

# Matthews Asia Funds | Annual Report

31 March 2014

## ASIA GROWTH AND INCOME STRATEGIES

Asia Dividend Fund  
China Dividend Fund

## ASIA GROWTH STRATEGIES

Pacific Tiger Fund  
China Fund  
India Fund

## ASIA SMALL COMPANY STRATEGIES

Asia Small Companies Fund  
China Small Companies Fund





## General Information

Matthews International Capital Management, LLC (“Matthews”), formed under the laws of Delaware and regulated by the U.S. Securities and Exchange Commission, acts as Investment Manager to the Matthews Asia Funds (the “Fund”). Matthews believes in the long-term growth of Asia. Since Matthews was founded in 1991 by Paul Matthews, the firm has focused its efforts and expertise within the Asian region, investing through a variety of market environments. As an independent, privately owned firm, Matthews is the largest dedicated Asia investment specialist in the United States.

The Fund has an “umbrella” structure comprising a number of separate Sub-Funds. As at the year end, seven Sub-Funds were available for investment: Asia Dividend Fund, China Dividend Fund, Pacific Tiger Fund, China Fund, India Fund, China Small Companies Fund and Asia Small Companies Fund. This report covers the year from 1 April 2013 to 31 March 2014. The last day on which official prices were calculated was 31 March 2014. The figures presented in the financial statements are as at that date.

The annual general meeting of Shareholders will be held at the registered office of the Fund in Luxembourg on the third Tuesday of the month of June of each year at 2:00 p.m. or, if any such day is not a Business Day in Luxembourg, on the next following Business Day; or, following notice to shareholders, on such other day as determined by the Fund’s Board. Notices of all general meetings will be published to the extent required by Luxembourg Law, and in such other newspaper as the Board of Directors shall determine and will be sent to the Shareholders of registered Shares in accordance with Luxembourg Law to their addresses shown on the register of Shareholders. Such notices should include the agenda and will specify the time and place of the meeting and the conditions of admission. They will also refer to the rules of quorum and majorities required by Luxembourg Law.

Each Share confers the right to one vote. The vote on the payment of a dividend on a particular Class requires a separate majority vote from the meeting of Shareholders of the Class concerned. Any change in the Articles of Incorporation affecting the rights of a Sub-Fund must be approved by a resolution of both the general meeting of the Fund and the Shareholders of the Sub-Fund concerned.

Annual reports and audited financial statements shall be published within four months following the end of the accounting year and unaudited semi-annual reports shall be published within two months following the period to which they refer. The annual reports and the semi-annual reports shall be made available at the registered office of the Fund during ordinary office hours.

The Fund’s accounting year ends on 31 March in each year.

The Base Currency of the Fund is U.S. dollars (USD). The aforesaid reports will comprise consolidated accounts of the Fund expressed in USD as well as individual information on each Sub-Fund expressed in the Base Currency of each Sub-Fund.

Shares have not been registered under the United States Securities Act of 1933, as amended, nor the Investment Companies Act of 1940, as amended, and may not be offered directly or indirectly in the United States of America (including its territories and possessions) to nationals or residents thereof or to persons normally resident therein, or to any partnership or persons connected thereto unless pursuant to any applicable statute, rule or interpretation available under United States Law.

The Board of Directors confirms adherence to the ALFI Code of Conduct for Luxembourg investment funds.

## Report of the Custodian to the Shareholders

We have enquired into the conduct of Matthews Asia Funds SICAV ("the Company") for the year ended March 31<sup>st</sup> 2014 in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

## Responsibilities of the Custodian

Luxembourg SICAV's that distribute into Hong Kong, such as the Company, are required by the Hong Kong regulator to enquire into the conduct of the Company in each annual accounting period and report thereon to shareholders.

Our report shall state whether, in our opinion the Company has been managed in that period, in all material respects in accordance with the provisions of the Company's constitutive documents. It is the overall responsibility of the Company to comply with these provisions. If the Company has not complied we, as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

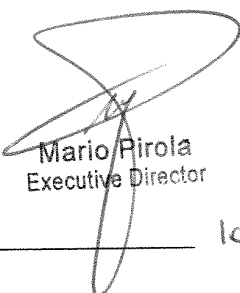
## Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to ensure that, in all material respects, the Company has been managed in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutive documents.

## Opinion

In our opinion, the Company has been managed during the year, in all material respect in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutive documents.

Yours faithfully,

  
Mario Pirola  
Executive Director  
10.7.2014

  
David O'Neill  
Executive Director  
J.P. Morgan Bank Luxembourg S.A.

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J.P. Morgan Bank Luxembourg S.A.

