3</sup> | — <sup>3</sup> | 0.01           |
| Net Asset Value, end of year  | \$18.06            | \$15.46         | \$22.86        | \$19.03        | \$19.40        |
| <b>TOTAL RETURN</b>   | <b>17.65%</b>      | <b>(17.86%)</b> | <b>30.85%</b>  | <b>(1.24%)</b> | <b>(9.23%)</b> |
| <b>RATIOS/SUPPLEMENTAL DATA</b>   |                    |                 |                |                |                |
| Net assets, end of year (in 000's)  | \$85,006           | \$74,935        | \$232,954      | \$174,962      | \$222,168      |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5)                 | 1.46%              | 1.37%           | 1.35%          | 1.34%          | 1.30%          |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator                           | 1.24%              | 1.25%           | 1.25%          | 1.25%          | 1.25%          |
| Ratio of net investment income (loss) to average net assets   | 0.85%              | 0.73%           | 0.34%          | 0.64%          | 0.53%          |
| Portfolio turnover <sup>4</sup>   | 59.10%             | 69.79%          | 67.13%         | 44.44%         | 48.29%         |

<sup>1</sup> Calculated using the average daily shares method.

<sup>2</sup> The Fund charged redemption fees through October 31, 2019.

<sup>3</sup> Less than \$0.01 per share.

<sup>4</sup> The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

See accompanying notes to financial statements.

# Financial Highlights *(continued)*

## Matthews China Small Companies Fund

The tables below set forth financial data for a share of beneficial interest outstanding throughout each period presented.

| INVESTOR CLASS   | Year Ended Dec. 31 |                 |               |                |              |
|--|--------------------|-----------------|---------------|----------------|--------------|
|  | 2019               | 2018            | 2017          | 2016           | 2015         |
| Net Asset Value, beginning of year   | \$9.58             | \$11.89         | \$8.21        | \$8.79         | \$9.21       |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |               |                |              |
| Net investment income (loss) <sup>1</sup>  | 0.14               | 0.09            | 0.07          | 0.10           | 0.08         |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 3.24               | (2.23)          | 4.27          | (0.28)         | 0.27         |
| Total from investment operations   | 3.38               | (2.14)          | 4.34          | (0.18)         | 0.35         |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |               |                |              |
| Net investment income  | (0.13)             | (0.05)          | (0.11)        | (0.03)         | (0.06)       |
| Net realized gains on investments  | —                  | (0.16)          | (0.56)        | (0.37)         | (0.72)       |
| Total distributions  | (0.13)             | (0.21)          | (0.67)        | (0.40)         | (0.78)       |
| Paid-in capital from redemption fees (Note 4)  | 0.01 <sup>2</sup>  | 0.04            | 0.01          | — <sup>3</sup> | 0.01         |
| Net Asset Value, end of year   | \$12.84            | \$9.58          | \$11.89       | \$8.21         | \$8.79       |
| <b>TOTAL RETURN</b>  | <b>35.41%</b>      | <b>(17.68%)</b> | <b>53.88%</b> | <b>(2.35%)</b> | <b>4.07%</b> |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Net assets, end of year (in 000's)  | \$63,432 | \$41,740 | \$35,209 | \$16,101 | \$21,546 |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.62%    | 1.97%    | 2.34%    | 2.24%    | 2.10%    |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 1.42%    | 1.50%    | 1.50%    | 1.50%    | 1.50%    |
| Ratio of net investment income (loss) to average net assets   | 1.25%    | 0.78%    | 0.66%    | 1.17%    | 0.80%    |
| Portfolio turnover <sup>4</sup>   | 68.17%   | 76.67%   | 67.22%   | 63.15%   | 72.49%   |

| INSTITUTIONAL CLASS  | Year Ended Dec. 31 |                 | Period Ended Dec. 31, 2017 <sup>5</sup> |
|--|--------------------|-----------------|---|
|  | 2019               | 2018            |   |
| Net Asset Value, beginning of period   | \$9.59             | \$11.87         | \$11.90                                 |
| <b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>   |                    |                 |   |
| Net investment income (loss) <sup>1</sup>  | 0.15               | 0.11            | (0.01)                                  |
| Net realized gain (loss) and unrealized appreciation/depreciation on investments and foreign currency related transactions | 3.26               | (2.21)          | 0.67                                    |
| Total from investment operations   | 3.41               | (2.10)          | 0.66                                    |
| <b>LESS DISTRIBUTIONS FROM:</b>  |                    |                 |   |
| Net investment income  | (0.15)             | (0.05)          | (0.13)                                  |
| Net realized gains on investments  | —                  | (0.16)          | (0.56)                                  |
| Total distributions  | (0.15)             | (0.21)          | (0.69)                                  |
| Paid-in capital from redemption fees (Note 4)  | 0.01 <sup>2</sup>  | 0.03            | —                                       |
| Net Asset Value, end of period   | \$12.86            | \$9.59          | \$11.87                                 |
| <b>TOTAL RETURN</b>  | <b>35.68%</b>      | <b>(17.48%)</b> | <b>6.19%</b> <sup>6</sup>               |

| <b>RATIOS/SUPPLEMENTAL DATA</b>   |          |          |                      |
|---|----------|----------|----------------------|
| Net assets, end of period (in 000's)  | \$32,376 | \$20,740 | \$476                |
| Ratio of expenses to average net assets before any reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 5) | 1.51%    | 1.79%    | 2.09% <sup>7</sup>   |
| Ratio of expenses to average net assets after any reimbursement, waiver or recapture of expenses by Advisor and Administrator           | 1.24%    | 1.25%    | 1.25% <sup>7</sup>   |
| Ratio of net investment income (loss) to average net assets   | 1.34%    | 1.05%    | (1.20%) <sup>7</sup> |
| Portfolio turnover <sup>4</sup>   | 68.17%   | 76.67%   | 67.22% <sup>6</sup>  |

1 Calculated using the average daily shares method.

2 The Fund charged redemption fees through October 31, 2019.

3 Less than \$0.01 per share.

4 The portfolio turnover rate is calculated on the Fund as a whole without distinguishing between classes of shares issued.

5 Commenced operations on November 30, 2017.

6 Not annualized.

7 Annualized.

See accompanying notes to financial statements.

# Notes to Financial Statements

## 1. ORGANIZATION

Matthews Asia Funds (the “Trust”) is an open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Trust currently issues seventeen separate series of shares (each a “Fund”, and collectively, the “Funds”): Matthews Asia Total Return Bond Fund (previously known as the Matthews Asia Strategic Income Fund), Matthews Asia Credit Opportunities Fund, Matthews Asian Growth and Income Fund, Matthews Asia Dividend Fund, Matthews China Dividend Fund, Matthews Asia Value Fund, Matthews Asia Growth Fund, Matthews Pacific Tiger Fund, Matthews Asia ESG Fund, Matthews Emerging Asia Fund, Matthews Asia Innovators Fund, Matthews China Fund, Matthews India Fund, Matthews Japan Fund, Matthews Korea Fund, Matthews Asia Small Companies Fund, and Matthews China Small Companies Fund. Each Fund currently offers two classes of shares: Investor Class and Institutional Class. Each class of shares has identical voting, dividend, liquidation and other rights and the same terms and conditions, except each class may be subject to different class expenses as outlined in the relevant prospectus and each class has exclusive voting rights with respect to matters solely affecting such class.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in preparation of their financial statements. Each Fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 Financial Services—Investment Companies. The accounting policies are in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

- A. SECURITY VALUATION:** The value of the Trust’s securities is based on market quotations for those securities, or on their fair value determined by the valuation policies approved by the Funds’ Board of Trustees (the “Board”). Market quotations and valuation information are provided by commercial pricing services or securities dealers that are independent of the Funds and Matthews International Capital Management, LLC (“Matthews”), in accordance with procedures established by the Funds’ Board. Foreign exchange-traded securities are valued as of the close of trading on the primary exchange on which they trade. Securities that trade in over-the-counter markets, including most debt securities (bonds), may be valued by other third-party vendors or by using indicative bid quotations from dealers or market makers, or other available market information. Market values for securities are determined based on quotations, market data or other information from the principal (or most advantageous) market on which the security is traded. Market quotations for equity securities used by the Funds include last reported sale prices, or, if such prices are not reported or available, bid and ask prices. Swap agreements are valued utilizing quotes received daily by the Funds’ pricing service or through brokers, which are derived using daily swap curves and models that incorporate a number of market data factors, such as discounted cash flows, trades and values of the underlying reference instruments. Foreign currency exchange contracts are valued at the mean between the bid and ask prices and are determined at the close of business on the New York Stock Exchange (“NYSE”). Interpolated values are derived when the settlement date of the contract is an interim date for which quotations are not available. The Funds may also utilize independent pricing services to assist them in determining a current market value for each security based on sources believed to be reliable.

The Board has delegated to the Board’s Valuation Committee the responsibility for oversight of the fair valuation process under the Trust’s Pricing and Valuation Policy. The Board’s Valuation Committee, in turn, has delegated the determination of fair value prices under Matthews’ Pricing and Valuation Procedures to Matthews’ Valuation Committee. The Board’s Valuation Committee will review and approve fair value determinations by Matthews’ Valuation Committee in accordance with the Pricing and Valuation Policy. When fair value pricing is employed, the prices of securities used by a Fund to calculate its Net Asset Value (“NAV”) may differ from any quoted or published prices for the same securities for that day. All fair value determinations are made subject to the Board’s oversight. Events affecting the value of foreign investments may occur between the time at which they are determined and when the Funds calculate their NAV, which is normally the close of trading on the NYSE. If such events render market quotations unreliable, and the impact of such events can be reasonably determined, the investments will be valued at their fair value in accordance with pricing policies. The fair value of a security held by the Funds may be determined using the services of third-party pricing services to assist in this process.

The books and records of the Funds are maintained in U.S. dollars. Transactions, portfolio securities, and assets and liabilities denominated in a foreign currency are translated and recorded in U.S. dollars at the prevailing exchange rate as of the close of trading on the NYSE. The Fund does not isolate the effect of changes in foreign exchange rates from changes in market prices on securities held. Accordingly, such changes are included within “Net change in unrealized appreciation/depreciation on investments” on the Statements of Operations. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Funds isolate that portion of realized gains and losses on investments in fixed income securities that is due to changes in foreign exchange rate from that which is due to changes in market prices of securities.

Foreign securities held by the Funds may be traded on days and at times when the NYSE is closed. Accordingly, the value of the Funds may be significantly affected on days when shareholders have no access to the Funds.

- B. FAIR VALUE MEASUREMENTS:** The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds’ own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds’ financial instruments and are summarized in the following fair value hierarchy:

Level 1: Quoted prices in active markets for identical securities (foreign securities that are valued based on market quotations).

Level 2: Other significant observable inputs. Certain foreign securities may be fair valued by Matthews using information such as quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and foreign exchange. Additionally, external pricing services are used when the Funds determine that events affecting the value of foreign securities which occur between the time at which they are determined and the close of trading on the NYSE render market quotations unreliable.

Level 3: Significant unobservable inputs. As described in Note 2-A, Level 3 securities are valued based on significant unobservable inputs as determined under the direction of the Board. Characterization of such securities as Level 3 securities are not necessarily an indication of their liquidity or the risk associated with investing in these securities. A significant change in the unobservable inputs could result in a significantly lower or higher value in such Level 3 securities and could impact overall Fund performance. Level 3 securities consisted of equities that, as of December 31, 2019, were suspended from trading.

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

## Notes to Financial Statements *(continued)*

### Levels for Multi-Country Funds (1 of 2):

Summary of inputs used to determine the fair valuation of multi-country Funds' investments as of December 31, 2019.

|  | Matthews Asia<br>Total Return<br>Bond Fund | Matthews Asia<br>Credit<br>Opportunities Fund | Matthews Asian<br>Growth and<br>Income Fund | Matthews Asia<br>Dividend Fund | Matthews Asia<br>Value Fund | Matthews Asia<br>Growth Fund |
|--|--|---|---|--------------------------------|-----------------------------|------------------------------|
| <b>Assets:</b>                               |  |   |   |                                |                             |                              |
| <b>Investments:</b>                          |  |   |   |                                |                             |                              |
| Level 1: Quoted Prices                       |  |   |   |                                |                             |                              |
| Common Equities:                             |  |   |   |                                |                             |                              |
| Bangladesh                                   | \$—  | \$—   | \$—   | \$56,228,112                   | \$—                         | \$36,242,139                 |
| China/Hong Kong                              | —  | —   | 84,474,464                                  | 69,103,663                     | —                           | 182,649,868                  |
| India  | —  | —   | 29,708,344                                  | 71,216,192                     | —                           | —                            |
| Japan  | —  | —   | —   | —                              | 534,179                     | 2,148,912                    |
| Philippines                                  | —  | —   | 20,705,304                                  | 89,021,195                     | —                           | —                            |
| Singapore                                    | —  | —   | 9,106,387                                   | 140,307,300                    | 789,868                     | —                            |
| South Korea                                  | —  | —   | 53,942,297                                  | —                              | 756,223                     | —                            |
| Sri Lanka                                    | —  | —   | —   | —                              | —                           | 11,540,554                   |
| Taiwan                                       | —  | —   | 22,273,316                                  | 132,232,114                    | —                           | —                            |
| United States                                | —  | —   | 47,109,398                                  | —                              | —                           | 27,270,815                   |
| Level 2: Other Significant Observable Inputs |  |   |   |                                |                             |                              |
| Foreign Government Obligations <sup>a</sup>  | 28,905,451                                 | 13,822,541                                    | —   | —                              | —                           | —                            |
| Non-Convertible Corporate Bonds <sup>a</sup> | 72,041,096                                 | 61,565,960                                    | —   | —                              | —                           | —                            |
| Convertible Corporate Bonds <sup>a</sup>     | 8,779,595                                  | 7,602,510                                     | 134,459,824                                 | —                              | —                           | —                            |
| Common Equities:                             |  |   |   |                                |                             |                              |
| Australia                                    | —  | —   | 78,805,941                                  | 96,607,872                     | —                           | 59,359,986                   |
| China/Hong Kong                              | —  | —   | 439,900,846                                 | 1,895,482,135                  | 6,584,714                   | 197,630,974                  |
| France                                       | —  | —   | 45,060,778                                  | —                              | —                           | —                            |
| India  | —  | —   | 51,268,306                                  | 68,695,043                     | 160,027                     | 50,626,616                   |
| Indonesia                                    | —  | —   | 40,377,288                                  | 74,658,533                     | —                           | 54,004,333                   |
| Japan  | —  | —   | 17,224,539                                  | 1,400,136,993                  | 2,202,287                   | 514,524,262                  |
| Malaysia                                     | —  | —   | 15,130,195                                  | —                              | 298,910                     | —                            |
| Singapore                                    | —  | —   | 118,586,391                                 | 301,102,646                    | 649,971                     | —                            |
| South Korea                                  | —  | —   | 51,421,682                                  | 367,339,276                    | 2,310,513                   | —                            |
| Sri Lanka                                    | —  | —   | —   | —                              | —                           | 19,610,214                   |
| Taiwan                                       | —  | —   | 92,075,628                                  | 204,503,354                    | 320,639                     | —                            |
| Thailand                                     | —  | —   | 17,333,192                                  | 109,678,832                    | —                           | —                            |
| United Kingdom                               | —  | —   | 23,526,962                                  | —                              | —                           | —                            |
| Vietnam                                      | —  | —   | 17,468,294                                  | 48,273,611                     | —                           | 15,679,749                   |
| Preferred Equities:                          |  |   |   |                                |                             |                              |
| South Korea                                  | —  | —   | 27,344,159                                  | 184,262,752                    | 2,172,965                   | —                            |
| Level 3: Significant Unobservable Inputs     |  |   |   |                                |                             |                              |
| Total Market Value of Investments            | \$109,726,142                              | \$82,991,011                                  | \$1,437,303,535                             | \$5,308,849,623                | \$16,780,296                | \$1,171,288,422              |

a Industry, countries, or security types are disclosed on the Schedule of Investments.

## Notes to Financial Statements *(continued)*

### Levels for Multi-Country Funds (2 of 2):

Summary of inputs used to determine the fair valuation of multi-country Funds' investments as of December 31, 2019.

|  | Matthews Pacific<br>Tiger Fund | Matthews<br>Asia ESG<br>Fund | Matthews<br>Emerging Asia<br>Fund | Matthews Asia<br>Innovators<br>Fund | Matthews Asia<br>Small Companies<br>Fund |
|--|--------------------------------|------------------------------|-----------------------------------|-------------------------------------|--|
| <b>Assets:</b>                               |                                |                              |                                   |                                     |  |
| <b>Investments:</b>                          |                                |                              |                                   |                                     |  |
| Level 1: Quoted Prices                       |                                |                              |                                   |                                     |  |
| Common Equities:                             |                                |                              |                                   |                                     |  |
| Bangladesh                                   | \$—                            | \$2,557,987                  | \$25,095,461                      | \$—                                 | \$—                                      |
| China/Hong Kong                              | 876,991,816                    | 1,932,989                    | —                                 | 70,253,306                          | 4,609,592                                |
| India  | 213,714,293                    | 1,088,084                    | 3,772,790                         | 6,816,992                           | 16,010,036                               |
| Indonesia                                    | 44,951,340                     | —                            | 19,272,251                        | —                                   | 5,794,592                                |
| Pakistan                                     | —                              | 496,070                      | 44,405,317                        | —                                   | —  |
| Philippines                                  | 117,085,738                    | 1,294,518                    | 8,181,249                         | 2,901,110                           | 2,624,528                                |
| Singapore                                    | —                              | 1,081,007                    | —                                 | 13,107,698                          | —  |
| South Korea                                  | 153,733,953                    | —                            | —                                 | —                                   | —  |
| Sri Lanka                                    | —                              | —                            | 37,002,988                        | —                                   | —  |
| Taiwan                                       | —                              | —                            | —                                 | —                                   | 5,879,374                                |
| United States                                | 87,274,544                     | —                            | —                                 | —                                   | —  |
| Vietnam                                      | —                              | —                            | 29,536,241                        | —                                   | 3,500,012                                |
| Level 2: Other Significant Observable Inputs |                                |                              |                                   |                                     |  |
| Common Equities:                             |                                |                              |                                   |                                     |  |
| Australia                                    | —                              | —                            | 2,811,778                         | —                                   | 2,244,604                                |
| Bangladesh                                   | —                              | —                            | 12,849,197                        | —                                   | —  |
| China/Hong Kong                              | 2,868,141,277                  | 15,281,838                   | —                                 | 129,644,421                         | 45,275,040                               |
| India  | 1,258,321,069                  | 8,872,719                    | 18,111,259                        | 30,588,163                          | 11,034,829                               |
| Indonesia                                    | 665,894,253                    | 2,657,204                    | 37,842,703                        | 5,737,286                           | —  |
| Japan  | —                              | 7,738,361                    | —                                 | —                                   | 2,505,485                                |
| Malaysia                                     | 135,421,786                    | —                            | —                                 | —                                   | 2,836,526                                |
| Pakistan                                     | —                              | —                            | 8,797,883                         | —                                   | —  |
| Philippines                                  | 136,678,223                    | —                            | 15,897,066                        | —                                   | —  |
| Singapore                                    | —                              | 1,240,473                    | 2,761,191                         | —                                   | 2,245,858                                |
| South Korea                                  | 967,757,001                    | 614,648                      | —                                 | 20,640,500                          | 23,060,332                               |
| Sri Lanka                                    | —                              | —                            | 11,170,532                        | —                                   | —  |
| Switzerland                                  | 219,652,228                    | —                            | —                                 | —                                   | —  |
| Taiwan                                       | 464,008,635                    | 5,010,300                    | —                                 | —                                   | 27,975,819                               |
| Thailand                                     | 359,624,207                    | 1,388,382                    | —                                 | —                                   | 10,677,498                               |
| Vietnam                                      | 130,784,513                    | 549,242                      | 41,501,060                        | 8,391,040                           | 6,253,203                                |
| Preferred Equities:                          |                                |                              |                                   |                                     |  |
| South Korea                                  | —                              | 2,811,902                    | —                                 | 13,697,746                          | —  |
| Level 3: Significant Unobservable Inputs     |                                |                              |                                   |                                     |  |
| Total Market Value of Investments            | \$8,700,034,876                | \$54,615,724                 | \$319,008,966                     | \$301,778,262                       | \$172,527,328                            |

## Notes to Financial Statements *(continued)*

### Levels for Single Country Funds:

Summary of inputs used to determine the fair valuation of the single country Funds' investments as of December 31, 2019.

|  | Matthews China<br>Dividend Fund | Matthews<br>China Fund | Matthews<br>India Fund | Matthews<br>Japan Fund | Matthews<br>Korea Fund | Matthews<br>China Small<br>Companies<br>Fund |
|--|---------------------------------|------------------------|------------------------|------------------------|------------------------|--|
| <b>Assets:</b>                               |                                 |                        |                        |                        |                        |  |
| <b>Investments:</b>                          |                                 |                        |                        |                        |                        |  |
| Level 1: Quoted Prices                       |                                 |                        |                        |                        |                        |  |
| Common Equities:                             |                                 |                        |                        |                        |                        |  |
| Communication Services                       | \$8,408,771                     | \$16,397,675           | \$38,137,331           | \$—                    | \$—                    | \$—  |
| Consumer Discretionary                       | 30,590,886                      | 181,996,733            | 26,180,787             | —                      | 1,681,567              | 2,131,619                                    |
| Consumer Staples                             | —                               | —                      | 84,205,979             | —                      | —                      | 1,584,395                                    |
| Financials                                   | —                               | —                      | 50,765,567             | —                      | 3,184,267              | —  |
| Health Care                                  | 3,494,046                       | —                      | 58,291,099             | —                      | 4,413,827              | 6,621,291                                    |
| Industrials                                  | —                               | 2,613,951              | 36,093,210             | —                      | 2,583,201              | 59,431                                       |
| Information Technology                       | —                               | —                      | 33,609,209             | 4,529,336              | —                      | 1,743,149                                    |
| Materials                                    | 5,656,253                       | —                      | —                      | —                      | —                      | —  |
| Real Estate                                  | —                               | —                      | —                      | —                      | 2,144,502              | —  |
| Level 2: Other Significant Observable Inputs |                                 |                        |                        |                        |                        |  |
| Common Equities:                             |                                 |                        |                        |                        |                        |  |
| Communication Services                       | 50,005,005                      | 106,103,169            | —                      | 168,491,807            | 10,533,242             | 466,012                                      |
| Consumer Discretionary                       | 68,316,381                      | 83,974,159             | 88,804,320             | 387,198,624            | 9,387,266              | 12,278,142                                   |
| Consumer Staples                             | 44,149,086                      | 32,504,091             | 50,274,708             | 152,031,449            | 11,942,507             | 8,030,542                                    |
| Energy                                       | 15,881,708                      | —                      | —                      | —                      | 684,569                | 1,104,675                                    |
| Financials                                   | 35,597,997                      | 248,572,867            | 360,814,316            | 164,958,516            | 9,731,474              | —  |
| Health Care                                  | 15,924,860                      | 57,248,125             | 30,022,908             | 352,532,743            | 5,669,954              | 10,028,716                                   |
| Industrials                                  | 28,289,789                      | 9,310,196              | 21,542,579             | 457,609,691            | —                      | 15,933,521                                   |
| Information Technology                       | 25,248,359                      | 44,622,831             | 76,779,444             | 512,804,711            | 26,222,677             | 15,728,400                                   |
| Materials                                    | 8,887,940                       | 41,377,612             | 6,275,949              | —                      | 4,607,994              | 2,975,053                                    |
| Real Estate                                  | 30,118,342                      | 69,443,887             | —                      | 51,450,962             | —                      | 6,963,826                                    |
| Preferred Equities:                          |                                 |                        |                        |                        |                        |  |
| Consumer Discretionary                       | —                               | —                      | —                      | —                      | 5,371,985              | —  |
| Consumer Staples                             | —                               | —                      | —                      | —                      | 7,663,036              | —  |
| Energy                                       | —                               | —                      | —                      | —                      | 1,937,455              | —  |
| Financials                                   | —                               | —                      | —                      | —                      | 4,294,934              | —  |
| Information Technology                       | —                               | —                      | —                      | —                      | 19,269,055             | —  |
| Materials                                    | —                               | —                      | —                      | —                      | 2,850,029              | —  |
| Level 3: Significant Unobservable Inputs     |                                 |                        |                        |                        |                        |  |
| Common Equities:                             |                                 |                        |                        |                        |                        |  |
| Information Technology                       | —                               | —                      | —                      | —                      | —                      | 250  |
| <b>Total Market Value of Investments</b>     | <b>\$370,569,423</b>            | <b>\$894,165,296</b>   | <b>\$961,797,406</b>   | <b>\$2,251,607,839</b> | <b>\$134,173,541</b>   | <b>\$85,649,022</b>                          |

### Levels for Derivatives Financial Instruments:

Summary of inputs used to determine the fair valuation of the Funds' derivative financial instruments as of December 31, 2019.

|   | Matthews Asia<br>Total Return<br>Bond Fund |
|---|--|
| <b>Derivative Financial Instruments<sup>1</sup></b> |  |
| <b>Assets</b>                                       |  |
| Level 2: Other Significant Observable Inputs        |  |
| Forward Foreign Currency Exchange Contracts         | \$357,223                                  |
| Interest Rate Swaps                                 | 167,864                                    |
|   | <u>\$525,087</u>                           |
| <b>Liabilities</b>                                  |  |
| Level 2: Other Significant Observable Inputs        |  |
| Forward Foreign Currency Exchange Contracts         | <u>(\$218,836)</u>                         |

<sup>1</sup> Derivative financial instruments are forward foreign currency exchange contracts and interest rate swaps. Forward foreign currency exchange contracts and interest rate swaps are valued at the unrealized appreciation/depreciation on the instrument.

## Notes to Financial Statements *(continued)*

### Changes in the Balances of Level 3 Securities:

The Funds' policy is to recognize transfers in and transfers out of Level 3 during the reporting period.

|   | Matthews<br>China Small<br>Companies<br>Fund |
|---|--|
|   | Common Equities —<br>Information Technology  |
| Balance as of 12/31/18 (market value)   | \$249  |
| Accrued discounts/premiums  | —  |
| Realized gain/(loss)  | —  |
| Change in unrealized appreciation/(depreciation)  | 1  |
| Purchases   | —  |
| Sales   | —  |
| Transfers in to Level 3*  | —  |
| Transfer out of Level 3*  | —  |
| Balance as of 12/31/19 (market value)   | \$250  |
| Net change in unrealized appreciation/depreciation on Level 3 investments held as of 12/31/19** | \$1  |

\* The Funds' policy is to recognize transfers in and transfers out as of the beginning of the reporting period.

\*\* Included in the related amounts on the Statements of Operations.

**C. BASIS OF CONSOLIDATION:** The accompanying consolidated financial highlights of Matthews China Fund and Matthews Asia Dividend Fund (the "Investing Funds") for the 2015-2016 period include the accounts of the Matthews CF-U Series and Matthews ADF-U Series (the "U Series Funds"), respectively. The U Series Funds were series of Matthews A Share Selections Fund, LLC, a Delaware limited liability company registered under the 1940 Act. All of the interests offered by U Series Funds were exclusively owned by the Investing Funds. The U Series Funds primarily invested in the stocks of Chinese companies listed on Mainland China Stock Exchanges, and traded and denominated in the currency of China, the Renminbi. To allow U Series Funds to invest in China A Shares Matthews applied for and received a license from the China Securities Regulatory Commission as a Qualified Foreign Institutional Investor ("QFII") and had been allocated by the State Administration of Foreign Exchange of China an initial quota of \$100 million in June 2014, and an additional quota of \$440 million in July 2015, representing the equivalent value in Renminbi of China A Shares that the Funds could purchase. Access to the quota was subject to Matthews' trade allocation procedures and access allocation procedures. The U Series Funds were subject to the same investment policies and restrictions that apply to Investing Funds. Intercompany accounts and transactions, had been eliminated in the consolidation process. The U Series Funds were intended to be disregarded entities for tax purposes. Therefore, no federal tax provision were required. Consolidated financial statements included expenses that were accrued for and paid by the Investing Funds. These included on-going operational costs as well as costs in connection with the launching of the U Series Funds.

In September 2016, the Board of Directors of the Matthews A Share Selections Fund, LLC adopted resolutions authorizing the termination and liquidation of the Matthews A Share Selections Fund, LLC. Consequently, as of September 30, 2016, the U Series Funds sold their securities and effectively ceased investment operations. The outstanding interests of each U Series Fund were redeemed by its respective Investing Fund. The Matthews A Share Selections Fund, LLC filed an initial application for deregistration as a registered investment company with the U.S. Securities and Exchange Commission in October 2016, which was subsequently granted in February 2017.

**D. RISKS ASSOCIATED WITH NON-U.S. COMPANIES:** Investments by the Funds in the securities of non-U.S. companies may involve investment risks not typically associated with investments in U.S. issuers. These risks include possible political, economic, social and religious instability, inadequate investor protection; changes in laws or regulations of countries within the Asia Pacific region (including in countries where the Funds may invest, as well as in the broader region); international relations with other nations; natural disasters; corruption; and military activity. Foreign securities may be subject to greater fluctuations in price than securities of domestic corporations or the U.S. government. Foreign investing may also include the risk of expropriation or confiscatory taxation, limitation on the removal of funds or other assets, currency crises and exchange controls, the imposition of foreign withholding tax on the interest income payable on such instruments, the possible seizure or nationalization of foreign deposits or assets, or the adoption of other foreign government restrictions that might adversely affect the foreign securities held by the Funds. Additionally, Asia Pacific countries may utilize formal or informal currency exchange controls or "capital controls" that may limit the ability to repatriate investments or income or adversely affect the value of portfolio investments. The economies of many Asia Pacific countries differ from the economies of more developed countries in many respects, such as their rate of growth, inflation, capital reinvestment, resource self-sufficiency and dependence on other economies, financial system stability, the national balance of payments position and sensitivity to changes in global trade.

Certain Asia Pacific countries are highly dependent upon and may be affected by developments in the economies of other countries. Non-U.S. companies are subject to different accounting, auditing, and financial reporting standards, practices, and requirements than U.S. companies. There is generally less government regulation of stock exchanges, brokers, and listed companies abroad than in the United States, which may result in less transparency with respect to a company's operations, and make obtaining information about them more difficult (or such information may be unavailable).

Foreign stock markets may not be as developed or efficient as those in the United States, and the absence of negotiated brokerage commissions in certain countries may result in higher brokerage fees. The time between the trade and settlement dates of securities transactions on foreign exchanges ranges from one day to four weeks or longer and may result in higher custody charges. Custodial arrangements may be less well developed than in the United States. Foreign securities are generally denominated and pay distributions in foreign currencies, exposing the Funds to changes in foreign currency exchange rates. Investing in any country in the Asia Pacific region will also entail risks specific and unique to that country, and these risks can be significant and change rapidly.

## Notes to Financial Statements *(continued)*

Changes in interest rates in each of the countries in which the Funds may invest, as well as interest rates in more-developed countries, may cause a decline in the market value of an investment. Generally, fixed income securities will decrease in value when interest rates rise and can be expected to rise in value when interest rates decline. As interest rates decline, debt issuers may repay or refinance their loans or obligations earlier than anticipated. The issuers of fixed income securities may, therefore, repay principal in advance. This would force the Funds to reinvest the proceeds from the principal prepayments at lower rates, which reduces the Funds' income.

**E. DISTRIBUTIONS TO SHAREHOLDERS:** It is the policy of the Matthews Asian Growth and Income Fund and the Matthews China Dividend Fund to distribute net investment income on a semi-annual basis and capital gains, if any, annually. It is the policy of the Matthews Asia Dividend Fund to distribute net investment income on a quarterly basis and capital gains, if any, annually. In 2019, it was the policy of the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund to distribute net investment income on a quarterly basis and capital gains, if any, annually. As of January 31, 2020, the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund intend to distribute net investment income on a monthly basis and capital gains, if any, annually. Each of the other Funds distributes a net investment income and capital gains, if any, annually. Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from U.S. GAAP.

The tax character of distributions paid for the fiscal year ended December 31, 2019 and December 31, 2018 were as follows:

| YEAR ENDED DECEMBER 31, 2019            | Ordinary<br>Income | Net Long-Term<br>Capital Gains | Total Taxable<br>Distributions |  |
|---|--------------------|--------------------------------|--------------------------------|--|
| Matthews Asia Total Return Bond Fund    | \$4,702,646        | \$—                            | \$4,702,646                    |  |
| Matthews Asia Credit Opportunities Fund | 2,963,829          | 42,003                         | 3,005,832                      |  |
| Matthews Asian Growth and Income Fund   | 35,418,572         | 22,400,844                     | 57,819,416                     |  |
| Matthews Asia Dividend Fund             | 124,516,990        | —                              | 124,516,990                    |  |
| Matthews China Dividend Fund            | 6,111,641          | —                              | 6,111,641                      |  |
| Matthews Asia Value Fund                | 1,184,154          | —                              | 1,184,154                      |  |
| Matthews Asia Growth Fund               | 373,187            | 12,060,061                     | 12,433,248                     |  |
| Matthews Pacific Tiger Fund             | 59,773,643         | 269,683,012                    | 329,456,655                    |  |
| Matthews Asia ESG Fund                  | 204,697            | 588,349                        | 793,046                        |  |
| Matthews Emerging Asia Fund             | 244                | 8,355,290                      | 8,355,534                      |  |
| Matthews Asia Innovators Fund           | —                  | 976,006                        | 976,006                        |  |
| Matthews China Fund                     | 10,400,822         | —                              | 10,400,822                     |  |
| Matthews India Fund                     | 1,864,672          | 115,678,091                    | 117,542,763                    |  |
| Matthews Japan Fund                     | 14,895,033         | 190,758,914                    | 205,653,947                    |  |
| Matthews Korea Fund                     | 133                | 10,920,522                     | 10,920,655                     |  |
| Matthews Asia Small Companies Fund      | 1,036,516          | 79,318                         | 1,115,834                      |  |
| Matthews China Small Companies Fund     | 1,012,660          | —                              | 1,012,660                      |  |

| YEAR ENDED DECEMBER 31, 2018            | Ordinary<br>Income | Net Long-Term<br>Capital Gains | Total Taxable<br>Distributions | Return of<br>Capital |
|---|--------------------|--------------------------------|--------------------------------|----------------------|
| Matthews Asia Total Return Bond Fund    | \$2,884,604        | \$—                            | \$2,884,604                    | \$381,950            |
| Matthews Asia Credit Opportunities Fund | 1,411,365          | —                              | 1,411,365                      | —                    |
| Matthews Asian Growth and Income Fund   | 46,680,045         | 180,408,534                    | 227,088,579                    | —                    |
| Matthews Asia Dividend Fund             | 226,081,829        | 266,855,532                    | 492,937,361                    | —                    |
| Matthews China Dividend Fund            | 11,590,471         | 24,594,264                     | 36,184,735                     | —                    |
| Matthews Asia Value Fund                | 1,125,780          | 159,629                        | 1,285,409                      | —                    |
| Matthews Asia Growth Fund               | 8,510,896          | 6,873,778                      | 15,384,674                     | —                    |
| Matthews Pacific Tiger Fund             | 192,063,450        | 248,646,631                    | 440,710,081                    | —                    |
| Matthews Asia ESG Fund                  | 110,310            | 861,827                        | 972,137                        | —                    |
| Matthews Emerging Asia Fund             | 3,675,977          | 8,952,247                      | 12,628,224                     | —                    |
| Matthews Asia Innovators Fund           | 1,092,195          | 8,851,877                      | 9,944,072                      | —                    |
| Matthews China Fund                     | 9,777,889          | 126,839,507                    | 136,617,396                    | —                    |
| Matthews India Fund                     | —                  | 279,269,366                    | 279,269,366                    | —                    |
| Matthews Japan Fund                     | 19,888,292         | 136,613,164                    | 156,501,456                    | —                    |
| Matthews Korea Fund                     | 2,951,789          | 24,410,239                     | 27,362,028                     | —                    |
| Matthews Asia Small Companies Fund      | 2,523,811          | 43,064,299                     | 45,588,110                     | —                    |
| Matthews China Small Companies Fund     | 368,243            | 2,204,423                      | 2,572,666                      | —                    |

**F. INVESTMENT TRANSACTIONS AND INCOME:** Securities transactions are accounted for on the date the securities are purchased or sold or on the following business day. Financial statements reflect security transactions on trade date. Gains or losses on the sale of securities are determined on the identified cost basis. Interest income is recorded on the accrual basis. Interest income, including amortization and accretion of premiums and discounts on debt securities, is recognized daily on an accrual basis. For convertible securities, premiums attributable to the conversion feature are not amortized. Dividend income is generally recorded on the ex-dividend date net of any foreign taxes withheld at the source. Dividend income for certain issuers headquartered in countries which the Funds invest may not be recorded until approved by the shareholders (which may occur after

## Notes to Financial Statements *(continued)*

the ex-dividend date) if, in the judgment of management, such dividends are not reasonably determined as of the ex-dividend date. Income and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which they invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply, the Funds record an estimated deferred tax liability in an amount that may be payable if the securities were disposed of on the valuation date.