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Cover photo: Jinnamgwan Pavilion, the largest single-story pavilion in Korea

*This report does not constitute or form part of any offer of shares or an invitation to apply for shares of Matthews Asia Funds (the "Fund"). Subscriptions are to be made on the basis of the Key Investor Information Documents accompanied by the current full prospectus, and supplemented by the latest Annual Report or the most recent Semi-Annual Report.*

*The views and opinions in this report were current as at 31 March 2014. 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.*

*The subject matter contained herein has been derived from several sources believed to be reliable and accurate at the time of compilation. Matthews International Capital Management, LLC does not accept any liability for losses either direct or consequential caused by the use of this information.*

*The most current Key Investor Information Documents, full prospectus, and most recent Semi-Annual Report and Annual Report for the Fund, can be found at [hk.matthewsasia.com](http://hk.matthewsasia.com). Please read the Key Investor Information Documents and current full prospectus carefully before investing.*

# Matthews Asia Funds

## *Management and Administration*

### **BOARD OF DIRECTORS**

#### **Chairman**

William J. Hackett, Chief Executive Officer  
Matthews International Capital Management, LLC  
Four Embarcadero Center, Suite 550  
San Francisco, CA 94111, United States of America

#### **Directors**

Richard Goddard, Independent Director  
The Directors' Office, S.A.  
19, rue de Bitbourg, L-1273 Luxembourg  
Grand Duchy of Luxembourg

John P. McGowan, Senior Vice President  
Matthews International Capital Management, LLC  
Four Embarcadero Center, Suite 550  
San Francisco, CA 94111, United States of America

Timothy B. Parker, General Counsel  
Matthews International Capital Management, LLC  
Four Embarcadero Center, Suite 550  
San Francisco, CA 94111, United States of America

#### **Conducting Officers**

Richard Goddard  
Timothy B. Parker

### **INVESTMENT MANAGER AND GLOBAL DISTRIBUTOR**

Matthews International Capital Management, LLC  
Four Embarcadero Center, Suite 550  
San Francisco, CA 94111, United States of America

### **INVESTMENT ADVISOR**

Matthews Global Investors S.à r.l.  
19, rue de Bitbourg  
L-1273 Luxembourg  
Grand Duchy of Luxembourg

### **CUSTODIAN, ADMINISTRATIVE AGENT AND LISTING AGENT**

J.P. Morgan Bank Luxembourg S.A.  
European Bank & Business Centre  
6c, route de Trèves  
L-2633 Senningerberg  
Grand Duchy of Luxembourg

### **CABINET DE REVISION AGREE**

Deloitte Audit  
*Société à responsabilité limitée*  
560, rue de Neudorf  
L-2220 Luxembourg  
Grand Duchy of Luxembourg

### **LEGAL ADVISOR**

Elvinger, Hoss & Prussen  
2, Place Winston Churchill  
L-1340 Luxembourg  
Grand Duchy of Luxembourg

### **REGISTERED OFFICE**

J.P. Morgan Bank Luxembourg S.A.  
European Bank & Business Centre  
6c, route de Trèves  
L-2633 Senningerberg  
Grand Duchy of Luxembourg



*“Of prime importance in our philosophy are our long-term focus, and the concepts of survivability and sustainability of businesses.”*

## Investment Manager’s Report

Dear Valued Shareholder,

Last year, events from the world’s three largest economies dominated market news: first, there was tighter money in the U.S., or “tapering;” second, looser money in Japan, or “Abenomics;” and third was China’s attempt to rein in credit growth, which was really more about capital market reform than tight money. So far this year, these trends have continued.

Nevertheless, analysts and investors would probably be well-served to look beyond the headlines. Whereas it is true that tapering in the U.S. represents tighter money, it is also a signal that the U.S. Federal Reserve expects nominal GDP growth to improve. That should mean more demand, sales, exports, jobs and higher wages, and should be good news both for the U.S. and the world. Tapering impacted portfolios in two major ways. The first was a drag on yield-related strategies. However, to the extent that yield and growth were mixed together in a strategy, it held up better. It was really a headwind for high yield, and the investment styles that seemed to do better were more focused on sustainable growth of quality franchises. By now, however, some of the overvaluation of the higher-yielding equities seems to have corrected so tapering is likely to pose somewhat less impact on investment styles.

However, tapering is likely to continue as there appears to be increased optimism for nominal GDP growth, judging by U.S. Federal Reserve Chair Janet Yellen’s recent comments as well as the movements in U.S. and European stock markets. For the most part, investor sentiment seems to be treating this as a reason to buy developed markets and shun emerging. However, if U.S. and Europe continue to recover, it is likely to boost Asia’s exports and relieve some external funding pressure in places like India and Indonesia. Indeed, the current account deficits in these two countries have narrowed significantly and they have rallied strongly as a result. Broadly speaking, the less-developed Asian economies have been leading performance thus far in 2014.

For Japan, we continue to question the importance of demographics versus economic slack. Japan’s market is among the weakest performers in the region this year. Concerns remain over whether wage hikes can sustain growth. Some fret over tax hikes and fiscal contraction. Others wonder how much of Japan’s economic funk has been due to deflation and how much to an aging workforce. At current valuations, a significant amount of optimism over Abenomics may already be built into stock prices. Ultimately, it comes down to the businesses that you own and whether or not they are being profitably run. Macroeconomists who are convinced of the efficacy of monetary policy to cure Japan’s deflationary woes will blanch at the suggestion that supply-side reforms, in the form of corporate governance/restructuring, are the most crucial adjustment necessary. They are unlikely to do any harm if the monetary policy is right and they are likely to unlock the most value for equity investors.

We have addressed much of the cyclical and secular issues in China in our recent white paper: “China—Separating Fact from Fiction.” Whilst these issues are unresolved in the minds of investors, two discrete data points have emerged to further depress sentiment toward China. First, there is the default of a corporate bond for a solar power company; second, the bankruptcy of a small property developer. These have been taken by some as a sign of China’s teetering economy. But, in reality, does it not just suggest that China has a problem, as does the U.S., with certain parts of the solar industry? Property developers facing bankruptcy also should not be seen as uncommon. It may actually be quite useful for authorities to allow some to go bankrupt to prevent excessive risk-taking.