**G. FUND EXPENSE ALLOCATIONS:** The Funds account separately for the assets, liabilities and operations of each Fund. Estimated expenses are accrued daily. Direct expenses of each Fund or class are charged to that Fund or class while general expenses are allocated pro-rata among the Funds based on net assets or other appropriate methods.

**H. CASH, CASH OVERDRAFTS, AND FOREIGN CURRENCY:** QFII accounts (i.e., the accounts through which the QFII quota is accessed) are required by the local market to maintain a cash reserve. The cash reserve is based upon a fixed ratio of the QFII's approved investment quota, which is defined as the amount remitted into its special Renminbi (RMB) cash account. These amounts, if any, are included in "Segregated foreign currency at value" on the Statements of Assets and Liabilities. The fixed ratio is set at 0.08 percent for the Shanghai and 0.06 percent for the Shenzhen market. When any of the Funds' cash balances are overdrawn, a Fund is charged an overdraft fee by the custodian of 1.00% above the 30-day LIBOR rate on outstanding balances. These amounts, if any, are included in "Other expenses" on the Statements of Operations.

**I. USE OF ESTIMATES:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**J. RECENT ACCOUNTING GUIDANCE:** In March 2017, the Financial Accounting Standards Board issued amended guidance to shorten the amortization period for certain callable debt securities, held at premium. The guidance is effective for fiscal years and interim periods beginning after December 15, 2018. Adoption will have no effect on the Funds' net assets. Management is evaluating the impact, if any, of this guidance on the Funds' results of operations and financial disclosures.

On August 28, 2018, the FASB issued ASU 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which amends the fair value measurement disclosure requirements under U.S. GAAP. The amendments of ASU 2018-13 include new, eliminated, and modified disclosure requirements. In addition, the amendments clarify that materiality is an appropriate consideration of entities when evaluating disclosure requirements. The ASU is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. An entity is permitted to early adopt any eliminated or modified disclosures upon issuance of this ASU and delay adoption of the new disclosures until their effective date. As such, each Fund has early adopted the eliminated and modified disclosures, including the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, as permitted by this ASU. Management believes this guidance will have an immaterial impact on the Funds.

### 3. DERIVATIVE FINANCIAL INSTRUMENTS

Each of the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund engages in derivative transactions for a variety of purposes, including managing interest rate, currency and credit exposure. Derivative transactions in which each Fund may engage include financial futures contracts, swaps and/or forward foreign currency exchange contracts.

Certain derivative transactions may result in each Fund's exposure to a currency to exceed the value of the Fund's assets and the Fund could be exposed to currency risk whether or not it holds a bond or other instrument denominated in that currency. The gross notional value of derivative financial instruments and transactions could exceed the value of the Fund's net assets, although the net market value of these instruments and transactions, on a marked-to-market basis, at most times, is expected to be substantially lower.

The primary risks associated with the use of derivative financial instruments are: (i) Matthews may not correctly predict the direction of currency exchange rates, interest rates, security prices, or other economic factors; (ii) Matthews may not correctly predict changes in the value of derivative financial instruments and related underlying instruments or assets, which may result in disproportionately increased losses and/or reduced opportunities for gains; (iii) imperfect correlation between the change in market value of the securities held by a Fund and the price of financial futures contracts and credit default swaps contracts; (iv) the lack of, or a reduction in the liquidity of, any secondary market for the instrument, and the resulting inability to close the position (or exit the position) when desired; (v) losses, which are potentially unlimited, due to unanticipated market movements; (vi) the value of the instrument may change unfavorably due to movements in the value of the referenced foreign currencies; (vii) a Fund may suffer disproportionately heavy losses relative to the amount invested; (viii) changes in the value of the derivatives may not match or fully offset changes in the value of hedged or related portfolio securities, thereby failing to achieve the hedging or investment purpose for the derivative transaction; and (ix) the other party to the instrument may fail to fulfill its obligation.

**Forward Foreign Currency Exchange Contracts:** The Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund enter into forward foreign currency exchange contracts to gain or reduce exposure to foreign currency exchange rate risk. A forward foreign currency exchange contract is an agreement between two parties to buy and sell a currency at a set exchange rate on a future date. The contract is marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. The Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund do not offset financial assets and financial liabilities on forward foreign currency contracts in the Statements of Assets and Liabilities as they are not subject to netting arrangements.

**Swaps:** The Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund enter into swap contracts to manage exposure to issuers, markets and securities to reduce their risk exposure to defaults of corporate and/or sovereign issuers or to create exposure to corporate and/or sovereign issuers to which they are not otherwise exposed (credit risk). Such contracts are agreements between the Funds and a counterparty to make periodic net payments on a specified notional amount or a net payment upon termination. Swap agreements are privately negotiated in the OTC market and may be entered into as a bilateral contract ("OTC Swaps") or centrally cleared ("centrally cleared swaps").

For OTC swaps, any upfront premiums paid and any upfront fees received are shown as swap premiums paid and swap premiums received, respectively, in the Statements of Assets and Liabilities and amortized over the term of the contract. The daily fluctuation in market value is recorded as unrealized appreciation (depreciation) on OTC Swaps in the Statements of Assets and Liabilities. Payments received or paid are recorded in the Statements of Operations as realized gains or losses, respectively. When an OTC swap is terminated, a realized gain or loss is recorded in the Statements of Operations equal to the difference between the proceeds from (or cost of) the closing transaction and the Funds' basis in the contract, if any. Generally, the basis of the contract is the amortized premium received or paid.

## Notes to Financial Statements *(continued)*

The Funds may buy credit default swaps on single-name issuers (corporate or sovereign), a combination or basket of single-name issuers or traded indexes. Credit default swaps are agreements in which the protection buyer pays fixed periodic payments to the seller in consideration for a promise from the protection seller to make a specific payment should a negative credit event take place with respect to the referenced entity (e.g., bankruptcy, failure to pay, obligation acceleration, repudiation, moratorium or restructuring). As a buyer, if an underlying credit event occurs, the Funds will either (i) receive from the seller an amount equal to the notional amount of the swap and deliver the referenced security or underlying securities comprising the index, or (ii) receive a net settlement of cash equal to the notional amount of the swap less the recovery value of the security or underlying securities comprising the index.

The Funds may enter into interest rate swaps to gain or reduce exposure to interest rates or to manage duration, the yield curve or interest rate (interest rate risk).

Interest rate swaps are agreements to exchange cash flows based on the difference between specified interest rates applied to a notional principal amount for a specified period of time. Risks related to the use of interest rate swaps include the potential for unanticipated movements in interest or currency rates, the possible failure of a counterparty to perform in accordance with the terms of the swap agreements and potential government regulation that could adversely affect the Funds' swap investments.

**Counterparty Credit Risk:** A derivative contract may suffer a mark to market loss if the value of the contract decreases due to an unfavorable change in the market rates or values of the underlying instrument. Losses can also occur if the counterparty does not perform under the contract.

A Fund's risk of loss from counterparty credit risk on OTC derivatives is generally limited to the aggregate unrealized gain netted against any collateral held by such Fund.

With exchange traded futures and centrally cleared swaps, there is less counterparty credit risk to the Funds since the exchange or clearinghouse, as counterparty to such instruments, guarantees against a possible default. The clearinghouse stands between the buyer and the seller of the contract; therefore, the credit risk is limited to failure of the clearinghouse. While offset rights may exist under applicable law, a Fund does not have a contractual right of offset against a clearing broker or clearinghouse in the event of a default (including the bankruptcy or insolvency) of the clearing broker or clearinghouse. Additionally, credit risk exists in exchange traded futures and centrally cleared swaps with respect to initial and variation margin that is held in a clearing broker's customer accounts. While clearing brokers are required to segregate customer margin from their own assets, in the event that a clearing broker becomes insolvent or goes into bankruptcy and at that time there is a shortfall in the aggregate amount of margin held by the clearing broker for all its clients, typically the shortfall would be allocated on a pro rata basis across all the clearing broker's customers, potentially resulting in losses to the Funds.

In order to better define its contractual rights and to secure rights that will help the Funds mitigate their counterparty risk, a Fund may enter into an International Swaps and Derivatives Association, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement with its derivative contract counterparties. An ISDA Master Agreement is a bilateral agreement between each Fund and a counterparty that governs OTC derivatives and typically contains, among other things, collateral posting terms and netting provisions in the event of a default and/or termination event. Under an ISDA Master Agreement, each Fund may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to OTC derivatives to terminate derivative contracts prior to maturity in the event a Fund's net assets decline by a stated percentage or the Fund fails to meet the terms of its ISDA Master Agreements, which would cause the Fund to accelerate payment of any net liability owed to the counterparty.

**Collateral requirements:** For derivatives traded under an ISDA Master Agreement, the collateral requirements are typically calculated by netting the mark to market amount for each transaction under such agreement and comparing that amount to the value of any collateral currently pledged by a Fund and the counterparty. Cash collateral that has been pledged to cover obligations of a Fund, if any, is reported separately on the Statements of Assets and Liabilities as cash pledged as collateral. Non-cash collateral pledged by a Fund, if any, is noted in the Schedules of Investments.

For financial reporting purposes, the Funds do not offset derivative assets and derivative liabilities that are subject to netting arrangements in the Statements of Assets and Liabilities.

As of December 31, 2019, the Matthews Asia Total Return Bond Fund had \$167,864 in gross/net assets in the Statements of Assets and Liabilities for OTC derivatives with Bank of America, N.A. There was no collateral pledged or received by the Fund with this counterparty.

### Levels for Derivative Financial Instruments:

Summary of inputs used to determine the fair valuation of the Funds' derivatives financial instruments as of December 31, 2019.

|   | Statements of Assets and Liabilities Location                             | Matthews Asia<br>Total Return Bond<br>Fund |
|---|---|--|
|   | <b>Asset Derivatives</b>  |  |
| Forward foreign currency exchange contracts | Unrealized appreciation on forward foreign<br>currency exchange contracts | \$357,223                                  |
| Interest rate contracts                     | Unrealized appreciation on Swaps  | 167,864                                    |
|   | <b>Total</b>  | <u>\$525,087</u>                           |
|   | <b>Liability Derivatives</b>  |  |
| Forward foreign currency exchange contracts | Unrealized depreciation on forward foreign<br>currency exchange contracts | <u>(\$218,836)</u>                         |

## Notes to Financial Statements *(continued)*

For the fiscal year ended December 31, 2019, the effects of derivative financial instruments on the Statements of Operations were as follows:

| Derivative type   | Statements of Operations Location   | Matthews Asia          | Matthews Asia             |
|---|---|------------------------|---------------------------|
|   |   | Total Return Bond Fund | Credit Opportunities Fund |
| <b>Net Realized Gain (Loss)</b>                             |   |                        |                           |
| Foreign currency contracts:                                 |   |                        |                           |
| Forward foreign currency exchange contracts                 | Net realized gain (loss) on forward foreign currency exchange contracts                           | \$144,098              | \$728                     |
| Interest rate swaps:  |   |                        |                           |
| Interest rate contracts                                     | Net realized gain (loss) on swaps   | 127,919                | —                         |
|   | <b>Total</b>  | <b>\$272,017</b>       | <b>\$728</b>              |
| <b>Net Change In Unrealized Appreciation (Depreciation)</b> |   |                        |                           |
| Foreign currency contracts:                                 |   |                        |                           |
| Forward foreign currency exchange contracts                 | Net change in unrealized appreciation/depreciation on forward foreign currency exchange contracts | (\$555,493)            | (\$728)                   |
| Interest rate swaps:  |   |                        |                           |
| Interest rate contracts                                     | Net change in unrealized appreciation/depreciation on swaps                                       | 167,864                | —                         |
|   | <b>Total</b>  | <b>(\$387,629)</b>     | <b>(\$728)</b>            |

In regards to the forward foreign currency exchange contracts entered into by the Matthews Asia Total Return Bond Fund, the average notional ending quarterly amounts purchased in USD were \$5,916,060 and the average notional ending quarterly amounts sold in USD were \$24,950,364. In regards to the interest rate swap contracts entered into by the Matthews Asia Total Return Fund, where the Fund receives the fixed rate and pays the floating rate, the average notional ending quarterly amounts in USD was \$15,408,655.

#### 4. CAPITAL SHARE TRANSACTIONS

|   | Year Ended December 31, 2019 |               | Year Ended December 31, 2018 |                |
|---|------------------------------|---------------|------------------------------|----------------|
|   | Shares                       | Amount        | Shares                       | Amount         |
| <b>MATTHEWS ASIA TOTAL RETURN BOND FUND</b>         |                              |               |                              |                |
| <b>Investor Class</b>                               |                              |               |                              |                |
| Shares sold   | 531,369                      | \$5,763,612   | 2,673,655                    | \$29,287,179   |
| Shares issued through reinvestment of distributions | 145,300                      | 1,576,564     | 155,200                      | 1,663,927      |
| Shares redeemed                                     | (1,094,258)                  | (11,768,876)  | (4,636,979)                  | (49,347,994)   |
| Net (decrease)                                      | (417,589)                    | (\$4,428,700) | (1,808,124)                  | (\$18,396,888) |
| <b>Institutional Class</b>                          |                              |               |                              |                |
| Shares sold   | 1,930,123                    | \$20,678,547  | 4,881,483                    | \$52,321,637   |
| Shares issued through reinvestment of distributions | 247,825                      | 2,689,277     | 114,737                      | 1,209,687      |
| Shares redeemed                                     | (1,084,707)                  | (11,720,296)  | (1,981,621)                  | (20,513,956)   |
| Net increase  | 1,093,241                    | \$11,647,528  | 3,014,599                    | \$33,017,368   |
| <b>MATTHEWS ASIA CREDIT OPPORTUNITIES FUND</b>      |                              |               |                              |                |
| <b>Investor Class</b>                               |                              |               |                              |                |
| Shares sold   | 539,096                      | \$5,563,787   | 621,546                      | \$6,369,451    |
| Shares issued through reinvestment of distributions | 50,305                       | 523,714       | 34,462                       | 346,195        |
| Shares redeemed                                     | (248,407)                    | (2,552,245)   | (749,130)                    | (7,545,536)    |
| Net increase (decrease)                             | 340,994                      | \$3,535,256   | (93,122)                     | (\$829,890)    |
| <b>Institutional Class</b>                          |                              |               |                              |                |
| Shares sold   | 4,598,478                    | \$48,037,680  | 1,955,614                    | \$19,773,740   |
| Shares issued through reinvestment of distributions | 188,769                      | 1,969,854     | 70,100                       | 697,699        |
| Shares redeemed                                     | (459,087)                    | (4,707,645)   | (907,590)                    | (8,976,611)    |
| Net increase  | 4,328,160                    | \$45,299,889  | 1,118,124                    | \$11,494,828   |

# Notes to Financial Statements *(continued)*

|   | Year Ended December 31, 2019 |                 | Year Ended December 31, 2018 |                 |
|---|------------------------------|-----------------|------------------------------|-----------------|
|   | Shares                       | Amount          | Shares                       | Amount          |
| <b>MATTHEWS ASIAN GROWTH AND INCOME FUND</b>        |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 4,872,266                    | \$72,535,793    | 7,692,701                    | \$124,999,548   |
| Shares issued through reinvestment of distributions | 1,729,925                    | 26,744,737      | 6,291,585                    | 90,673,150      |
| Shares redeemed                                     | (18,009,566)                 | (272,354,103)   | (44,530,783)                 | (727,925,822)   |
| Net (decrease)                                      | (11,407,375)                 | (\$173,073,573) | (30,546,497)                 | (\$512,253,124) |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 25,459,302                   | \$387,665,569   | 19,468,288                   | \$325,288,280   |
| Shares issued through reinvestment of distributions | 1,643,462                    | 25,409,900      | 5,846,765                    | 84,477,052      |
| Shares redeemed                                     | (22,634,082)                 | (341,434,957)   | (57,543,636)                 | (917,676,867)   |
| Net increase (decrease)                             | 4,468,682                    | \$71,640,512    | (32,228,583)                 | (\$507,911,535) |
| <b>MATTHEWS ASIA DIVIDEND FUND</b>                  |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 23,080,251                   | \$386,877,636   | 41,217,543                   | \$788,692,238   |
| Shares issued through reinvestment of distributions | 3,039,442                    | 51,047,011      | 11,593,833                   | 197,404,775     |
| Shares redeemed                                     | (63,800,331)                 | (1,067,632,982) | (70,902,063)                 | (1,313,499,842) |
| Net (decrease)                                      | (37,680,638)                 | (\$629,708,335) | (18,090,687)                 | (\$327,402,829) |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 47,879,707                   | \$804,748,356   | 60,848,321                   | \$1,153,786,170 |
| Shares issued through reinvestment of distributions | 3,784,649                    | 63,570,444      | 13,060,327                   | 222,009,324     |
| Shares redeemed                                     | (66,039,551)                 | (1,110,681,954) | (50,882,787)                 | (904,298,337)   |
| Net increase (decrease)                             | (14,375,195)                 | (\$242,363,154) | 23,025,861                   | \$471,497,157   |
| <b>MATTHEWS CHINA DIVIDEND FUND</b>                 |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 8,109,547                    | \$128,681,746   | 5,966,861                    | \$103,895,668   |
| Shares issued through reinvestment of distributions | 266,077                      | 4,182,441       | 1,359,166                    | 20,830,044      |
| Shares redeemed                                     | (6,173,811)                  | (97,098,245)    | (8,392,276)                  | (143,578,333)   |
| Net increase (decrease)                             | 2,201,813                    | \$35,765,942    | (1,066,249)                  | (\$18,852,621)  |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 4,062,893                    | \$64,306,979    | 3,759,608                    | \$67,020,667    |
| Shares issued through reinvestment of distributions | 113,134                      | 1,780,502       | 525,095                      | 8,055,027       |
| Shares redeemed                                     | (1,706,106)                  | (26,787,635)    | (2,258,122)                  | (36,385,874)    |
| Net increase  | 2,469,921                    | \$39,299,846    | 2,026,581                    | \$38,689,820    |
| <b>MATTHEWS ASIA VALUE FUND</b>                     |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 519,639                      | \$5,951,759     | 1,051,874                    | \$13,252,147    |
| Shares issued through reinvestment of distributions | 71,981                       | 781,711         | 72,411                       | 795,079         |
| Shares redeemed                                     | (896,532)                    | (10,062,716)    | (1,753,683)                  | (21,328,776)    |
| Net (decrease)                                      | (304,912)                    | (\$3,329,246)   | (629,398)                    | (\$7,281,550)   |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 517,708                      | \$5,900,220     | 466,954                      | \$5,447,710     |
| Shares issued through reinvestment of distributions | 31,352                       | 337,973         | 18,592                       | 202,462         |
| Shares redeemed                                     | (586,821)                    | (6,627,976)     | (114,752)                    | (1,403,647)     |
| Net increase (decrease)                             | (37,761)                     | (\$389,783)     | 370,794                      | \$4,246,525     |
| <b>MATTHEWS ASIA GROWTH FUND</b>                    |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 4,541,007                    | \$115,967,177   | 10,786,092                   | \$298,040,265   |
| Shares issued through reinvestment of distributions | 171,836                      | 4,780,476       | 261,406                      | 6,250,221       |
| Shares redeemed                                     | (7,367,330)                  | (188,876,592)   | (10,780,916)                 | (285,324,564)   |
| Net increase (decrease)                             | (2,654,487)                  | (\$68,128,939)  | 266,582                      | \$18,965,922    |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 7,619,976                    | \$196,483,749   | 13,280,478                   | \$366,402,524   |
| Shares issued through reinvestment of distributions | 173,818                      | 4,875,584       | 254,228                      | 6,121,801       |
| Shares redeemed                                     | (3,742,483)                  | (96,806,547)    | (3,723,336)                  | (95,217,584)    |
| Net increase  | 4,051,311                    | \$104,552,786   | 9,811,370                    | \$277,306,741   |