*“We remain true to our philosophy of finding good companies that will grow over a sustained period of time.”*

## Investment Manager’s Report *(Continued)*

“Buy on the rumour; sell on the news,” thus the age-old adage on trading goes. However, does it work in reverse? “Sell on the rumour; buy on the news”? For some time now, the markets have been under a steady drumbeat of negativity over China that has driven down valuations. But rather than reverse course on the news of a bond default or a developer bankruptcy, selling has arguably intensified. Perhaps this is partly due to the level of hyperbole involved.

### Semantics

And there certainly is hyperbole: rather than having non-bank financial institutions, China has “shadow financing.” Rather than urban redevelopment, eminent domain and overbuilding, China has “ghost cities.” At best, it makes China sound like a Peter Jackson movie; at worst like a Stephen King novel.

Concerns have even stretched to the renminbi (RMB), which shows the extreme nature of the bearishness. The RMB is backed by vast currency reserves—US\$4 trillion. Recent short but sharp depreciations have been a deliberate tool used by authorities to try to deter offshore borrowing. So, even when the Chinese take prudent measures at an early stage (offshore borrowing is a tiny part of the Chinese economy), they get no credit for it; such is the conviction that China’s economy is a house of cards. Recently, noted China analyst Andy Rothman joined Matthews Asia to share his views on China’s politics and economy, and to help cut through the hyperbole and offer a more balanced view of China.

Finally, it all comes down to valuation, and there are many ways you can look at valuation discrepancies between the U.S. and Asia—While they were fairly close even three years ago, the U.S. is starting to look distinctly more expensive now; with the U.S. at 16.2X forward earnings<sup>1</sup>, Asia Pacific at 11.7X and Asia ex Japan at 10.9X (for the Asia Pacific and Asia ex Japan universes as defined by FactSet). Asia Pacific and ex Japan both yield about 2.5% versus nearly 1.8% for the U.S.<sup>2</sup> So, what may explain this? It is the recent run-up in corporate profits in the U.S., and the fact that Asia’s earnings per share have grown but slightly. Yet, over a longer time horizon, Asia has clearly outperformed in earnings growth.

So, given that the key themes from last year have carried over to the first quarter of this year, one might be tempted to expect “more of the same.” But at some point, I suspect, those valuation differentials are going to count for something.

Robert Horrocks, PhD  
Chief Investment Officer  
Matthews International Capital Management, LLC

<sup>1</sup> Forward earnings are calculated by dividing current market price per share by expected earnings per share over the next 12 months.

<sup>2</sup> Yields for FactSet aggregates do not represent or predict the yield for any Fund. It is not possible to invest in an index or aggregate of indices.

## Report of the Réviseur d'entreprises agréé To the Shareholders of Matthews Asia Funds

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European Bank & Business Centre  
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Following our appointment by the general meeting of the Shareholders dated 24 July 2013, we have audited the accompanying financial statements of Matthews Asia Funds (the "SICAV") and of each of its Sub-Funds, which comprise the Statement of Assets and Liabilities and the Schedule of Investments as at 31 March 2014 and the Statement of Operations and Changes in Net Assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Matthews Asia Funds and of each of its Sub-Funds as of 31 March 2014, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

### Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte Audit, *Cabinet de révision agréé*

Luxembourg, 24 June 2014

Johnny Yip, *Réviseur d'entreprises agréé*

Partner  
Société à responsabilité limitée  
RCS Luxembourg B 67.895  
Autorisation d'établissement: n°88607  
Member of Deloitte Touche Tohmatsu





#### PORTFOLIO MANAGERS

**Yu Zhang, CFA**

Lead Manager

**Robert Horrocks, PhD**

Lead Manager

**Vivek Tanneeru**

Co-Manager

Note: Managers shown reflect changes effective  
April 30, 2014.

## Asia Dividend Fund

### *Fund Manager Report*

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ended 31 March 2014, the Asia Dividend Fund returned 1.53%\*, while its benchmark, the MSCI All Country Asia Pacific Index, returned 4.58%.

For the quarter ended 31 March 2014, the Fund fell -2.21%\* while its benchmark fell -1.64%.

Two main themes drove the Asia Pacific equity markets during the year: decisions by the U.S. Federal Reserve (Fed) over tapering and the revival of Japan. In May 2013, initial comments by the Fed rattled global equity markets. Asian economies with weak current accounts and a reliance on external funding, such as Indonesia, saw an aggressive sell-off of their currencies as investors feared foreign capital withdrawal. As a result, the Indonesian rupiah ended 2013 down 20%. Since that time, however, both the currency and stock markets have recovered on better macroeconomic data as well as on expectations of growth on the back of forthcoming elections. Conversely, political instability in Thailand and slowing economics have hurt stock market performance.