## Notes to Financial Statements *(continued)*

|   | Year Ended December 31, 2019 |                 | Year Ended December 31, 2018 |                 |
|---|------------------------------|-----------------|------------------------------|-----------------|
|   | Shares                       | Amount          | Shares                       | Amount          |
| <b>MATTHEWS PACIFIC TIGER FUND</b>                  |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 14,430,758                   | \$406,894,363   | 23,880,091                   | \$723,000,071   |
| Shares issued through reinvestment of distributions | 2,845,287                    | 81,033,776      | 4,100,739                    | 110,309,880     |
| Shares redeemed                                     | (26,486,333)                 | (742,801,344)   | (35,883,150)                 | (1,069,368,504) |
| Net (decrease)                                      | (9,210,288)                  | (\$254,873,205) | (7,902,320)                  | (\$236,058,553) |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 49,951,152                   | \$1,407,060,783 | 73,569,231                   | \$2,205,765,648 |
| Shares issued through reinvestment of distributions | 6,705,677                    | 190,776,524     | 8,621,801                    | 231,581,567     |
| Shares redeemed                                     | (53,091,456)                 | (1,488,158,535) | (72,136,270)                 | (2,150,140,709) |
| Net increase  | 3,565,373                    | \$109,678,772   | 10,054,762                   | \$287,206,506   |
| <b>MATTHEWS ASIA ESG FUND</b>                       |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 1,184,049                    | \$12,826,439    | 518,131                      | \$5,764,694     |
| Shares issued through reinvestment of distributions | 22,962                       | 252,585         | 39,314                       | 388,821         |
| Shares redeemed                                     | (395,976)                    | (4,181,719)     | (552,444)                    | (5,766,903)     |
| Net increase  | 811,035                      | \$8,897,305     | 5,001                        | \$386,612       |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 1,081,878                    | \$11,684,318    | 1,862,932                    | \$18,844,975    |
| Shares issued through reinvestment of distributions | 31,337                       | 344,077         | 56,216                       | 554,851         |
| Shares redeemed                                     | (191,932)                    | (2,046,929)     | (224,650)                    | (2,278,724)     |
| Net increase  | 921,283                      | \$9,981,466     | 1,694,498                    | \$17,121,102    |
| <b>MATTHEWS EMERGING ASIA FUND</b>                  |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 1,977,945                    | \$25,017,512    | 4,620,696                    | \$65,897,785    |
| Shares issued through reinvestment of distributions | 184,599                      | 2,200,419       | 212,377                      | 2,658,966       |
| Shares redeemed                                     | (4,636,314)                  | (57,325,455)    | (9,507,354)                  | (133,149,866)   |
| Net (decrease)                                      | (2,473,770)                  | (\$30,107,524)  | (4,674,281)                  | (\$64,593,115)  |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 10,746,157                   | \$135,847,255   | 13,299,754                   | \$190,322,581   |
| Shares issued through reinvestment of distributions | 496,581                      | 5,949,041       | 477,196                      | 5,993,576       |
| Shares redeemed                                     | (12,287,844)                 | (150,800,355)   | (10,983,928)                 | (147,221,998)   |
| Net increase (decrease)                             | (1,045,106)                  | (\$9,004,059)   | 2,793,022                    | \$49,094,159    |
| <b>MATTHEWS ASIA INNOVATORS FUND</b>                |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 3,537,078                    | \$45,933,297    | 10,925,559                   | \$155,176,262   |
| Shares issued through reinvestment of distributions | 34,901                       | 503,279         | 334,533                      | 3,867,195       |
| Shares redeemed                                     | (4,901,397)                  | (63,792,703)    | (10,079,828)                 | (140,682,243)   |
| Net increase (decrease)                             | (1,329,418)                  | (\$17,356,127)  | 1,180,264                    | \$18,361,214    |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 2,497,746                    | \$33,297,458    | 8,564,706                    | \$117,389,330   |
| Shares issued through reinvestment of distributions | 24,526                       | 355,872         | 219,506                      | 2,550,665       |
| Shares redeemed                                     | (1,965,087)                  | (25,479,411)    | (2,844,442)                  | (36,304,986)    |
| Net increase  | 557,185                      | \$8,173,919     | 5,939,770                    | \$83,635,009    |
| <b>MATTHEWS CHINA FUND</b>                          |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 9,307,763                    | \$160,049,101   | 15,121,019                   | \$340,339,102   |
| Shares issued through reinvestment of distributions | 413,049                      | 7,823,154       | 7,011,755                    | 104,895,844     |
| Shares redeemed                                     | (11,566,339)                 | (197,267,770)   | (20,695,099)                 | (427,936,552)   |
| Net increase (decrease)                             | (1,845,527)                  | (\$29,395,515)  | 1,437,675                    | \$17,298,394    |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 8,093,642                    | \$133,433,967   | 6,614,792                    | \$150,104,126   |
| Shares issued through reinvestment of distributions | 47,201                       | 892,099         | 588,948                      | 8,792,993       |
| Shares redeemed                                     | (1,765,278)                  | (30,910,184)    | (6,742,777)                  | (135,104,968)   |
| Net increase  | 6,375,565                    | \$103,415,882   | 460,963                      | \$23,792,151    |

# Notes to Financial Statements *(continued)*

|   | Year Ended December 31, 2019 |                 | Year Ended December 31, 2018 |                 |
|---|------------------------------|-----------------|------------------------------|-----------------|
|   | Shares                       | Amount          | Shares                       | Amount          |
| <b>MATTHEWS INDIA FUND</b>                          |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 7,731,394                    | \$200,765,536   | 10,324,568                   | \$334,912,011   |
| Shares issued through reinvestment of distributions | 3,684,970                    | 85,638,714      | 5,722,656                    | 144,439,816     |
| Shares redeemed                                     | (18,554,986)                 | (473,744,143)   | (18,347,443)                 | (565,381,775)   |
| Net (decrease)                                      | (7,138,622)                  | (\$187,339,893) | (2,300,219)                  | (\$86,029,948)  |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 6,857,047                    | \$178,913,179   | 6,465,401                    | \$215,871,605   |
| Shares issued through reinvestment of distributions | 607,390                      | 14,279,727      | 1,158,242                    | 29,500,413      |
| Shares redeemed                                     | (17,386,942)                 | (457,235,640)   | (13,006,329)                 | (414,651,704)   |
| Net (decrease)                                      | (9,922,505)                  | (\$264,042,734) | (5,382,686)                  | (\$169,279,686) |
| <b>MATTHEWS JAPAN FUND</b>                          |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 14,040,067                   | \$281,660,571   | 35,434,821                   | \$838,074,072   |
| Shares issued through reinvestment of distributions | 5,462,457                    | 117,661,321     | 3,537,698                    | 69,727,510      |
| Shares redeemed                                     | (43,276,411)                 | (904,215,429)   | (36,383,495)                 | (791,989,983)   |
| Net increase (decrease)                             | (23,773,887)                 | (\$504,893,537) | 2,589,024                    | \$115,811,599   |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 10,666,389                   | \$222,188,400   | 28,126,973                   | \$681,080,915   |
| Shares issued through reinvestment of distributions | 1,514,104                    | 32,674,366      | 788,439                      | 15,563,790      |
| Shares redeemed                                     | (36,054,972)                 | (745,335,389)   | (47,031,577)                 | (1,073,069,165) |
| Net (decrease)                                      | (23,874,479)                 | (\$490,472,623) | (18,116,165)                 | (\$376,424,460) |
| <b>MATTHEWS KOREA FUND</b>                          |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 2,059,086                    | \$9,109,614     | 4,808,867                    | \$28,840,215    |
| Shares issued through reinvestment of distributions | 2,084,515                    | 8,984,260       | 4,259,343                    | 19,124,478      |
| Shares redeemed                                     | (6,006,394)                  | (26,550,755)    | (9,178,750)                  | (52,897,760)    |
| Net (decrease)                                      | (1,862,793)                  | (\$8,456,881)   | (110,540)                    | (\$4,933,067)   |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 3,918,143                    | \$17,759,942    | 4,291,986                    | \$26,760,451    |
| Shares issued through reinvestment of distributions | 393,829                      | 1,709,218       | 605,040                      | 2,734,781       |
| Shares redeemed                                     | (3,210,203)                  | (14,313,984)    | (5,384,782)                  | (29,526,364)    |
| Net increase (decrease)                             | 1,101,769                    | \$5,155,176     | (487,756)                    | (\$31,132)      |
| <b>MATTHEWS ASIA SMALL COMPANIES FUND</b>           |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 1,052,343                    | \$17,606,463    | 1,341,878                    | \$28,839,901    |
| Shares issued through reinvestment of distributions | 26,715                       | 477,400         | 1,344,976                    | 21,129,567      |
| Shares redeemed                                     | (2,952,819)                  | (50,877,217)    | (4,600,698)                  | (92,122,082)    |
| Net (decrease)                                      | (1,873,761)                  | (\$32,793,354)  | (1,913,844)                  | (\$42,152,614)  |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 2,286,863                    | \$38,931,702    | 2,031,529                    | \$42,209,221    |
| Shares issued through reinvestment of distributions | 31,309                       | 558,232         | 1,164,500                    | 18,247,712      |
| Shares redeemed                                     | (2,456,706)                  | (41,355,074)    | (8,539,680)                  | (162,341,803)   |
| Net (decrease)                                      | (138,534)                    | (\$1,865,140)   | (5,343,651)                  | (\$101,884,870) |
| <b>MATTHEWS CHINA SMALL COMPANIES FUND</b>          |                              |                 |                              |                 |
| <b>Investor Class</b>                               |                              |                 |                              |                 |
| Shares sold   | 2,414,807                    | \$28,243,922    | 4,586,645                    | \$55,688,924    |
| Shares issued through reinvestment of distributions | 48,885                       | 626,223         | 95,152                       | 942,955         |
| Shares redeemed                                     | (1,880,948)                  | (20,832,077)    | (3,284,316)                  | (36,655,946)    |
| Net increase  | 582,744                      | \$8,038,068     | 1,397,481                    | \$19,975,933    |
| <b>Institutional Class</b>                          |                              |                 |                              |                 |
| Shares sold   | 1,234,398                    | \$13,977,800    | 2,620,573                    | \$28,921,075    |
| Shares issued through reinvestment of distributions | 25,389                       | 325,995         | 32,751                       | 324,895         |
| Shares redeemed                                     | (904,930)                    | (10,177,325)    | (530,287)                    | (5,561,926)     |
| Net increase  | 354,857                      | \$4,126,470     | 2,123,037                    | \$23,684,044    |

## Notes to Financial Statements (continued)

Prior to November 1, 2019, a 2.00% redemption fee was assessed on the sale or exchange of shares of the Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund and Matthews China Small Companies Fund (collectively, the “Covered Funds”) within 90 days after the date an investor purchases shares of the Covered Funds. Effective November 1, 2019, the redemption fees were discontinued for the Covered Funds. This fee is payable directly to the Covered Funds.

To determine whether the redemption fee applies, the Covered Funds do not count the day that shares were purchased, and first redeem the shares that have been held the longest.

The redemption fees returned to the assets of the Funds are stated in the Statements of Changes in Net Assets.

### 5. INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES

Matthews, a registered investment advisor under the 1940 Act, provides the Funds with investment management services. Pursuant to the prior Investment Advisory Agreement dated August 13, 2004, as amended (the “Prior Advisory Agreement”) and the current Investment Advisory Agreement dated February 1, 2016, as amended (the “Current Advisory Agreement,” and together with the Prior Advisory Agreement, the “Advisory Agreement”), the Funds pay Matthews (i) for management and advisory services; and (ii) for certain administrative services, an annual fee as a percentage of average daily net assets. Under the Advisory Agreement each of the Funds, other than Matthews Asia Total Return Bond Fund, Matthews Asia Credit Opportunities Fund, Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund, and Matthews China Small Companies Fund (the “Family-Priced Funds”), pays Matthews 0.75% of their aggregate average daily net assets up to \$2 billion, 0.6834% of their aggregate average daily net assets over \$2 billion up to \$5 billion, 0.65% of their aggregate average daily net assets over \$5 billion up to \$25 billion, 0.64% of their aggregate average daily net assets over \$25 billion up to \$30 billion, 0.63% of their aggregate average daily net assets over \$30 billion up to \$35 billion, 0.62% of their aggregate average daily net assets over \$35 billion up to \$40 billion, 0.61% of their aggregate average daily net assets over \$40 billion up to \$45 billion, and 0.60% of their aggregate average daily net assets over \$45 billion. Each of the Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund paid Matthews an annual fee of 0.55% of such Fund’s annual average daily net assets pursuant to the Advisory Agreement. Each of the Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund, and the Matthews China Small Companies Fund pays Matthews an annual fee of 1.00% of the average daily net assets of such Fund up to \$1 billion and 0.95% of the average daily net assets of such Fund over \$1 billion pursuant to the Advisory Agreement. Each Fund pays Matthews a monthly fee at the annual rate using the applicable management fee calculated based on the actual number of days of that month and based on the Fund’s average daily net asset value for the month.

Pursuant to a fee waiver letter agreement, effective as of September 1, 2014, between the Trust, on behalf of the Family-Priced Funds, and Matthews (as amended from time to time, the “Fee Waiver Agreement”), for each Family-Priced Fund, Matthews has agreed to waive a portion of the fee payable under the Advisory Agreement and a portion of the fee payable under the Administration and Shareholder Services Agreement, if any Family-Priced Fund’s average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of a Family-Priced Fund that are over \$3 billion, the fee rates that otherwise would be applied for calculating fees payable under the Advisory Agreement and the Administration and Shareholder Services Agreement for such Family-Priced Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%.

Investment advisory fees charged, waived fees and reimbursed additional expenses for the year ended December 31, 2019, were as follows:

|   | Gross Advisory Fees | Advisory Fees<br>Waived and<br>Reimbursed in<br>Excess of the<br>Expense Limitation | Net Advisory Fee/<br>Reimbursement |
|---|---------------------|---|------------------------------------|
| Matthews Asia Total Return Bond Fund    | \$611,661           | (\$54,751)  | \$556,910                          |
| Matthews Asia Credit Opportunities Fund | 314,601             | (90,168)  | 224,433                            |
| Matthews Asian Growth and Income Fund   | 9,541,100           | —   | 9,541,100                          |
| Matthews Asia Dividend Fund             | 38,850,877          | (324,071)   | 38,526,806                         |
| Matthews China Dividend Fund            | 2,339,083           | —   | 2,339,083                          |
| Matthews Asia Value Fund                | 163,984             | (111,890)   | 52,094                             |
| Matthews Asia Growth Fund               | 7,306,056           | —   | 7,306,056                          |
| Matthews Pacific Tiger Fund             | 58,476,072          | (995,561)   | 57,480,511                         |
| Matthews Asia ESG Fund                  | 295,062             | (67,253)  | 227,809                            |
| Matthews Emerging Asia Fund             | 4,090,229           | (997,574)   | 3,092,655                          |
| Matthews Asia Innovators Fund           | 1,850,053           | —   | 1,850,053                          |
| Matthews China Fund                     | 5,445,543           | —   | 5,445,543                          |
| Matthews India Fund                     | 9,054,676           | —   | 9,054,676                          |
| Matthews Japan Fund                     | 17,717,992          | —   | 17,717,992                         |
| Matthews Korea Fund                     | 967,440             | —   | 967,440                            |
| Matthews Asia Small Companies Fund      | 1,875,299           | (336,966)   | 1,538,333                          |
| Matthews China Small Companies Fund     | 752,663             | (167,178)   | 585,485                            |
|   | \$159,652,391       | (\$3,145,412)   | \$156,506,979                      |

Under a written agreement between the Funds and Matthews (the “Operating Expense Agreement”), Matthews agrees to waive fees and reimburse expenses to a Fund if its expense ratio exceeds a certain percentage level. Effective November 30, 2017 for all Funds, except Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, this level is 1.25% for the Institutional Class. Matthews agrees to reduce the expense ratio by waiving an equal amount of non-class specific expenses (e.g., custody fees) for the Investor Class. Beginning on November 1, 2019, Matthews voluntarily reduced this expense limitation to 1.20% for the Institutional Class. Because certain expenses of the Investor Class may be higher than those of the Institutional Class and because class specific expenses may be waived solely for the Institutional Class, total annual Fund expenses for the Investor Class may exceed 1.25%. For Matthews Asia Total Return Bond Fund and Matthews Asia Credit Opportunities Fund this level is 0.90% for the Institutional Class. Matthews agrees to reduce the expense ratio by waiving an equal amount of non-class specific expenses (e.g., custody fees) for the Investor Class. Because certain expenses of the Investor Class may be higher than those of the Institutional Class and because class specific expenses may be waived solely for the Institutional Class, total annual Fund expenses for the Investor Class may exceed 0.90%. In turn, if the expenses of a Fund, other than the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, fall

## Notes to Financial Statements *(continued)*

below the level noted within three years after Matthews has made such a reimbursement, the Fund may reimburse Matthews up to an amount of the recoupment available not to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. For the Matthews Asia Total Return Bond Fund and the Matthews Asia Credit Opportunities Fund, any amount waived is not subject to recoupment. This agreement will continue through April 30, 2021, may be extended for additional periods not exceeding one year, and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

### Waived Fees Subject to Possible Future Recoupment

On December 31, 2019, the amounts expired and subject to possible future recoupment under the expense limitation agreement are as follows:

|                                     | Expired December 31, |           | Expiring December 31, |           |
|-------------------------------------|----------------------|-----------|-----------------------|-----------|
|                                     | 2019                 | 2020      | 2021                  | 2022      |
| Matthews Asia Value Fund            | \$211,035            | \$119,683 | \$81,767              | \$111,890 |
| Matthews Asia ESG Fund              | 163,853              | 156,429   | 156,459               | 67,253    |
| Matthews Emerging Asia Fund         | 553,167              | 878,171   | 1,073,964             | 997,574   |
| Matthews Asia Small Companies Fund  | 252,008              | 272,597   | 308,001               | 336,966   |
| Matthews China Small Companies Fund | 142,295              | 184,162   | 275,220               | 167,178   |

The Funds have an Administration and Shareholder Services Agreement dated August 13, 2004, as amended (the "Shareholder Services Agreement" or "Services Agreement"), in which the Funds pay an annual administration and shareholder servicing fee to Matthews, as a percentage of the average daily net assets of each Fund in aggregate, computed and prorated on a daily basis. Under the Shareholder Services Agreement, the Funds in the aggregate pay Matthews 0.25% of their aggregate average daily net assets up to \$2 billion, 0.1834% of their aggregate average daily net assets over \$2 billion up to \$5 billion, 0.15% of their aggregate average daily net assets over \$5 billion up to \$7.5 billion, 0.125% of their aggregate average daily net assets over \$7.5 billion up to \$15 billion, 0.11% of their aggregate average daily net assets over \$15 billion up to \$22.5 billion, 0.10% of their aggregate average daily net assets over \$22.5 billion up to \$25 billion, 0.09% of their aggregate average daily net assets over \$25 billion up to \$30 billion, 0.08% of their aggregate average daily net assets over \$30 billion up to \$35 billion, 0.07% of their aggregate average daily net assets over \$35 billion up to \$40 billion, 0.06% of their aggregate average daily net assets over \$40 billion up to \$45 billion, and 0.05% of their aggregate average daily net assets over \$45 billion.