Taiwan was the best-performing large market in Asia Pacific as investors increasingly turned positive on the strength of the U.S. recovery and the potential for it to boost exports. In Japan, bold economic policies promoted by Prime Minister Shinzo Abe, dubbed "Abenomics," were largely credited with driving the stock market growth. Under the lead of a new governor installed by the Abe government, the Bank of Japan launched a US\$1.4 trillion quantitative easing programme, devaluing Japan's yen. Whether Abenomics can lead to a sustainable improvement of Japan's GDP growth rate is still unclear. However, asset reflation backed by ultra-easy monetary policy led to a rally in risky assets, such as equities.

During the year, we exited some of the Japanese holdings that we felt were overvalued while initiating others in several firms with strong business fundamentals, improving shareholder return policies and attractive valuations. One such addition was information technology firm, Hoya, which is currently transitioning its focus from IT components to life sciences and medical device products. This shift may position it for better earnings stability and potential growth. Hoya has a net cash balance sheet and generates strong free cash flow, giving the company the potential to pay higher dividends and/or buy back shares.

The preferred share class of LG Chem of South Korea was the top contributor to performance during the year. The firm is well-diversified and has an efficiently run petrochemical and IT materials and battery business. Apart from the fundamentals, a narrowing of a wide discount between its preferred and common shares was perceived by the market as excessive and drove the preferred share class price higher during the year. Japanese holdings, such as ORIX and Pigeon, also saw significant appreciation in their share prices, as they continued to deliver solid operational results.

The top performance detractor was Australian general insurance company QBE Group. We exited QBE after the company issued another earnings downgrade and disclosed a sizeable goodwill write-off in its North America operations. As the company is focusing on repairing its balance sheet, it no longer meets our dividend growth expectations.

Looking ahead, many uncertainties remain in Asia. In addition, a U.S. monetary regime change poses another challenge to dividend investors globally. However, as bottom-up, patient and long-term investors, we remain optimistic on Asia's dividend growth outlook.

\* Performance is based on swung net asset value per Share, see note 11.

*Schedule of Investments (Audited)*

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: 97.5%**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>CHINA/HONG KONG: 30.0%</b>				<b>AUSTRALIA: 8.1%</b>			
HSBC Holdings PLC ADR	396,100	20,257,694	2.8	Ansell, Ltd.	1,192,707	20,267,747	2.8
China Mobile, Ltd. ADR	419,800	19,141,987	2.6	Primary Health Care, Ltd.	4,004,913	17,408,444	2.4
China Shenhua Energy Co., Ltd. H Shares	6,019,500	17,385,855	2.4	Coca-Cola Amatil, Ltd.	1,100,699	11,205,267	1.6
Minth Group, Ltd.	7,936,000	16,161,745	2.2	Breville Group, Ltd.	1,094,831	9,640,663	1.3
Shenzhen International Group Holdings, Ltd.	4,968,000	15,790,208	2.2	<b>Total Australia</b>		<b>58,522,121</b>	<b>8.1</b>
Yum! Brands, Inc.	206,700	15,383,619	2.1	<b>INDONESIA: 7.6%</b>			
Television Broadcasts, Ltd.	2,482,500	14,856,215	2.1	PT Indofood Sukses Makmur	27,523,800	17,619,359	2.5
Dongfeng Motor Group Co., Ltd. H Shares	8,700,000	12,318,867	1.7	PT United Tractors	7,987,100	14,516,335	2.0
Guangdong Investment, Ltd.	12,120,000	11,582,818	1.6	PT Perusahaan Gas Negara Persero	19,597,500	8,811,431	1.2
Jiangsu Expressway Co., Ltd. H Shares	8,682,000	9,900,507	1.4	PT Bank Rakyat Indonesia Persero	5,880,120	4,940,493	0.7
Haitian International Holdings, Ltd.	4,640,000	9,305,872	1.3	PT Telekomunikasi Indonesia Persero ADR	114,600	4,537,820	0.6
Far East Horizon, Ltd.	10,656,000	7,825,367	1.1	PT Telekomunikasi Indonesia Persero	23,075,500	4,479,578	0.6
Springland International Holdings, Ltd.	17,400,000	7,715,023	1.1	<b>Total Indonesia</b>		<b>54,905,016</b>	<b>7.6</b>
Yuexiu Transport Infrastructure, Ltd.	14,952,000	7,708,836	1.1	<b>TAIWAN: 5.6%</b>			
Greatview Aseptic Packaging Co., Ltd.	14,438,000	7,667,147	1.1	Chunghwa Telecom Co., Ltd. ADR	528,460	16,264,196	2.3
The Link REIT	1,520,500	7,478,711	1.0	Taiwan Semiconductor Manufacturing Co., Ltd. ADR	663,100	13,078,057	1.8
Cafe' de Coral Holdings, Ltd.	2,462,000	7,441,022	1.0	St. Shine Optical Co., Ltd.	266,000	5,930,328	0.8
Xingda International Holdings, Ltd. H Shares	13,566,000	6,784,425	0.9	Johnson Health Tech Co., Ltd.	2,073,988	4,970,148	0.7
Cheung Kong Holdings, Ltd.	129,000	2,138,622	0.3	<b>Total Taiwan</b>		<b>40,242,729</b>	<b>5.6</b>
<b>Total China/Hong Kong</b>		<b>216,844,540</b>	<b>30.0</b>	<b>SOUTH KOREA: 4.7%</b>			
<b>JAPAN: 23.3%</b>				<b>INDIA: 3.2%</b>			
ITOCHU Corp.	2,370,700	27,734,817	3.8	KT&G Corp.	230,438	17,305,346	2.4
Japan Tobacco, Inc.	841,200	26,433,304	3.6	LG Chem, Ltd., Pfd.	121,611	16,968,312	2.3
ORIX Corp.	1,423,500	20,086,916	2.8	<b>Total South Korea</b>		<b>34,273,658</b>	<b>4.7</b>
Suntory Beverage & Food, Ltd.	556,200	19,144,863	2.6	<b>THAILAND: 2.4%</b>			
Hoya Corp.	558,800	17,413,058	2.4	Thai Beverage Public Co., Ltd.	29,388,000	14,116,899	1.9
Pigeon Corp.	368,600	16,644,712	2.3	Total Access Communication Public Co., Ltd. NVDR	997,000	3,582,008	0.5
Toyo Suisan Kaisha, Ltd.	447,000	14,924,898	2.1	<b>Total Thailand</b>		<b>17,698,907</b>	<b>2.4</b>
NTT DoCoMo, Inc.	579,100	9,141,029	1.2	<b>MALAYSIA: 2.4%</b>			
Lawson, Inc.	109,000	7,710,405	1.1	AMMB Holdings BHD	7,878,100	17,327,235	2.4
Miraca Holdings, Inc.	162,900	7,132,325	1.0	<b>Total Malaysia</b>		<b>17,327,235</b>	<b>2.4</b>
EPS Corp.	264,500	2,882,644	0.4	<b>PHILIPPINES: 1.1%</b>			
<b>Total Japan</b>		<b>169,248,971</b>	<b>23.3</b>	Globe Telecom, Inc.	204,825	7,611,184	1.1
<b>SINGAPORE: 8.4%</b>				<b>Total Philippines</b>		<b>7,611,184</b>	<b>1.1</b>
United Overseas Bank, Ltd.	767,000	13,195,064	1.8				
Singapore Technologies Engineering, Ltd.	4,203,500	12,753,566	1.8				
Ascendas REIT	5,823,000	10,456,290	1.4				
CapitaRetail China Trust, REIT	7,240,720	8,051,880	1.1				
ARA Asset Management, Ltd.	4,076,710	5,971,796	0.8				
Super Group, Ltd.	2,045,000	5,654,101	0.8				
Ascendas India Trust	7,681,000	4,696,032	0.7				
<b>Total Singapore</b>		<b>60,778,729</b>	<b>8.4</b>				

*Schedule of Investments (Audited) (continued)***COMMON EQUITIES** (continued)

	Shares	Value	% of Net Assets
<b>LUXEMBOURG: 0.7%</b>			
L'Occitane International SA	2,064,250	5,087,623	0.7
<b>Total Luxembourg</b>		<b>5,087,623</b>	<b>0.7</b>
<b>TOTAL COMMON EQUITIES</b>			
		<b>705,541,721</b>	
(Cost \$680,446,300)			
<b>TOTAL INVESTMENTS: 97.5%</b>			
		<b>705,541,721</b>	
(Cost \$680,446,300)			
<b>CASH AND OTHER ASSETS, LESS LIABILITIES: 2.5%</b>			
		<b>18,105,458</b>	
<b>NET ASSETS: 100.0%</b>			
		<b>723,647,179</b>	

ADR: American Depositary Receipt

BHD: Berhad

DVR: Differential Voting Rights

H Shares: Mainland Chinese companies listed on the Hong Kong stock exchange but incorporated in mainland China

REIT: Real Estate Investment Trust

Pfd: Preferred shares

NVDR: Non-Voting Depositary Receipt

The accompanying notes form an integral part of these financial statements.



PORTFOLIO MANAGERS

**Yu Zhang, CFA**  
Lead Manager

**Sherwood Zhang, CFA**  
Co-Manager

Note: Managers shown reflect changes effective  
April 30, 2014.

## China Dividend Fund

### *Fund Manager Report*

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ending 31 March 2014, the China Dividend Fund rose 6.01%, while its benchmark, the MSCI China Index returned 2.52%. For the quarter ending 31 March 2014, the Fund fell -4.24% while its benchmark declined -5.87%.

After Chinese policymakers resolved a liquidity crunch among China's inter-bank funding market in June, Chinese equities experienced a relief rally during the second half of 2013. However, the first quarter of 2014 again proved challenging for Chinese equity markets. The possibility of a hard landing was raised again, following weaker macroeconomic data pointing to slowing growth. As policymakers in Beijing took measures to control credit growth, investors were left to wonder whether such a deleveraging process would cause unintended consequences and pose a systemic risk to China's overall financial system.

During the fiscal year, the portfolio's industrial sector holdings were the biggest contributors to Fund performance. Among the Fund's top five individual contributors, three were industrial companies with leading positions in their respective areas. These included Boer Power, an electrical distribution system manufacturer and solution provider, Haitian International, a manufacturer of plastic injection molding machines, and Sporton International, an electronic product testing service provider. These companies underscore our belief that industry leaders tend to gain market share and solidify their leading positions despite uncertain macroeconomic conditions.