Administration and shareholder servicing fees charged, for the year ended December 31, 2019, were as follows:

|   | Gross<br>Administration and<br>Shareholder<br>Servicing Fees | Administration and<br>Shareholder<br>Servicing Fees<br>Waived in Excess of<br>Expense Limitation | Net<br>Administration and<br>Shareholder<br>Servicing Fees |
|---|--|--|--|
| Matthews Asia Total Return Bond Fund    | \$155,170  | \$—  | \$155,170  |
| Matthews Asia Credit Opportunities Fund | 79,904   | —  | 79,904   |
| Matthews Asian Growth and Income Fund   | 2,006,211  | —  | 2,006,211  |
| Matthews Asia Dividend Fund             | 8,165,103  | (324,071)  | 7,841,032  |
| Matthews China Dividend Fund            | 491,931  | —  | 491,931  |
| Matthews Asia Value Fund                | 34,437   | —  | 34,437   |
| Matthews Asia Growth Fund               | 1,536,737  | —  | 1,536,737  |
| Matthews Pacific Tiger Fund             | 12,294,789   | (995,561)  | 11,299,228   |
| Matthews Asia ESG Fund                  | 62,098   | —  | 62,098   |
| Matthews Emerging Asia Fund             | 569,952  | —  | 569,952  |
| Matthews Asia Innovators Fund           | 389,047  | —  | 389,047  |
| Matthews China Fund                     | 1,145,038  | —  | 1,145,038  |
| Matthews India Fund                     | 1,901,377  | —  | 1,901,377  |
| Matthews Japan Fund                     | 3,722,766  | —  | 3,722,766  |
| Matthews Korea Fund                     | 203,348  | —  | 203,348  |
| Matthews Asia Small Companies Fund      | 261,408  | —  | 261,408  |
| Matthews China Small Companies Fund     | 104,995  | —  | 104,995  |

In addition to the fees paid to the Funds' transfer agent, the Funds bear the cost of fees paid to certain service providers or intermediaries, including supermarkets, which provide transfer agency, record-keeping and shareholder servicing to certain shareholders. These fees are referred to as intermediary service fees on the Statements of Assets and Liabilities as well as the Statements of Operations. Additional information concerning these services and fees is contained in the Funds' prospectuses.

## Notes to Financial Statements *(continued)*

BNY Mellon Investment Servicing (US) Inc. (“BNY Mellon”), an indirect wholly owned subsidiary of The Bank of New York Mellon Corporation, serves as the Funds’ administrator, and in that capacity, performs various administrative and accounting services for each Fund. BNY Mellon also serves as the Funds’ transfer agent, dividend disbursing agent and registrar. An officer of BNY Mellon serves as Assistant Treasurer to the Funds. Total fees accrued by the Funds for administration and accounting services for the year ended December 31, 2019 were as follows:

|   | Administration and<br>Accounting fees |
|---|---------------------------------------|
| Matthews Asia Total Return Bond Fund    | \$8,897                               |
| Matthews Asia Credit Opportunities Fund | 4,576                                 |
| Matthews Asian Growth and Income Fund   | 115,107                               |
| Matthews Asia Dividend Fund             | 468,729                               |
| Matthews China Dividend Fund            | 28,219                                |
| Matthews Asia Value Fund                | 1,979                                 |
| Matthews Asia Growth Fund               | 88,141                                |
| Matthews Pacific Tiger Fund             | 705,483                               |
| Matthews Asia ESG Fund                  | 3,560                                 |
| Matthews Emerging Asia Fund             | 32,722                                |
| Matthews Asia Innovators Fund           | 22,319                                |
| Matthews China Fund                     | 65,697                                |
| Matthews India Fund                     | 109,250                               |
| Matthews Japan Fund                     | 213,768                               |
| Matthews Korea Fund                     | 11,672                                |
| Matthews Asia Small Companies Fund      | 15,002                                |
| Matthews China Small Companies Fund     | 6,021                                 |

As of December 31, 2019, Matthews and its affiliates held significant shares in the Funds as follows:

|   | Shares held by Matthews<br>and its Affiliates | Percentage of<br>Outstanding Shares |
|---|---|-------------------------------------|
| Matthews Asia Credit Opportunities Fund | 1,128,618                                     | 13%                                 |
| Matthews Asia ESG Fund                  | 1,042,943                                     | 21%                                 |

Certain officers and Trustees of the Funds are also officers and directors of Matthews. All officers serve without compensation from the Funds. The Funds paid the Independent Trustees \$1,109,740 in aggregate for regular compensation during the year ended December 31, 2019.

### 6. INVESTMENTS

The value of investment transactions made for affiliated and unaffiliated holdings for the year ended December 31, 2019 were as follows:

|   | Affiliated Purchases | Proceeds from<br>Affiliated Sales | Unaffiliated Purchases | Proceeds from<br>Unaffiliated Sales |
|---|----------------------|-----------------------------------|------------------------|-------------------------------------|
| Matthews Asia Total Return Bond Fund    | \$—                  | \$—                               | \$96,588,485           | \$90,623,312                        |
| Matthews Asia Credit Opportunities Fund | —                    | —                                 | 84,310,858             | 43,863,064                          |
| Matthews Asian Growth and Income Fund   | —                    | —                                 | 307,626,184            | 476,546,311                         |
| Matthews Asia Dividend Fund             | 81,971,247           | 94,671,559                        | 1,654,639,061          | 2,576,806,336                       |
| Matthews China Dividend Fund            | —                    | —                                 | 291,007,542            | 221,529,815                         |
| Matthews Asia Value Fund                | —                    | —                                 | 6,790,802              | 9,273,057                           |
| Matthews Asia Growth Fund               | 21,828,952           | —                                 | 397,998,685            | 394,415,627                         |
| Matthews Pacific Tiger Fund             | 199,423,161          | —                                 | 1,278,282,381          | 1,854,467,255                       |
| Matthews Asia ESG Fund                  | —                    | —                                 | 35,199,808             | 13,053,802                          |
| Matthews Emerging Asia Fund             | 4,968,018            | 1,080,614                         | 68,990,865             | 114,446,074                         |
| Matthews Asia Innovators Fund           | —                    | —                                 | 216,067,859            | 225,991,257                         |
| Matthews China Fund                     | —                    | —                                 | 607,249,381            | 542,710,880                         |
| Matthews India Fund                     | —                    | 18,356,306                        | 326,461,223            | 886,690,830                         |
| Matthews Japan Fund                     | —                    | —                                 | 651,041,789            | 1,853,443,061                       |
| Matthews Korea Fund                     | —                    | —                                 | 51,705,655             | 60,729,730                          |
| Matthews Asia Small Companies Fund      | —                    | —                                 | 103,420,702            | 154,379,266                         |
| Matthews China Small Companies Fund     | —                    | —                                 | 57,370,128             | 47,723,621                          |

### 7. HOLDINGS OF 5% VOTING SHARES OF PORTFOLIO COMPANIES

The 1940 Act defines “affiliated companies” to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting shares. During the year ended December 31, 2019, the Funds below held 5% or more of the outstanding voting shares of the noted portfolio companies. During this period, other Funds in the Trust may also have held voting shares of the issuers at levels below 5%.

## Notes to Financial Statements (continued)

### Investments in affiliates:

A summary of transactions in securities of issuers affiliated with a Fund for the year ended December 31, 2019 is as follows:

|  | Value at<br>Dec. 31, 2018 | Purchases    | Sales        | Net Realized<br>Gain (Loss)<br>Jan. 1, 2019–<br>Dec. 31, 2019 | Net Change in<br>Unrealized<br>Appreciation<br>(Depreciation) | Value at<br>Dec. 31, 2019 | Shares<br>Dec. 31, 2019 | Dividend<br>Income<br>Jan. 1, 2019–<br>Dec. 31, 2019 |
|--|---------------------------|--------------|--------------|---|---|---------------------------|-------------------------|--|
| <b>MATTHEWS ASIA DIVIDEND FUND</b>                                   |                           |              |              |   |   |                           |                         |  |
| <b>Name of Issuer:</b>   |                           |              |              |   |   |                           |                         |  |
| Anritsu Corp.  | \$129,966,714             | \$—          | \$20,851,374 | \$8,995,936   | \$46,687,927  | \$164,799,203             | 8,326,100               | \$1,770,320  |
| Ascendas India Trust†  | 45,851,208                | —            | 1,171,760    | —   | —   | —                         | 56,820,600              | —  |
| Beijing Capital International Airport<br>Co., Ltd. H Shares†         | 99,853,768                | 4,358,986    | 13,219,780   | —   | —   | —                         | 83,732,000              | —  |
| BELLSYSTEM24 Holdings, Inc.  | 65,691,365                | 1,865,825    | 2,321,614    | (102,416)   | 22,818,375  | 87,951,535                | 5,609,000               | 1,860,301  |
| BGF Retail Co., Ltd.†  | 175,532,359               | —            | 26,264,340   | —   | —   | —                         | 799,997                 | —  |
| Breville Group, Ltd.   | 91,527,205                | —            | 52,700,631   | 22,499,367  | 35,281,931  | 96,607,872                | 7,876,641               | 2,467,731  |
| CapitaLand Retail China Trust, REIT†                                 | 49,706,389                | 3,660,850††  | 1,137,391    | —   | —   | —                         | 53,156,900              | —  |
| China Steel Chemical Corp.   | 69,943,970                | —            | 5,704,704    | (813,143)   | (5,355,348)   | 58,070,775                | 14,196,000              | 2,072,815  |
| Eiken Chemical Co., Ltd.   | 76,416,687                | 4,650,433    | 1,769,054    | (14,316)  | (11,696,568)  | 67,587,182                | 3,651,700               | 887,705  |
| HKBN, Ltd.†  | 85,506,443                | —            | 2,589,102    | —   | —   | —                         | 54,905,123              | —  |
| KATITAS Co., Ltd.  | —                         | 68,897,170   | 1,717,668    | 470,328   | 24,606,611  | 92,256,441                | 2,095,600               | 890,215  |
| Minda Industries, Ltd.   | 64,533,029                | 2,948,832    | 1,114,996    | 395,479   | 4,453,848   | 71,216,192                | 14,447,293              | 230,107  |
| Minth Group, Ltd.  | 219,908,372               | 3,608,987    | 6,238,089    | 3,745,206   | 17,178,609  | 238,203,085               | 67,459,000              | 5,847,089  |
| Shanghai Jin Jiang International<br>Hotels Group Co., Ltd. H Shares† | 42,026,409                | —            | 30,131,280   | —   | —   | —                         | —                       | —  |
| Yuexiu Transport Infrastructure, Ltd.                                | 73,834,708                | —            | 2,253,429    | 784,194   | 11,911,618  | 84,277,091                | 94,728,000              | 5,196,091  |
| Total Affiliates   |                           |              |              | \$35,960,635  | \$145,887,003   | \$960,969,376             |                         | \$21,222,374   |
| <b>MATTHEWS ASIA GROWTH FUND</b>                                     |                           |              |              |   |   |                           |                         |  |
| <b>Name of Issuer:</b>   |                           |              |              |   |   |                           |                         |  |
| Rozetta Corp.  | \$—                       | \$17,889,857 | \$—          | \$—   | \$711,524   | \$18,601,381              | 516,600                 | \$—  |
| Sampath Bank PLC   | 20,720,071                | 3,939,095††  | —            | —   | (5,048,952)   | 19,610,214                | 21,899,216              | 395,119  |
| Total Affiliates   |                           |              |              | \$—   | \$(4,337,428)   | \$38,211,595              |                         | \$395,119  |
| <b>MATTHEWS PACIFIC TIGER FUND</b>                                   |                           |              |              |   |   |                           |                         |  |
| <b>Name of Issuer:</b>   |                           |              |              |   |   |                           |                         |  |
| Cheil Worldwide, Inc.†   | \$147,448,645             | \$—          | \$49,732,448 | \$—   | \$—   | \$—                       | 5,057,779               | \$—  |
| DB Insurance Co., Ltd.†  | 224,865,683               | —            | 3,758,372    | —   | —   | —                         | 3,495,200               | —  |
| DKSH Holding AG  | 197,817,440               | 69,674,373   | —            | —   | (47,839,585)  | 219,652,228               | 4,039,869               | 4,182,133  |
| Fuyao Glass Industry Group Co., Ltd.<br>H Shares                     | 111,182,580               | 45,224,601   | —            | —   | (5,486,857)   | 150,920,324               | 49,288,400              | 3,779,934  |
| Guotai Junan Securities Co., Ltd. H<br>Shares                        | 86,942,148                | 84,524,187   | —            | —   | (25,643,049)  | 145,823,286               | 82,304,600              | 2,971,099  |
| Just Dial, Ltd.†   | 25,558,400                | —            | 15,565,811   | —   | —   | —                         | 1,765,000               | —  |
| Orion Holdings Corp.   | 86,522,603                | —            | —            | —   | 408,771   | 86,931,374                | 5,656,566               | 5,392,455  |
| Tata Power Co., Ltd.   | 198,263,749               | —            | —            | —   | (55,483,582)  | 142,780,167               | 180,316,487             | 3,384,208  |
| Total Affiliates   |                           |              |              | \$—   | \$(134,044,302)   | \$746,107,379             |                         | \$19,709,829   |
| <b>MATTHEWS EMERGING ASIA FUND</b>                                   |                           |              |              |   |   |                           |                         |  |
| <b>Name of Issuer:</b>   |                           |              |              |   |   |                           |                         |  |
| PAK Suzuki Motor Co., Ltd.   | \$4,124,659               | \$4,968,018  | \$1,080,614  | (\$1,337,967)   | \$1,104,143   | \$7,778,239               | 5,221,400               | \$91,438   |
| Shifa International Hospitals, Ltd.†                                 | 4,139,332                 | —            | 223,004      | —   | —   | —                         | 2,676,951               | —  |
| Taisun International Holding Corp.†                                  | 8,786,929                 | —            | 1,736,731    | —   | —   | —                         | 1,739,000               | —  |
| Vietnam National Seed Group JSC                                      | 4,371,071                 | —            | —            | —   | 4,244   | 4,375,315                 | 1,126,522               | 145,764  |
| Total Affiliates   |                           |              |              | (\$1,337,967)   | \$1,108,387   | \$12,153,554              |                         | \$237,202  |
| <b>MATTHEWS INDIA FUND</b>   |                           |              |              |   |   |                           |                         |  |
| <b>Name of Issuer:</b>   |                           |              |              |   |   |                           |                         |  |
| Caplin Point Laboratories, Ltd.†                                     | \$21,157,850              | \$—          | \$708,141    | \$—   | \$—   | \$—                       | 3,722,941               | \$—  |
| eClerx Services, Ltd.†   | 36,787,720                | —            | 21,797,488   | —   | —   | —                         | —                       | —  |
| VST Industries, Ltd.   | 54,669,836                | —            | 18,356,306   | 9,394,516   | 2,763,341   | 48,471,387                | 820,937                 | 1,498,521  |
| Total Affiliates   |                           |              |              | \$9,394,516   | \$2,763,341   | \$48,471,387              |                         | \$1,498,521  |

† Issuer was not an affiliated company as of December 31, 2019.

†† Includes equity offering and stock dividend during the period.

## Notes to Financial Statements *(continued)*

### 8. INCOME TAX INFORMATION

It is the policy of the Funds to comply with all requirements of the Internal Revenue Code of 1986, as amended (“the Code”), applicable to regulated investment companies and to distribute substantially all of their taxable income to their shareholders. The Funds have met the requirements of the Code applicable to regulated investment companies for the year ended December 31, 2019. Therefore, no federal income tax provision is required.