On a relative basis, the Fund's low exposure to the information technology sector posed the largest drag on performance during the fiscal year. While the overall Chinese economy is experiencing some adjustment, technology-related businesses, especially Chinese Internet companies, are still enjoying healthy growth rates. Many of these Internet companies are becoming disruptive forces to traditional offline business models, and being rewarded by investors with richer valuation multiples. However, we believe that the stock prices of some of the Internet-related companies are starting to reflect ambitious earnings expectations. While the strategy's performance has benefited from the absolute return of our holdings in the sector, we decided to exit Boyaa Interactive International, an online gaming company, as we believe it became overvalued shortly after its IPO. The Fund's holding in Pacific Online, an operator of "vertical search" websites that focus on specific genres of content, was also reduced on a valuation basis, following a rapid appreciation of its stock price.

We have made several portfolio changes during the fiscal year. We initiated positions in two Taiwan-listed companies that have their main manufacturing assets based in mainland China: Airmate International, a leading small home appliance maker, and Voltronic Power Technology, which makes uninterruptible power system (UPS) products. Far East Horizon, a financial leasing company was also added to the portfolio as we view the financial leasing industry to hold higher potential growth than China's traditional banking industry. In the transportation infrastructure industry, we replaced China Merchants Holdings with Guangshen Railway, as we are encouraged by potential market-oriented reforms facing China's railway industry. Taiwan Hon Chuan Enterprise was also replaced by Greatview Aseptic Packaging, as the latter company enjoyed a much higher technological barrier to entry in the beverage packaging business.

We believe current valuations of many Chinese stocks have already priced in significant downside risk. Using our total return approach, we are seeing Chinese stocks currently offering both attractive yields and a solid growth profile in underlying dividends.

*Schedule of Investments* (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 77.9%**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>CONSUMER DISCRETIONARY: 26.5%</b>				<b>FINANCIALS: 10.8%</b>			
<b>Hotels, Restaurants &amp; Leisure: 9.3%</b>				<b>Banks: 3.4%</b>			
Shanghai Jinjiang International Hotels Development Co., Ltd. B Shares	350,518	502,706	3.3	HSBC Holdings PLC ADR	10,200	521,657	3.4
Yum! Brands, Inc.	6,600	491,204	3.2			<b>521,657</b>	<b>3.4</b>
Cafe' de Coral Holdings, Ltd.	140,000	423,128	2.8	<b>Diversified Financial Services: 3.1%</b>			
		<b>1,417,038</b>	<b>9.3</b>	Far East Horizon, Ltd.	649,000	476,601	3.1
<b>Auto Components: 5.7%</b>						<b>476,601</b>	<b>3.1</b>
Mintch Group, Ltd.	312,000	635,391	4.1	<b>Real Estate Management &amp; Development: 2.8%</b>			
Xingda International Holdings, Ltd. H Shares	488,000	244,051	1.6	Cheung Kong Holdings, Ltd.	26,000	431,040	2.8
		<b>879,442</b>	<b>5.7</b>			<b>431,040</b>	<b>2.8</b>
<b>Textiles, Apparel &amp; Luxury Goods: 3.4%</b>				<b>Real Estate Investment Trusts: 1.5%</b>			
Shenzhou International Group Holdings, Ltd.	164,000	521,255	3.4	The Link REIT	44,500	218,877	1.5
		<b>521,255</b>	<b>3.4</b>			<b>218,877</b>	<b>1.5</b>
<b>Multiline Retail: 3.1%</b>				<b>Total Financials</b>		<b>1,648,175</b>	<b>10.8</b>
Springland International Holdings, Ltd.	1,071,000	474,873	3.1	<b>CONSUMER STAPLES: 5.3%</b>			
		<b>474,873</b>	<b>3.1</b>	<b>Food Products: 3.0%</b>			
<b>Media: 2.9%</b>				Vitasoy International Holdings, Ltd.	316,000	458,830	3.0
Television Broadcasts, Ltd.	74,300	444,639	2.9			<b>458,830</b>	<b>3.0</b>
		<b>444,639</b>	<b>2.9</b>	<b>Beverages: 2.3%</b>			
<b>Automobiles: 2.1%</b>				Yantai Changyu Pioneer Wine Co., Ltd. B Shares	145,649	354,437	2.3
Dongfeng Motor Group Co., Ltd. H Shares	222,000	314,344	2.1			<b>354,437</b>	<b>2.3</b>
		<b>314,344</b>	<b>2.1</b>	<b>Total Consumer Staples</b>		<b>813,267</b>	<b>5.3</b>
<b>Total Consumer Discretionary</b>		<b>4,051,591</b>	<b>26.5</b>	<b>UTILITIES: 3.9%</b>			
<b>INDUSTRIALS: 16.4%</b>				<b>Water Utilities: 3.9%</b>			
<b>Electrical Equipment: 3.9%</b>				Guangdong Investment, Ltd.	620,000	592,520	3.9
Boer Power Holdings, Ltd.	447,000	601,286	3.9			<b>592,520</b>	<b>3.9</b>
		<b>601,286</b>	<b>3.9</b>	<b>Total Utilities</b>		<b>592,520</b>	<b>3.9</b>
<b>Road &amp; Rail: 3.5%</b>				<b>ENERGY: 3.4%</b>			
Guangshen Railway Co., Ltd. H Shares	1,018,000	430,318	2.8	<b>Oil, Gas &amp; Consumable Fuels: 3.4%</b>			
Guangshen Railway Co., Ltd. ADR	5,100	109,881	0.7	China Shenhua Energy Co., Ltd. H Shares	182,500	527,107	3.4
		<b>540,199</b>	<b>3.5</b>			<b>527,107</b>	<b>3.4</b>
<b>Machinery: 3.2%</b>				<b>Total Energy</b>		<b>527,107</b>	<b>3.4</b>
Haitian International Holdings, Ltd.	244,000	489,361	3.2	<b>INFORMATION TECHNOLOGY: 3.3%</b>			
		<b>489,361</b>	<b>3.2</b>	<b>Internet Software &amp; Services: 3.3%</b>			
<b>Transportation Infrastructure: 3.0%</b>				Pacific Online, Ltd.	809,000	502,334	3.3
Yuexiu Transport Infrastructure, Ltd.	560,000	288,720	1.9			<b>502,334</b>	<b>3.3</b>
Jiangsu Expressway Co., Ltd. H Shares	138,000	157,368	1.1	<b>Total Information Technology</b>		<b>502,334</b>	<b>3.3</b>
		<b>446,088</b>	<b>3.0</b>	<b>MATERIALS: 3.2%</b>			
<b>Air Freight &amp; Logistics: 2.8%</b>				<b>Containers &amp; Packaging: 3.2%</b>			
Shenzhen Chiwan Petroleum B Shares	213,853	430,289	2.8	Greatview Aseptic Packaging Co., Ltd.	910,000	483,246	3.2
		<b>430,289</b>	<b>2.8</b>			<b>483,246</b>	<b>3.2</b>
<b>Total Industrials</b>		<b>2,507,223</b>	<b>16.4</b>	<b>Total Materials</b>		<b>483,246</b>	<b>3.2</b>