Management has analyzed the Funds’ tax positions taken on federal income tax returns for all open tax years (current and prior three tax years), and has concluded that no provision for federal income tax is required in the Funds’ financial statements. The Funds’ federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

As of December 31, 2019, the components of accumulated earnings/deficit on tax basis were as follows:

|   | Undistributed<br>Ordinary Income | Undistributed<br>Long-Term<br>Capital Gains | Capital Loss<br>Carryforwards |
|---|----------------------------------|---|-------------------------------|
| Matthews Asia Total Return Bond Fund    | \$298,202                        | \$—   | (\$1,503,507)                 |
| Matthews Asia Credit Opportunities Fund | 237,320                          | —   | —                             |
| Matthews Asian Growth and Income Fund   | —                                | 391,926                                     | —                             |
| Matthews Asia Dividend Fund             | 24,437,437                       | —   | (82,955,984)                  |
| Matthews China Dividend Fund            | 2,882,841                        | —   | (1,827,665)                   |
| Matthews Asia Value Fund                | —                                | —   | (2,013,903)                   |
| Matthews Asia Growth Fund               | 8,238,871                        | 372,626                                     | —                             |
| Matthews Pacific Tiger Fund             | 6,957,434                        | 60,177,605                                  | —                             |
| Matthews Asia ESG Fund                  | 189,851                          | 188,771                                     | —                             |
| Matthews Emerging Asia Fund             | 3,450,693                        | —   | (32,415,499)                  |
| Matthews Asia Innovators Fund           | —                                | 1,774,514                                   | —                             |
| Matthews China Fund                     | 37,004                           | —   | (24,326,229)                  |
| Matthews India Fund                     | 4,523,729                        | 16,595,309                                  | —                             |
| Matthews Japan Fund                     | 4,083,649                        | —   | —                             |
| Matthews Korea Fund                     | 1,103,583                        | —   | (5,032,382)                   |
| Matthews Asia Small Companies Fund      | —                                | 134,758                                     | —                             |
| Matthews China Small Companies Fund     | 55,323                           | —   | (453,542)                     |

|   | Late Year<br>Losses* | Other Temporary<br>Differences | Unrealized<br>Appreciation<br>(Depreciation)** | Total Accumulated<br>Earnings/(Deficit) |
|---|----------------------|--------------------------------|--|---|
| Matthews Asia Total Return Bond Fund    | \$—                  | \$—                            | \$3,439,798                                    | \$2,234,493                             |
| Matthews Asia Credit Opportunities Fund | (40,191)             | —                              | 1,536,315                                      | 1,733,444                               |
| Matthews Asian Growth and Income Fund   | —                    | —                              | 178,521,659                                    | 178,913,585                             |
| Matthews Asia Dividend Fund             | —                    | (8,528)                        | 966,821,087                                    | 908,294,012                             |
| Matthews China Dividend Fund            | (3,920,578)          | —                              | 20,670,926                                     | 17,805,524                              |
| Matthews Asia Value Fund                | —                    | —                              | (528,076)                                      | (2,541,979)                             |
| Matthews Asia Growth Fund               | (1,542,268)          | —                              | 302,744,458                                    | 309,813,687                             |
| Matthews Pacific Tiger Fund             | —                    | —                              | 2,765,104,028                                  | 2,832,239,067                           |
| Matthews Asia ESG Fund                  | —                    | —                              | 3,337,076                                      | 3,715,698                               |
| Matthews Emerging Asia Fund             | —                    | —                              | (14,854,477)                                   | (43,819,283)                            |
| Matthews Asia Innovators Fund           | —                    | —                              | 66,078,235                                     | 67,852,749                              |
| Matthews China Fund                     | —                    | —                              | 102,948,502                                    | 78,659,277                              |
| Matthews India Fund                     | —                    | (1,285)                        | 100,113,258                                    | 121,231,011                             |
| Matthews Japan Fund                     | (10,705,586)         | —                              | 399,087,845                                    | 392,465,908                             |
| Matthews Korea Fund                     | —                    | —                              | 14,377,653                                     | 10,448,854                              |
| Matthews Asia Small Companies Fund      | —                    | —                              | (1,835,263)                                    | (1,700,505)                             |
| Matthews China Small Companies Fund     | (440,033)            | —                              | 11,087,723                                     | 10,249,471                              |

\* The Funds have elected to defer certain qualified late-year losses and recognize such losses in the next fiscal year.

\*\* The differences between book-basis and tax-basis unrealized appreciation/depreciation is attributable primarily to the tax deferral of losses on wash sales and passive foreign investment company (PFIC) mark to market adjustments.

## Notes to Financial Statements *(continued)*

As of December 31, 2019, the Funds have capital loss carryforwards available to offset future realized capital gains through the indicated expiration dates as follows:

|                                      | Amount With No Expiration |                  | Total      |
|--------------------------------------|---------------------------|------------------|------------|
|                                      | Short-term Losses         | Long-term Losses |            |
| Matthews Asia Total Return Bond Fund | 1,503,507                 | —                | 1,503,507  |
| Matthews Asia Dividend Fund          | 82,955,984                | —                | 82,955,984 |
| Matthews China Dividend Fund         | 1,827,665                 | —                | 1,827,665  |
| Matthews Asia Value Fund             | 222,757                   | 1,791,146        | 2,013,903  |
| Matthews Emerging Asia Fund          | 857,272                   | 31,558,227       | 32,415,499 |
| Matthews China Fund                  | 8,066,547                 | 16,259,682       | 24,326,229 |
| Matthews Korea Fund                  | 1,762,326                 | 3,270,056        | 5,032,382  |
| Matthews China Small Companies Fund  | —                         | 453,542          | 453,542    |

The following Funds utilized capital loss carryforwards in the current year:

|   | Utilized Capital Loss Carryforwards |
|---|-------------------------------------|
| Matthews Asia Total Return Bond Fund    | \$2,808,891                         |
| Matthews Asia Credit Opportunities Fund | 683,386                             |

Under the Regulated Investment Company Modernization Act of 2010, the Funds are permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to any losses incurred in pre-enactment taxable years, which generally expire after eight years from when they are incurred. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law.

U.S. GAAP requires that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or NAV. The permanent differences are primarily attributable to investments in PFICs, non-deductible expenses, foreign currency reclassification, NOL (net operating loss) adjustments, capital gains tax, distributions in excess of current earnings and profits, re-characterization of distributions, investment in swaps, adjustments on distributions related to taxable spinoffs and the utilization of accumulated earnings and profits distributed to shareholders on redemptions of shares as part of the dividends paid deduction for income tax purposes. For the year ended December 31, 2019, permanent differences in book and tax accounting have been reclassified to paid-in capital, undistributed net investment income (loss) and accumulated realized gain (loss) as follows:

|   | Increase/ (Decrease) Capital paid-in | Increase/ (Decrease) Total Distributable Earnings/ (Accumulated Loss) |
|---|--------------------------------------|---|
| Matthews Asia Total Return Bond Fund    | \$—                                  | \$—   |
| Matthews Asia Credit Opportunities Fund | —                                    | —   |
| Matthews Asian Growth and Income Fund   | 3,643,179                            | (3,643,179)   |
| Matthews Asia Dividend Fund             | —                                    | —   |
| Matthews China Dividend Fund            | 2,487                                | (2,487)   |
| Matthews Asia Value Fund                | (75,587)                             | 75,587  |
| Matthews Asia Growth Fund               | 850,456                              | (850,456)   |
| Matthews Pacific Tiger Fund             | 25,399,386                           | (25,399,386)  |
| Matthews Asia ESG Fund                  | 19,535                               | (19,535)  |
| Matthews Emerging Asia Fund             | —                                    | —   |
| Matthews Asia Innovators Fund           | (327,835)                            | 327,835   |
| Matthews China Fund                     | —                                    | —   |
| Matthews India Fund                     | 8,705,139                            | (8,705,139)   |
| Matthews Japan Fund                     | 10,555,618                           | (10,555,618)  |
| Matthews Korea Fund                     | —                                    | —   |
| Matthews Asia Small Companies Fund      | 23,702                               | (23,702)  |
| Matthews China Small Companies Fund     | 8,256                                | (8,256)   |

## Notes to Financial Statements *(continued)*

As of December 31, 2019, the tax cost of investments, including derivatives, and the related net unrealized appreciation and depreciation were as follows:

|   | Tax Cost      | Gross<br>Unrealized<br>Appreciation | Gross<br>Unrealized<br>Depreciation | Net Unrealized<br>Appreciation<br>(Depreciation) |
|---|---------------|-------------------------------------|-------------------------------------|--|
| Matthews Asia Total Return Bond Fund    | \$106,608,231 | \$3,978,067                         | \$(646,840)                         | \$3,331,227                                      |
| Matthews Asia Credit Opportunities Fund | 81,454,387    | 1,978,969                           | (442,345)                           | 1,536,624  |
| Matthews Asian Growth and Income Fund   | 1,258,135,166 | 270,863,467                         | (91,695,098)                        | 179,168,369                                      |
| Matthews Asia Dividend Fund             | 4,342,218,963 | 1,241,698,732                       | (275,068,072)                       | 966,630,660                                      |
| Matthews China Dividend Fund            | 349,901,429   | 50,786,248                          | (30,118,254)                        | 20,667,994                                       |
| Matthews Asia Value Fund                | 17,301,207    | 2,151,738                           | (2,672,649)                         | (520,911)  |
| Matthews Asia Growth Fund               | 868,270,893   | 352,136,570                         | (49,119,041)                        | 303,017,529                                      |
| Matthews Pacific Tiger Fund             | 5,904,405,487 | 3,562,479,504                       | (766,850,115)                       | 2,795,629,389                                    |
| Matthews Asia ESG Fund                  | 51,180,116    | 5,958,836                           | (2,523,228)                         | 3,435,608  |
| Matthews Emerging Asia Fund             | 332,094,706   | 52,723,727                          | (65,809,467)                        | (13,085,740)                                     |
| Matthews Asia Innovators Fund           | 234,723,844   | 71,035,986                          | (3,981,568)                         | 67,054,418                                       |
| Matthews China Fund                     | 791,216,765   | 119,326,650                         | (16,378,119)                        | 102,948,531                                      |
| Matthews India Fund                     | 848,201,108   | 221,055,904                         | (107,459,606)                       | 113,596,298                                      |
| Matthews Japan Fund                     | 1,852,692,276 | 458,179,099                         | (59,263,536)                        | 398,915,563                                      |
| Matthews Korea Fund                     | 119,803,557   | 21,998,073                          | (7,628,089)                         | 14,369,984                                       |
| Matthews Asia Small Companies Fund      | 173,280,819   | 24,207,806                          | (24,961,297)                        | (753,491)  |
| Matthews China Small Companies Fund     | 74,561,567    | 17,270,767                          | (6,183,312)                         | 11,087,455                                       |

### 9. SUBSEQUENT EVENTS

Effective January 31, 2020 (after the close of the NYSE), the Matthews Asia Strategic Income Fund was renamed the Matthews Asia Total Return Bond Fund.

# Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Matthews Asia Funds and Shareholders of Matthews Asia Total Return Bond Fund (formerly known as Matthews Asia Strategic Income Fund), Matthews Asia Credit Opportunities Fund, Matthews Asian Growth and Income Fund, Matthews Asia Dividend Fund, Matthews China Dividend Fund, Matthews Asia Value Fund, Matthews Asia Growth Fund, Matthews Pacific Tiger Fund, Matthews Asia ESG Fund, Matthews Emerging Asia Fund, Matthews Asia Innovators Fund, Matthews China Fund, Matthews India Fund, Matthews Japan Fund, Matthews Korea Fund, Matthews Asia Small Companies Fund, and Matthews China Small Companies Fund

## *Opinions on the Financial Statements*

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Matthews Asia Total Return Bond Fund (formerly known as Matthews Asia Strategic Income Fund), Matthews Asia Credit Opportunities Fund, Matthews Asian Growth and Income Fund, Matthews Asia Dividend Fund, Matthews China Dividend Fund, Matthews Asia Value Fund, Matthews Asia Growth Fund, Matthews Pacific Tiger Fund, Matthews Asia ESG Fund, Matthews Emerging Asia Fund, Matthews Asia Innovators Fund, Matthews China Fund, Matthews India Fund, Matthews Japan Fund, Matthews Korea Fund, Matthews Asia Small Companies Fund, and Matthews China Small Companies Fund (constituting Matthews Asia Funds, hereafter collectively referred to as the “Funds”) as of December 31, 2019, the related statements of operations for the year ended December 31, 2019, the statements of changes in net assets for each of the two years in the period ended December 31, 2019, including the related notes, and the financial highlights for each of the periods indicated therein (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of December 31, 2019, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period ended December 31, 2019 and each of the financial highlights for each of the periods indicated therein in conformity with accounting principles generally accepted in the United States of America.

## *Basis for Opinions*

These financial statements are the responsibility of the Funds’ management. Our responsibility is to express an opinion on the Funds’ financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

**PricewaterhouseCoopers LLP**

San Francisco, CA

February 26, 2020

We have served as the auditor of one or more investment companies in Matthews Asia Funds since 2007.

# Tax Information *(unaudited)*

For shareholders who do not have a December 31, 2019 tax year-end, this notice is for informational purposes. For the period January 1, 2019 to December 31, 2019, the Funds report the following items with regard to distributions paid during the period. All reports are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of each Fund to report the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.

## 1. Qualified Dividend Income

The Funds report a portion of the ordinary income distributed during the year ended December 31, 2019 as Qualified Dividend Income ("QDI") as defined in the Internal Revenue code as follows:

|   | QDI Portion |
|---|-------------|
| Matthews Asia Total Return Bond Fund    | 0.00%       |
| Matthews Asia Credit Opportunities Fund | 0.00%       |
| Matthews Asian Growth and Income Fund   | 65.10%      |
| Matthews Asia Dividend Fund             | 62.75%      |
| Matthews China Dividend Fund            | 68.59%      |
| Matthews Asia Value Fund                | 18.41%      |
| Matthews Asia Growth Fund               | 0.00%       |
| Matthews Pacific Tiger Fund             | 100.00%     |
| Matthews Asia ESG Fund                  | 93.97%      |
| Matthews Emerging Asia Fund             | 100.00%     |
| Matthews Asia Innovators Fund           | 0.00%       |
| Matthews China Fund                     | 98.22%      |
| Matthews India Fund                     | 0.00%       |
| Matthews Japan Fund                     | 100.00%     |
| Matthews Korea Fund                     | 0.00%       |
| Matthews Asia Small Companies Fund      | 100.00%     |
| Matthews China Small Companies Fund     | 8.59%       |

## 2. Dividends Received Deduction

The Funds report a Dividend Received Deduction pursuant to Section 854 of the Internal Revenue Code for the year ended December 31, 2019 as follows:

|   |       |
|---|-------|
| Matthews Asia Total Return Bond Fund    | 0.00% |
| Matthews Asia Credit Opportunities Fund | 0.00% |
| Matthews Asian Growth and Income Fund   | 8.14% |
| Matthews Asia Dividend Fund             | 0.00% |
| Matthews China Dividend Fund            | 0.00% |
| Matthews Asia Value Fund                | 0.25% |
| Matthews Asia Growth Fund               | 0.00% |
| Matthews Pacific Tiger Fund             | 4.34% |
| Matthews Asia ESG Fund                  | 0.00% |
| Matthews Emerging Asia Fund             | 0.00% |
| Matthews Asia Innovators Fund           | 0.00% |
| Matthews China Fund                     | 0.00% |
| Matthews India Fund                     | 0.00% |
| Matthews Japan Fund                     | 0.00% |
| Matthews Korea Fund                     | 0.00% |
| Matthews Asia Small Companies Fund      | 0.00% |
| Matthews China Small Companies Fund     | 0.00% |

# Tax Information *(unaudited) (continued)*

## 3. Long-Term Capital Gain Distributions

The Funds report Long-Term Capital Gain distributions pursuant to Section 852(b)(3) of the Internal Revenue Code for the year ended December 31, 2019 as follows:

|   | Long-Term Capital Gains |
|---|-------------------------|
| Matthews Asia Total Return Bond Fund    | \$—                     |
| Matthews Asia Credit Opportunities Fund | 42,003                  |
| Matthews Asian Growth and Income Fund   | 22,400,844              |
| Matthews Asia Dividend Fund             | —                       |
| Matthews China Dividend Fund            | —                       |
| Matthews Asia Value Fund                | —                       |
| Matthews Asia Growth Fund               | 12,060,061              |
| Matthews Pacific Tiger Fund             | 269,683,012             |
| Matthews Asia ESG Fund                  | 588,349                 |
| Matthews Emerging Asia Fund             | 8,355,290               |
| Matthews Asia Innovators Fund           | 976,006                 |
| Matthews China Fund                     | —                       |
| Matthews India Fund                     | 115,678,091             |
| Matthews Japan Fund                     | 190,758,914             |
| Matthews Korea Fund                     | 10,920,522              |
| Matthews Asia Small Companies Fund      | 79,318                  |
| Matthews China Small Companies Fund     | —                       |

## 4. Foreign Taxes Paid

The Funds have elected to pass through to their shareholders the foreign taxes paid for year ended December 31, 2019 as follows:

|   | Foreign Source Income | Foreign Taxes Paid |
|---|-----------------------|--------------------|
| Matthews Asia Total Return Bond Fund    | \$6,410,534           | \$141,431          |
| Matthews Asia Credit Opportunities Fund | —                     | —                  |
| Matthews Asian Growth and Income Fund   | 40,183,566            | 2,314,970          |
| Matthews Asia Dividend Fund             | 173,092,906           | 14,491,515         |
| Matthews China Dividend Fund            | 12,031,955            | 621,269            |
| Matthews Asia Value Fund                | 1,410,518             | 62,420             |
| Matthews Asia Growth Fund               | —                     | —                  |
| Matthews Pacific Tiger Fund             | 158,992,859           | 13,822,191         |
| Matthews Asia ESG Fund                  | 880,459               | 90,637             |
| Matthews Emerging Asia Fund             | —                     | 1,430,920          |
| Matthews Asia Innovators Fund           | —                     | —                  |
| Matthews China Fund                     | 19,855,961            | 1,119,886          |
| Matthews India Fund                     | —                     | —                  |
| Matthews Japan Fund                     | 40,985,934            | 4,097,158          |
| Matthews Korea Fund                     | —                     | —                  |
| Matthews Asia Small Companies Fund      | 4,397,482             | 318,032            |
| Matthews China Small Companies Fund     | 2,023,260             | 51,011             |

# Tax Information *(unaudited) (continued)*

## 5. Qualified Interest Income

The Funds report a portion of the net income dividends distributed during the year ended December 31, 2019, as Qualified Interest Income (QII), as defined in the Internal Revenue Code as follows:

|   | QII Portion |
|---|-------------|
| Matthews Asia Total Return Bond Fund    | 0.61%       |
| Matthews Asia Credit Opportunities Fund | 1.82%       |
| Matthews Asian Growth and Income Fund   | 0.90%       |
| Matthews Asia Dividend Fund             | 0.60%       |
| Matthews China Dividend Fund            | 1.34%       |
| Matthews Asia Value Fund                | 3.29%       |
| Matthews Asia Growth Fund               | 0.00%       |
| Matthews Pacific Tiger Fund             | 1.71%       |
| Matthews Asia ESG Fund                  | 1.21%       |
| Matthews Emerging Asia Fund             | 0.00%       |
| Matthews Asia Innovators Fund           | 0.00%       |
| Matthews China Fund                     | 2.34%       |
| Matthews India Fund                     | 0.00%       |
| Matthews Japan Fund                     | 2.75%       |
| Matthews Korea Fund                     | 0.00%       |
| Matthews Asia Small Companies Fund      | 5.20%       |
| Matthews China Small Companies Fund     | 3.42%       |

## 6. Qualified Short-Term Capital Gain Dividends

The Funds designate a portion of the short term capital gain dividends distributed during the year ended December 31, 2019, as Qualified Short Term Gain, as defined in the Internal Revenue Code as follows:

|   | Short-Term Gains |
|---|------------------|
| Matthews Asia Total Return Bond Fund    | 0.00%            |
| Matthews Asia Credit Opportunities Fund | 100.00%          |
| Matthews Asian Growth and Income Fund   | 0.00%            |
| Matthews Asia Dividend Fund             | 0.00%            |
| Matthews China Dividend Fund            | 0.00%            |
| Matthews Asia Value Fund                | 0.00%            |
| Matthews Asia Growth Fund               | 0.00%            |
| Matthews Pacific Tiger Fund             | 0.00%            |
| Matthews Asia ESG Fund                  | 0.00%            |
| Matthews Emerging Asia Fund             | 0.00%            |
| Matthews Asia Innovators Fund           | 0.00%            |
| Matthews China Fund                     | 0.00%            |
| Matthews India Fund                     | 0.00%            |
| Matthews Japan Fund                     | 0.00%            |
| Matthews Korea Fund                     | 0.00%            |
| Matthews Asia Small Companies Fund      | 0.00%            |
| Matthews China Small Companies Fund     | 0.00%            |

# Approval of Investment Advisory Agreement *(unaudited)*

The Funds, which are series of the Trust, have retained Matthews International Capital Management, LLC (“Matthews”) to manage their assets pursuant to an Investment Advisory Agreement dated as of February 1, 2016, as amended (the “Advisory Agreement”), which has been approved by the Board of Trustees of the Funds, including all of the Trustees who are not “interested persons” (“Independent Trustees”), within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”), as well as by the shareholders of each Fund in accordance with the requirements of the 1940 Act. Following an initial two-year term with respect to each Fund upon its commencement of operations, the Advisory Agreement continues in effect from year-to-year provided that the continuance is specifically approved at least annually by the vote of the holders of at least a majority of the outstanding shares of the Funds, or by the Board of Trustees, and, in either event, by a majority of the Independent Trustees of the Trust casting votes in person at a meeting called for that purpose (the “Annual 15(c) Process”).

At a meeting held on August 28 and 29, 2019 (the “Meeting”), the Board, including the Independent Trustees of the Trust, approved the continuation of the Advisory Agreement for an additional one-year term beginning February 1, 2020 with respect to each Fund.

At the Meeting and at prior meetings, the Board received and considered information (both written and oral) provided to assist it in the review of the Advisory Agreement and made assessments with respect to each Fund. The Independent Trustees were advised by independent legal counsel with respect to these matters. In addition, the Board received in-person presentations about the Funds throughout the year. Among the information considered by the Board were responses to a detailed information request sent on behalf of the Independent Trustees by their independent legal counsel. Matthews furnished extensive information in response to this request with respect to many subjects relating to the Advisory Agreement and addressed many of the factors discussed below, including but not limited to information about the services provided by Matthews, its structure, organization, operations and personnel, the financial condition of Matthews and the profitability to Matthews from the Advisory Agreement, compliance procedures and resources, investment performance of the Funds, expenses of the Funds, brokerage and portfolio transactions, distribution and marketing of the Funds, shareholder services and relationships with intermediaries, and other information considered relevant.

In considering information relating to management fee levels, which the Board considers to be the advisory and administrative fees both separately and on a combined basis, the Board considered, among other things, information provided by Matthews as to Fund management services and fees as compared to advisory services and fees charged by Matthews to its institutional clients and pooled vehicles organized outside of the United States. The Trustees also considered information provided by an independent data provider, Broadridge, comparing the investment performance and the fee and expense levels of each Fund to appropriate peer

groups of mutual funds, as well as performance data provided by Matthews with respect to pooled vehicles or other accounts managed by Matthews with similar investment objectives and/or strategies to the Funds, as applicable.

The Independent Trustees also considered that in 2017 they had engaged an Independent Consultant (“Independent Consultant”) with substantial industry experience in providing fund boards with analysis to assist them in their Annual 15(c) Process. The Independent Trustees considered the work and analysis performed by the Independent Consultant in that engagement to review the process for selecting appropriate peer groups for the Funds as helpful in their review for the Annual 15(c) Process. Furthermore, throughout the course of the year, the Board received a wide variety of materials relating to the services provided by Matthews, including reports on each Fund’s investment results, portfolio composition, portfolio trading practices, shareholder services, and other information relating to the nature, extent, and quality of services provided by Matthews to the Funds. The Board also took into account that, under the Administration and Shareholder Services Agreement, Matthews provides additional services to the Funds that are essential to the operation of the Funds and that, although Matthews is separately compensated under that agreement, these additional services are provided in connection with Matthews’ advisory relationship with the Funds.

In addition to the information furnished by Matthews, the Trustees were provided with a legal memorandum from their independent legal counsel discussing their fiduciary duties related to their approval of the continuation of the Advisory Agreement and discussed these matters with their counsel.

Prior to the Meeting, a working group of Independent Trustees and independent legal counsel had met with representatives of Matthews to review relevant information in connection with the Annual 15(c) Process. Thereafter, all of the Independent Trustees had met separately with their independent legal counsel to review all of the information provided in connection with the Annual 15(c) Process. At these sessions, the Independent Trustees asked Matthews to provide certain additional information and to respond to certain additional questions at the Meeting. The Independent Trustees then reviewed this supplemental information which was provided prior to and at the Meeting. The Independent Trustees discussed the renewal of the Advisory Agreement with representatives of Matthews and among themselves in private sessions on various occasions at which no representatives of Matthews were present.

The Trustees’ determinations at the Meeting were made on the basis of each Trustee’s business judgment after consideration of all the information presented. In deciding to recommend the renewal of the Advisory Agreement with respect to each Fund, the Independent Trustees did not identify any single or particular piece of information that, in isolation, was the controlling factor. Each Independent Trustee may also have weighed factors differently. This summary describes the most important, but not all, of the factors considered by the Board and the Independent Trustees.

## Approval of Investment Advisory Agreement *(unaudited) (continued)*

### 1. The nature, extent and quality of the services provided by Matthews under the Advisory Agreement.

The Trustees considered the overall financial strength and stability of Matthews and its ability to provide a high level and quality of services to the Funds. The Trustees considered the experience and qualifications of the executive and portfolio management personnel at Matthews who are responsible for providing services to the Funds and who are responsible for the daily management of the Funds' portfolios. The Trustees noted that Matthews has expanded its professional staff at both senior and junior levels over the past several years, and has enjoyed relative stability of its senior executives and portfolio management teams. They also reviewed Matthews' recent hirings to further strengthen or maintain current capabilities and to support future potential growth of assets and the expansion of its business. Among the improved capabilities noted by the Independent Trustees over the past several years are enhanced risk analytical resources and related professionals, including the appointment of a new Global Head of Risk and Compliance in 2017 and ongoing enhancements to compliance, risk management, technology, business infrastructure, operations, marketing and client service, as well as enhancements to financial intermediary oversight and valuation practices.

The Trustees considered Matthews as well positioned to continue to provide high quality services to the Funds under various market conditions, as demonstrated by past periods of volatile and challenging securities markets that have caused either contracting revenues or rapidly expanding assets at different times. The Trustees attributed much of that past stability to Matthews' emphasis on preserving and enhancing portfolio management team resources, careful business planning and management, as well as its solid financial condition and strong cash reserves.

As in past years, the Trustees considered the technical capabilities of Matthews, including the design and implementation of its disaster recovery and business continuity infrastructure. The Trustees also considered the Chief Compliance Officer's report regarding Matthews' compliance resources, risk assessment and other compliance initiatives and programs. The Trustees concluded that Matthews has implemented a robust and diligent compliance process, and demonstrates a strong commitment to a culture of compliance. The Independent Trustees took into consideration Matthews' description of its supervision of the activities of the Funds' various service providers, as well as supporting the Independent Trustees' responsibilities and requests and its responsiveness to questions and/or concerns raised by the Trustees throughout the year.

The Trustees noted the significant role played by Matthews with respect to the valuation of portfolio securities, including research and analysis related to fair valued securities and due diligence and oversight of pricing vendors.

The Trustees concluded that Matthews had the quality of personnel and other investment resources essential to performing its duties under the Advisory Agreement, and that

the nature, overall quality, cost and extent of such management services are fully satisfactory.

### 2. The investment performance of the Funds.

The Trustees reviewed the short-term and long-term performance of each Fund on both an absolute basis and in comparison to appropriate peer funds and benchmark indices for various periods ending June 30, 2019. The Trustees considered investment results in light of each Fund's objective, strategies and market conditions, noting periods during which there were challenging investment conditions in various Asian markets. The Trustees also noted the difficulty of fairly benchmarking performance for certain of the Funds as well as the difficulty of establishing appropriate peer groups or benchmark indices for certain of the Funds because of the lack of other funds with a similar investment focus. The Independent Trustees reviewed information as to peer group selections presented by Broadridge and took into account the work previously done by the Independent Consultant in reviewing the peer group selection process.

The Trustees reviewed each Fund's performance on a case-by-case basis and noted that some Funds had outperformed their Selected Performance Peer Group over certain periods and/or exceeded the return of their respective benchmark while others underperformed their Selected Performance Peer Group over certain periods and/or trailed the return of their respective benchmark. In considering each Fund's investment results, the Board placed greater emphasis on each Fund's long-term performance track record rather than shorter-term performance. The Board also took into account that each Fund's track record was measured as of a specific ending date, and that track records can vary as of different measurement dates. Therefore, in reviewing a Fund that is currently underperforming, the Trustees also considered the broader perspective of the Fund's performance over varying time periods, the market conditions experienced during the periods under review, as well as the outlook for the Fund going forward in light of expected future market conditions.

The Trustees discussed with Matthews the fact that certain periods of underperformance may be transitory while other periods of underperformance may be caused by factors that warrant further consideration. To the extent of any concerns about performance with respect to any particular period for a Fund, the Trustees noted that Matthews had provided an explanation for that performance and explained its reasons for maintaining a consistent investment philosophy. In addition, the Trustees recognized actions taken by Matthews from time to time in response to performance concerns, such as changes to members of a portfolio management team. A summary of each Fund's performance track record is provided below.

For **Matthews Pacific Tiger Fund**, the Trustees noted that the Fund's performance was very strong in the five-year and since inception periods, ranking in the first quintile for those periods against the peer group, in the fourth quintile for three years and second quintile for one year. The Trustees

## Approval of Investment Advisory Agreement *(unaudited) (continued)*

also noted that the Fund outperformed the median of its peer group for the one-year, five-year and since inception periods and underperformed the median for the three-year period.

For **Matthews Asian Growth and Income Fund**, the Trustees noted that the Fund has experienced difficult performance for the three- and five-year periods, ranking in the fifth quintile of its peer group, but that recent performance had improved, with the Fund ranking in the first quintile for the one-year period. The Trustees also noted that the Fund's performance ranked in the third quintile for the since inception period. The Trustees further noted that the Fund outperformed its peer group median for the one-year period but underperformed for the three-year, five-year and since inception periods. The Trustees took into account Matthews' explanation that much of the longer-term underperformance was the result of a relatively weak 2016, but that the Fund had less volatility compared to the peer group. The Board also considered that Matthews had made changes the previous year to the portfolio management and research teams for the Fund and noted the improved performance since that time.

For **Matthews Korea Fund**, the Trustees noted that the Fund had enjoyed favorable relative performance for the five-year and since inception periods, but performed below the median for the one- and three-year periods. The Trustees took into account, however, that the peer universe for the Fund was very small, with only a few comparable funds and that, therefore, relative peer performance was less useful than if the peer universe were larger.

For **Matthews China Fund**, the Trustees noted that the Fund's performance had ranked in the third quintile for the one-year and since inception periods, first quintile for the three-year period and second quintile for the five-year period. The Trustees also noted that the Fund outperformed the median of its peer funds over each of those periods.

For **Matthews Japan Fund**, the Trustees noted that the Fund's performance had ranked in the fourth quintile for the one- and three-year periods, but that longer-term performance was favorable compared to its peer funds, with the Fund ranking in the second quintile and exceeding the median for the five-year and since inception periods. The Trustees took into consideration Matthews' discussions regarding the reasons for the shorter-term underperformance.

For **Matthews Asia Innovators Fund**, the Trustees noted that the Fund has experienced recent underperformance, ranking in the fifth quintile for the one-year period, but that the Fund was above the median of its peer funds over the three-year period and well above the median for the five-year and since inception periods, ranking in the first quintile for all of those periods. The Trustees noted the absence of a directly comparable peer group with the same Asia-focused industry concentration even though the Fund slightly expanded its investment focus starting in 2016.

For **Matthews Asia Growth Fund**, the Trustees noted that the Fund ranked in the fifth quintile for the one-year period, but that the Fund had stronger longer-term performance, ranking in the third quintile for the three- and five-year periods and outperforming the median of its peers for the three-year, five-year and since inception periods. The Trustees took into account, however, that principally due to the Fund's exposure to Japan, the peer universe for the Fund was small, with only a few comparable funds and that therefore relative peer performance was of less use than if the peer universe were larger. The Board also considered Matthews' discussion regarding the factors contributing to the recent underperformance.

For **Matthews India Fund**, the Trustees noted that the Fund ranked in the fourth quintile for the one- and three-year periods, underperforming the median of its peer group, but outperformed the median of its peer funds and ranked in the first quintile over the five-year and since inception periods. The Trustees took into consideration Matthews' discussions regarding the factors that had contributed to the shorter-term underperformance.

For **Matthews Asia Dividend Fund**, the Trustees noted that the Fund outperformed the median performance of its peer group for the five-year and since inception periods, ranking in the third quintile over the five-year period, but lagged the median for the peer group for the one- and three-year periods, ranking in the fourth and fifth quintile for those periods, respectively. The Trustees took into account, however, that principally due to the Fund's exposure to Japan, the peer universe for the Fund was small, with only a few comparable funds and that therefore relative peer performance was of less use than if the peer universe were larger.

For **Matthews Asia Small Companies Fund**, the Trustees noted that the Fund ranked above the median for the one- and three-year periods, with only two funds in the peer group (and was the only fund in the peer group for the five-year and since inception periods). The Trustees also noted that a possible larger peer group had been reviewed and determined not to be sufficiently similar to the Fund to be useful. The Trustees considered further that most of the peer group funds were not focused on Asian small cap investments and, therefore, were considered to be of limited use in evaluating the Fund's performance.

For **Matthews China Dividend Fund**, the Trustees noted the Fund's strong relative performance, ranking in the second quintile of its peer group for the one-year period and first quintile for the three-year, five-year and since inception periods. The Trustees also noted that the Fund had outperformed its peer group median for the one-year, three-year, five-year and since inception periods.

For **Matthews China Small Companies Fund**, the Trustees noted that the Fund's performance was equal to the median for its peer group for the one-year period and outperformed the median for the since inception period, with only three funds in the peer group.

## Approval of Investment Advisory Agreement *(unaudited) (continued)*

For **Matthews Asia Total Return Bond Fund**, the Trustees noted that the Fund's performance had ranked in the fifth quintile for the one-year period, but that the Fund's longer-term performance was stronger, ranking in the second quintile for the three- and five-year periods and the third quintile for the period since inception. The Trustees noted that the Fund had underperformed its peer group median for the one-year and since inception periods but had outperformed for the three- and five-year periods. The Trustees recognized that the peer groups included mostly broader emerging market hard currency debt funds not focused on Asia, making the peer group less useful in comparing relative performance than if their principal investment strategies were more closely aligned with the Fund's investment focus. The Trustees also considered that the Advisor was proposing changes to the Fund's name and principal investment strategy, noting that those changes are not expected to impact the way the Fund is managed or the Fund's risk/return profile.

For **Matthews Emerging Asia Fund**, the Trustees noted that the Fund's performance had ranked above the median of its peer group for the five-year and since inception periods, ranking in the first and second quintile for those periods, respectively, but had experienced difficult relative one- and three-year performance, ranking in the fifth quintile among its peers. The Trustees took into account Matthews' explanation that the Fund differs from most funds in its peer group due to its investment focus on frontier countries, such as Pakistan. Recent weak performance of frontier country stocks has resulted in relative underperformance of the Fund against its peer universe.

For **Matthews Asia ESG Fund**, the Trustees noted that the Fund had outperformed its peer group median for the one-year and since inception periods and had ranked in the second quintile for those periods and that the Fund had underperformed its peer group median for the three-year period and ranked in the third quintile. The Trustees noted that the peer group funds did not have a similar ESG strategy as the Fund.

For **Matthews Asia Value Fund**, the Trustees noted that the Fund's performance had ranked in the fourth quintile for the one-year period, second quintile for the three-year period and third quintile since inception. The Trustees also noted that the Fund's performance exceeded the peer group median for the three-year and since inception periods with strong positive performance.

For **Matthews Asia Credit Opportunities Funds**, the Trustees noted that the Fund's performance had ranked above the peer group median for the one-year, three-year and since inception periods. The Trustees took into account, however, that the peer universe for the Fund was very small, with only a few comparable funds and that therefore relative peer performance was of less use than if the peer universe were larger.

After review, the Trustees concluded that each Fund's overall performance was satisfactory or was being addressed as

needed. The Trustees also reviewed Matthews' trading policies and efforts to obtain best overall execution for the Funds in the various markets in which the Funds trade securities. The Trustees noted the relatively low turnover rates in the various equity Funds and Matthews' consistent adherence to its long-standing investment approach, which emphasizes fundamental bottom-up driven investment selection in light of its view of regional economic conditions.

### **3. The extent to which Matthews realizes economies of scale as the Funds grow larger and whether Fund investors benefit from any economies of scale.**

The Trustees first noted the substantial work done over recent years between the Board and Matthews to establish fee structures for both the Advisory Agreement and other agreements that recognize the sharing of economies of scale that can arise as assets in the Funds grow through the use of breakpoints. In particular, they noted that the management fee structure contains breakpoints for the group-priced Funds as well as for certain individually priced Funds. That structure enhances the ability of the Funds and their shareholders to benefit from past and future potential economies of scale. They discussed the structure and level of these breakpoints and concluded that they continue to be appropriate given the sizes of the Funds and potential future growth. The Trustees further noted that additional economies of scale have been and will continue to be shared with shareholders of the Funds through fee waivers and/or expense reimbursements pursuant to the Operating Expenses Agreement, fee waivers pursuant to the Fee Waiver Agreement, and the breakpoints in the fees payable under the Services Agreement. The Trustees also noted that the Advisor had recommended, and the Trustees agreed, to remove redemption fees from the Matthews Emerging Asia Fund, Matthews Asia Small Companies Fund and Matthews China Small Companies Fund in an effort to promote asset growth and realize greater economies of scale.

The Trustees next discussed Matthews' ongoing investment in its technology, systems, staffing and other aspects of its business that can benefit the Funds, noting that all these endeavors are a means by which Matthews is sharing economies of scale with the Funds and their shareholders through reinvestment in products and services that are designed to benefit the Funds and their shareholders. The Trustees considered the new personnel hired over recent years, as well as planned hiring, and the extent to which that hiring could be expected to benefit shareholders. The Trustees also recognize that the Funds' total assets have fluctuated, especially in certain strategies. Those fluctuations affect any economies of scale that could be enjoyed. As a result, the Trustees remain satisfied about the extent to which economies of scale have been and will continue to be shared with the Funds and their shareholders.