*Schedule of Investments (Audited) (continued)***COMMON EQUITIES: CHINA/HONG KONG (continued)**

	Shares	Value	% of Net Assets
<b>HEALTH CARE: 2.7%</b>			
<b>Pharmaceuticals: 2.7%</b>			
Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	410,000	434,440	2.7
		<u>434,440</u>	<u>2.7</u>
<b>Total Health Care</b>		<b>434,440</b>	<b>2.7</b>

**TELECOMMUNICATION SERVICES: 2.4%**

<b>Wireless Telecommunication Services: 2.4%</b>			
China Mobile, Ltd. ADR	7,900	360,223	2.4
		<u>360,223</u>	<u>2.4</u>
<b>Total Telecommunication Services</b>		<b>360,223</b>	<b>2.4</b>

**TOTAL COMMON EQUITIES:****CHINA/HONG KONG: 11,920,126**

(Cost \$11,550,386)

**COMMON EQUITIES: SINGAPORE: 3.0%****FINANCIALS: 3.0%**

<b>Real Estate Investment Trusts: 3.0%</b>			
CapitaRetail China Trust, REIT	407,340	452,973	3.0
		<u>452,973</u>	<u>3.0</u>
<b>Total Financials</b>		<b>452,973</b>	<b>3.0</b>

**TOTAL COMMON EQUITIES:****SINGAPORE 452,973**

(Cost \$514,582)

**COMMON EQUITIES: TAIWAN: 17.6%****HEALTH CARE: 4.7%**

<b>Health Care Equipment &amp; Supplies: 4.7%</b>			
Pacific Hospital Supply Co., Ltd.	168,000	447,758	2.9
St. Shine Optical Co., Ltd.	12,000	267,534	1.8
		<u>715,292</u>	<u>4.7</u>
<b>Total Health Care</b>		<b>715,292</b>	<b>4.7</b>

**CONSUMER DISCRETIONARY: 4.6%****Household Durables: 3.2%**

Airmate Cayman International Co., Ltd.	186,000	496,443	3.2
		<u>496,443</u>	<u>3.2</u>

**Leisure Equipment & Products: 1.4%**

Johnson Health Tech Co., Ltd.	87,095	208,716	1.4
		<u>208,716</u>	<u>1.4</u>
<b>Total Consumer Discretionary</b>		<b>705,159</b>	<b>4.6</b>

**COMMON EQUITIES: TAIWAN (continued)**

	Shares	Value	% of Net Assets
<b>INDUSTRIALS: 4.4%</b>			
<b>Professional Services: 3.4%</b>			
Sporton International, Inc.	108,900	521,928	3.4
		<u>521,928</u>	<u>3.4</u>
<b>Electrical Equipment: 1.0%</b>			
Voltronic Power Technology Corp.	25,840	156,532	1.0
		<u>156,532</u>	<u>1.0</u>
<b>Total Industrials</b>		<b>678,460</b>	<b>4.4</b>

**TELECOMMUNICATION SERVICES: 2.7%**

<b>Diversified Telecommunication Services: 2.7%</b>			
Chunghwa Telecom Co., Ltd. ADR	13,600	418,562	2.7
		<u>418,562</u>	<u>2.7</u>
<b>Total Telecommunication Services</b>		<b>418,562</b>	<b>2.7</b>

**INFORMATION TECHNOLOGY: 1.2%****Semiconductors & Semiconductor Equipment: 1.2%**

Taiwan Semiconductor Manufacturing Co., Ltd.	49,000	190,623	1.2
		<u>190,623</u>	<u>1.2</u>
<b>Total Information Technology</b>		<b>190,623</b>	<b>1.2</b>