### **4. The costs of the services provided by Matthews and others.**

The Trustees considered the management fees and total fees and expenses of each Fund in comparison to the management and advisory fees and other fees and expenses of other funds in each Fund's relevant peer group. The Trustees reviewed information developed by Broadridge as to appropriate peer

## Approval of Investment Advisory Agreement *(unaudited) (continued)*

groups for each Fund for these purposes and took into account the work previously done by the Independent Consultant in reviewing these peer groups. The Board placed greater emphasis on management fees, which include both advisory and administrative fees, as the basis of comparison rather than advisory fees alone.

The Trustees considered both the gross management fee rates charged by Matthews, as well as the effective management fee rates after taking into consideration the fees waived and expenses reimbursed pursuant to the Operating Expenses Agreement and the Fee Waiver Agreement. The Trustees considered that the contractual advisory rates (excluding administrative services) for the Funds were generally very competitive and often lower than those of the relevant peer group averages. The Trustees also considered that the total expense ratios paid by shareholders of the Funds, which are most representative of a shareholder's net investment results, were also very competitive, with all but the relatively newer or smaller Funds ranking below the peer group averages. The Trustees noted that Matthews' continued efforts in recent years had resulted in, for many of the Funds, reduced expenses over time. The Trustees also noted that, as an example of those efforts, the Advisor had agreed to lower the level of the expense cap for the Institutional Class of each Fund (other than the **Matthews Asia Total Return Bond Fund** and **Matthews Asia Credit Opportunities Fund**) by 5 basis points to 1.20%, thereby effectively lowering the expenses for the Investor Class of those Funds by the same amount, which is expected to result in immediate cost reductions for the **Matthews Emerging Asia Fund**, **Matthews Asia Small Companies Fund**, **Matthews China Small Companies Fund**, **Matthews Asia ESG Fund** and **Matthews Asia Value Fund**. It was noted that the larger Funds are already operating under the reduced expense cap but will have additional downside protection in the event that their assets decrease.

The Trustees also compared Matthews' advisory fees with those of Matthews' separate accounts and other investment products, noting that the Funds' advisory expenses were not disadvantageous (not being substantially higher than the separate accounts' rates). The Trustees agreed that advisory fees for the Funds appeared to be appropriate in comparison and taking into account the services differences between these products and the Funds, including the differences in the frequency of net asset value calculations and other operational and compliance activities.

The Trustees' overall assessment with respect to each Fund was that, taking into account the considerations noted below, the contractual advisory fee rates, the total expense ratio, and the effective or net advisory fee rates were fair and reasonable.

For the **Matthews Asia Total Return Bond Fund** and the **Matthews Asia Credit Opportunities Fund**, actual management fees were above the peer group medians, but the contractual management fees were below the peer group medians. The Trustees noted that Matthews had agreed the previous year to a reduction in its advisory fee rate from 0.65% to 0.55% and to forego recovery of any fees waived prior to that reduction.

For the **Matthews Asia Small Companies Fund**, **Matthews Asia Value Fund**, **Matthews China Small Companies Fund** and **Matthews Emerging Asia Fund**, the actual management fees were above the peer group medians due to their small size, but the contractual management fee for the **Matthews Asia Value Fund** and **Matthews Emerging Asia Fund** were below their peer group medians while the contractual management fee for the **Matthews Asia Small Companies Fund** and **Matthews China Small Companies Fund** was above their peer group medians. The Trustees considered that these Funds each had breakpoints in its management fee schedule and noted that the Advisor had recommended, and the Trustees agreed, to remove redemption fees from the **Matthews Emerging Asia Fund**, **Matthews Asia Small Companies Fund** and **Matthews China Small Companies Fund** in order to promote asset growth and realize economies of scale.

For the **Matthews Japan Fund**, **Matthews Korea Fund**, **Matthews Pacific Tiger Fund** and **Matthews Asia Innovators Fund**, the actual management fees were above peer group medians, but the contractual management fees were at or below the peer group medians.

For the **Matthews China Fund**, **Matthews Asia Growth Fund**, **Matthews India Fund**, **Matthews Asia Dividend Fund**, **Matthews China Dividend Fund** and **Matthews Asia ESG Fund**, both the actual management fees and the contractual management fees were below the respective peer group medians.

### 5. The profits to be realized by Matthews and its affiliates from the relationships with the Funds.

The Trustees reviewed information provided by Matthews regarding the costs of sponsoring and operating the Funds and information regarding the profitability to Matthews of the Advisory Agreement both on a fund-by-fund basis and overall for the family of Funds. In considering profitability, the Trustees discussed and considered the methodology employed by Matthews in calculating profit margins but also considered other elements relevant to discussions of profitability, such as the entrepreneurial risk undertaken by Matthews in sponsoring and maintaining the Funds and risks associated with commitments to maintain Fund expense ratios. The Trustees also reviewed information provided regarding the structure and manner in which Matthews' investment professionals were compensated and their respective views of the relationship of such compensation to the attraction and retention of quality personnel. The Trustees considered Matthews' willingness to invest in technology, infrastructure and professional staff to reinforce and offer services and to accommodate changing regulatory requirements and industry practices.

The Trustees noted that Matthews appeared to be sufficiently profitable to operate as a viable investment management firm, able to honor its obligations as a sponsor of the Funds, including the Funds that did not generate a profit for Matthews, without earning excessive profits from any particular Fund or from the overall relationship with the Funds. The Trustees noted that, with fluctuations in asset levels in some prior years, volatility in revenues and profitability could

## Approval of Investment Advisory Agreement *(unaudited) (continued)*

be expected from time to time in the future, but they also noted the continued expenditures on personnel and other resources. The Board also considered information relating to the profitability of a limited number of publicly traded investment advisers, although the Board noted that this information was of limited utility because it was comprised of a limited universe of advisers, did not provide any information as to how profitability was determined and did not limit profitability analysis to the performance of advisory services to registered investment companies. The Board further noted that these advisers differed significantly from Matthews because they were not solely dedicated to investment in the Asian markets.

Based on information received, the Trustees noted that Matthews' overall profitability from the Advisory Agreement appeared not to be excessive at the current time, whether considered inclusive or exclusive of distribution costs.

### **6. Ancillary benefits.**

The Trustees requested and received from Matthews information concerning other benefits received by Matthews as a result of its respective relationship with the Funds, including various service arrangements with Matthews. These potential benefits included, among other things, the use of soft dollars as well as potential benefits resulting from the structure of compensation arrangements between the Trust, the Adviser and financial intermediaries in the areas of shareholder servicing and sub-transfer agency services. The Board concluded that such benefits were consistent with those generally derived by investment advisers to mutual funds or were otherwise not unusual.

### **7. Conclusions.**

Based on their review, including their consideration of each of the factors referred to above, and assisted by the advice of independent counsel to the Independent Trustees, the Board, including the Independent Trustees, concluded that the Advisory Agreement was fair and reasonable with respect to each Fund and its shareholders, and that the renewal of the Advisory Agreement would be in the best interests of each Fund and its shareholders. The Board did not indicate that any single factor was determinative of its decision to approve the Advisory Agreement, but indicated that the Board based its determination on the total mix of information available to it.

# Statement Regarding Liquidity Risk Management Program

The Securities and Exchange Commission adopted Rule 22e-4 under the Investment Company Act of 1940, as amended (the “Liquidity Rule”) to promote effective liquidity risk management throughout the open-end investment company industry.

The Board of Trustees (the “Board”) of the Matthews International Funds, (the “Funds”) met on November 13-14, 2019 (the “Meeting”) to review the Liquidity Risk Management Program (the “Program”) of the Funds, in accordance with the requirements of the Liquidity Rule. The Board has appointed Matthews International Capital Management, LLC (“MICM”) as Program Administrator. MICM has further delegated these duties to the members of the Liquidity Risk Management Committee (“LRMC”), a sub-committee of the Enterprise Risk Management Committee of MICM.

At the Meeting, the LRMC provided the Board with a report that addressed the operation of the Program and assessed its adequacy and effectiveness of implementation, including the operation of each Fund’s Highly Liquid Investment Minimum (“HLIM”) where applicable, and any material changes to the Program (the “Report”). The Report covered the period from December 1, 2018 through September 30, 2019 (the “Program Reporting Period”).

The Report included a Portfolio Liquidity Profile of each Fund, and during the Program Reporting Period, MICM provided the Board information relating to the Program’s liquidity classification methodology for categorizing a Fund’s investments (including derivative transactions) into one of four liquidity buckets during both normal and reasonably foreseeable stressed market periods. The Report also discussed the methodology utilized in establishing a Fund’s HLIM and Reasonably Anticipated Trading Size (“RATS”) and noted that the LRMC was not proposing any changes to the HLIM or RATS assigned to each Fund.

There were no material changes to the Program during the Program Reporting Period. The Report provided to the Board stated that the LRMC concluded that based on the operation of the functions, as described in the Report, the Program is operating as intended and is effective in implementing the requirements of the Liquidity Rule.

## Trustees and Officers of the Funds *(unaudited)*

The operations of each Fund are under the direction of the Board of Trustees. The Board of Trustees establishes each Fund's policies and oversees and reviews the management of each Fund. The Board meets regularly to review the activities of the officers, who are responsible for the day-to-day operations of the Funds. The Statement of Additional Information, which includes additional information about Fund Trustees, is available without charge by calling 800.789.2742 or by visiting the Funds' website, matthewsasia.com. The Trustees and executive officers of the Funds, their year of birth, business address, principal occupations during the past five years and other trusteeships/directorships are set forth below:

| Name, Year of Birth, Address and Position(s) Held with Trust   | Term of Office and Length of Time Served <sup>1</sup>   | Principal Occupation(s) During Past 5 Years  | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/Directorships (number of portfolios) Held by Trustee  |
|--|---|--|--|--|
| <b>INDEPENDENT TRUSTEES</b>  |   |  |  |  |
| <b>JONATHAN F. ZESCHIN</b><br>Born 1953<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Chairman of the Board of Trustees and Trustee | Trustee since 2007 and Chairman of the Board since 2014 | Partner (since 2009), Essential Investment Partners, LLC (investment advisory and wealth management).  | 17   | Trustee (2019), Russell Investment Funds (9 portfolios) and Russell Investment Company (32 portfolios)   |
| <b>TOSHI SHIBANO</b><br>Born 1950<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee   | Since 2003  | Faculty (since 2000), General Electric's John F. Welch Leadership Center; President (since 1995), Executive Financial Literacy, Inc. (financial executive development programs); Faculty Director and Executive Education Lecturer (1995–2016), Center for Executive Education, Haas School of Business, UC Berkeley; Adjunct Professor (2000–2011), Columbia Graduate School of Business; Associate Professor (2001–2005), Thunderbird School of Global Management; Visiting Assistant Professor (2000), Stanford Graduate School of Business; Assistant Professor (1995–2000), University of Chicago Graduate School of Business; Assistant Professor (1988–1995), Haas School of Business, UC Berkeley. | 17   |  |
| <b>RHODA ROSSMAN</b><br>Born 1958<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee   | Since 2006  | Council Member (since 2019), California Catastrophe Response Council; Vice President, Corporate Investment Officer (2007–2010), Senior Vice President and Treasurer (2003–2007), The PMI Group, Inc. (mortgage insurer).   | 17   |  |
| <b>RICHARD K. LYONS</b><br>Born 1961<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee  | Since 2010  | Chief Innovation and Entrepreneurship Officer (since 2020), UC Berkeley; Dean (2008–2018), Haas School of Business, UC Berkeley; Chief Learning Officer (2006–2008), Goldman Sachs (investment banking and investment management); Executive Associate Dean (2005–2006), Haas School of Business, UC Berkeley.   | 17   | Trustee (since 2018), Syntax ETF Trust; Trustee (2001–2006), Barclays Global Investor Funds and Master Investment Portfolios (15 Portfolios); Trustee (2000–2006), iShares, Inc. (24 Portfolios) and iShares Trust (over 70 Portfolios); Trustee (1994–2006) and Chairman of the Board (2000–2006), Matthews Asia Funds (9 Portfolios) |

<sup>1</sup> Each Trustee serves for an indefinite term, until retirement age or until his/her successor is elected. Officers serve at the pleasure of the Board of Trustees.

# Trustees and Officers of the Funds *(unaudited)*

| Name, Year of Birth, Address and Position(s) Held with Trust  | Term of Office and Length of Time Served <sup>1</sup> | Principal Occupation(s) During Past 5 Years   | Number of Portfolios in Fund Complex Overseen by Trustee | Other Trusteeships/Directorships (number of portfolios) Held by Trustee   |
|---|---|---|--|---|
| <b>INDEPENDENT TRUSTEES</b>   |   |   |  |   |
| <b>CHRISTOPHER LEE</b><br>Born 1967<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee                  | Since 2015  | Consultant and Associate Professor (since 2017), Hong Kong University of Science and Technology; Lecturer (part-time) (2013-2019), The Chinese University of Hong Kong; Private Investor and Partner (since 2012), FAA Investments (financial holding company); Managing Director, Asia Region, and Head of Global Markets Investment Products & db-X (2010–2012), Deutsche Bank AG (financial services); Managing Director, Equity Risk Management Products, and Head of Intermediary Business (2002–2010), UBS AG (financial services); Vice President, Global Markets & Investment Bank (2000–2002), Vice President, International Private Clients Group (1997–2000), Associate, Debt and Equity Markets Group (1995–1997), Merrill Lynch & Co., Inc. (brokerage and investment management). | 17   | Director (since 2017), Hong Kong Securities and Investment Institute; Director (2013–2018), Asian Master Funds (Australia) (1 Portfolio); Trustee (since 2013), African Wildlife Foundation; Trustee (2010-2016), Oakland Museum of California.   |
| <b>GALE K. CARUSO</b><br>Born 1957<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee                   | Since 2015  | Formerly President and Chief Executive Officer (1999–2003), Zurich Kemper Life (life insurance and annuities); Chairman, President and Chief Executive Officer (1994–1999), Scudder Canada Investor Services, Ltd. (investment management); Managing Director (1986–1999), Scudder Kemper Investments, Inc. (investment management).  | 17   | Trustee (since 2006), Pacific Select Fund (57 Portfolios) and Pacific Funds Series Trust (39 Portfolios); Director (2005–2012), Make-A-Wish Foundation of Maine; Director (2005–2009), LandAmerica Financial Group, Inc.; Director (2001–2003), Make-A-Wish of Northern Illinois; former member of the Board of Directors, Illinois Life Insurance Council. |
| <b>INTERESTED TRUSTEES<sup>2</sup></b>  |   |   |  |   |
| <b>WILLIAM J. HACKETT</b><br>Born 1967<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Trustee and President | President since 2008 and Trustee since 2015           | Director (since 2016), Chief Executive Officer (since 2009), President (since 2008) and Secretary (2007-2016), Matthews (investment management); President (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company); Manager (since 2010), Matthews Global Investors S.à r.l. (Luxembourg) (investment management); Director (since 2010), Matthews Global Investors (Hong Kong) Limited (investment management); Partner (2002–2007), Deloitte & Touche, LLP (accounting).   | 17   | Chairman (since 2010), Director (since 2009), Matthews Asia Funds SICAV (Luxembourg) (12 Portfolios); Director (since 2009), Matthews Asian Selections Funds, PLC (Ireland) (1 Portfolio).  |
| <b>ROBERT J. HORROCKS, PhD</b><br>Born 1968<br>Four Embarcadero Center Suite 550<br>San Francisco, CA 94111<br>Vice President   | Since 2009  | Chief Investment Officer (since 2009), Director of Research (2008–2009), Matthews (investment management); Head of Research (2006–2008), Mirae Asset Management (investment management); Chief Investment Officer (2003–2006), Everbright Pramerica (investment management).  | 17   | None  |

1 Each trustee serves for an indefinite term, until retirement age or until his/her successor is elected. Officers serve at the pleasure of the Board of Trustees.

2 A trustee is considered an “interested person” of the Trust as defined under the 1940 Act because of an ownership interest in the Advisor or an office held with the Trust or the Advisor.

# Trustees and Officers of the Funds *(unaudited)*

| Name, Year of Birth, Address and Position(s) Held with Trust   | Term of Office and Length of Time Served <sup>1</sup> | Principal Occupation(s) During Past 5 Years   | Other Trusteeships/ Directorships (number of portfolios) Held by Officer   |
|--|---|---|--|
| <b>OFFICERS WHO ARE NOT TRUSTEES</b>   |   |   |  |
| <b>JOHN P. MCGOWAN</b><br>Born 1964<br>Four Embarcadero Center<br>Suite 550<br>San Francisco, CA 94111<br>Vice President and<br>Secretary                              | Since 2005  | Head of Fund Administration (since 2009), Chief Administrative Officer (2007–2008), Chief Operating Officer (2004–2007), Matthews (investment management); Vice President and Secretary (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company); Director (since 2010), Matthews Asia Funds SICAV (Luxembourg) (investments); Director (since 2010), Matthews Global Investors S.à r.l. (Luxembourg) (investment management); Director (since 2004), Matthews Asian Selections Funds, PLC (Ireland) (investments). | Director,<br>Matthews Asian<br>Selections Funds<br>Plc (1 Portfolio);<br>Director,<br>Matthews Asia<br>Funds SICAV<br>(Luxembourg)<br>(12 Portfolios). |
| <b>SHAI A. MALKA</b><br>Born 1973<br>Four Embarcadero Center<br>Suite 550<br>San Francisco, CA 94111<br>Treasurer  | Since 2005  | Vice President of Fund Accounting and Operations (since 2010), Senior Manager of Fund Accounting and Operations (2004–2009), Matthews (investment management); Treasurer (2013-2017), Matthews A Share Selections Fund, LLC (registered investment company).  | None   |
| <b>DAVID MONROE</b><br>Born 1963<br>Four Embarcadero Center<br>Suite 550<br>San Francisco, CA 94111<br>Vice President  | Since 2014  | General Counsel (since 2015), Deputy General Counsel (2014), Matthews (investment management); Chief Legal Officer (2006–2013), Nikko Asset Management Co., Ltd. (investment management).   | None   |
| <b>GAZALA KHAN</b><br>Born 1969<br>Four Embarcadero Center<br>Suite 550<br>San Francisco, CA 94111<br>Chief Compliance Officer<br>and Anti-Money<br>Laundering Officer | Since 2019  | Chief Compliance Officer and Anti-Money Laundering Officer (since 2019), Matthews Asia Funds (registered investment company); Chief Compliance Officer (2009-2019), Goldman Sachs Trust and Variable Insurance Trust (registered investment company).   | None   |

<sup>1</sup> Each trustee serves for an indefinite term, until retirement age or until his/her successor is elected. Officers serve at the pleasure of the Board of Trustees.

# Matthews Asia Funds

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800.789.ASIA

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