**TOTAL COMMON EQUITIES: TAIWAN 2,708,096**

(Cost \$2,585,193)

**TOTAL COMMON EQUITIES****15,081,195****TOTAL INVESTMENTS: 98.5%****15,081,195**

(Cost \$14,650,062)

**CASH AND OTHER ASSETS,****LESS LIABILITIES: 1.5%****225,139****NET ASSETS: 100.0%****15,306,334**

ADR: American Depositary Receipt

B Shares: Mainland China companies listed on the Shanghai and Shenzhen stock exchanges, available to both China and non-Chinese investors

H Shares: Mainland China companies listed on the Hong Kong stock exchange but incorporated in mainland China

REIT: Real Estate Investment Trust

S Shares: Mainland China companies listed on the Singapore stock exchange but incorporated in mainland China.

The accompanying notes form an integral part of these financial statements.



## PORTFOLIO MANAGERS

**Sharat Shroff, CFA**  
Lead Manager

**Richard H. Gao**  
Co-Manager

**In-Bok Song**  
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

# Pacific Tiger Fund

## Fund Manager Report

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ended 31 March 2014, the Pacific Tiger Fund returned 3.67%\*, while its benchmark, the MSCI All Country Asia ex Japan Index, returned 3.07%. For the quarter ended 31 March 2014, the Fund gained 1.88%\* while its benchmark fell -0.68%.

The slightly positive performance of the Index for the fiscal year masks the underlying volatility as well as the sharp divergence between the equity performance of export-oriented economies like South Korea and Taiwan against economies such as Indonesia, which are more consumption-driven.

Both India and Indonesia carry deficits on their fiscal and current accounts. As investors start pricing in a gradual return to improving economic conditions in the U.S., there is concern that capital flows that have helped finance the deficit may start to reverse. Earlier in the fiscal year, the concern caused a sharp depreciation in the Indian rupee and the Indonesian rupiah, but is also forcing some difficult decisions like the reduction of wasteful energy subsidies. Gradual improvements in certain macroeconomic indicators have minimised anxieties over India and Indonesia, and helped a partial recovery in their currencies and equity prices during the first three months of 2014. This is a start, but there is more that needs to be done to accomplish sustained growth for the next several years in both countries. Some of the portfolio's Indonesian holdings like conglomerate Astra International and Perusahaan Gas Negara Persero, a state-owned gas and energy company, were detractors to performance during the year.

Further broad-based sell-offs could lead to more attractive valuations, particularly in Thailand and the Philippines. Thailand is in the middle of a stalemate with its political parties holding public demonstrations instead of working out differences within the Parliamentary process. The end game is unclear, but we believe both tourists and strategic investors will continue to be attracted to Thailand over the long run.

One of the biggest contributors to the portfolio's performance during the year was a Korean Internet-related holding, Naver (previously NHN). The firm has been a long-term holding for the Fund, and is a rare example of a service-oriented South Korea business that has gained traction with consumers abroad. Its recent success in monetising its mobile communication services is testament to its investments in R&D, and its willingness to hire talent locally in places like Japan. We believe the expectations for their LINE platform are achievable, but the recent gains in valuations leave little room for mistakes.

As we look ahead, one of the key questions that we wrestle with is: does Asia deserve to trade at a significant discount to many other parts of the world? Undoubtedly, growth has been disappointing these past few years, leading to lower profitability at the firm level. More importantly, growth is becoming more fragmented, and perhaps less visible in headline indices. As an example, we are more convinced about the favourable outlook for health care firms and consumer-related sectors in China than about the pace of growth for the overall economy. Meanwhile, valuations particularly in China, are at historic lows relative to many parts of the world, and are not based on seemingly ambitious analyst expectations. Liquidity and flow of capital may continue to test Asia's capital markets and political events in India and parts of ASEAN may pose unquantifiable risks. However, the underlying virtuous cycle of savings-led investment growth in Asia has not been altered. We would view any pickup in volatility as an opportunity to invest with businesses that continue to deliver secular growth.

\* Performance is based on swung net asset value per Share, see note 11.

*Schedule of Investments (Audited)*

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: 92.6%**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>CHINA/HONG KONG: 24.8%</b>				<b>TAIWAN: 8.7%</b>			
Ping An Insurance Group Co. of China, Ltd. H Shares	785,000	6,508,127	3.0	Delta Electronics, Inc.	996,000	6,149,290	2.8
Dairy Farm International Holdings, Ltd.	433,800	4,225,161	1.9	President Chain Store Corp.	838,000	5,919,404	2.8
China Resources Enterprise, Ltd.	1,448,000	4,087,218	1.9	Synnex Technology International Corp.	2,763,297	4,447,902	2.0
Hang Lung Group, Ltd.	798,000	4,015,906	1.8	Taiwan Semiconductor Manufacturing Co., Ltd.	461,000	1,793,409	0.8
Hengan International Group Co., Ltd.	380,000	3,936,703	1.8	Yuanta Financial Holding Co., Ltd.	1,086,962	547,952	0.3
Sinopharm Group Co., Ltd. H Shares	1,391,600	3,808,293	1.8	<b>Total Taiwan</b>		<b>18,857,957</b>	<b>8.7</b>
Baidu, Inc. ADR	24,670	3,738,952	1.7	<b>INDONESIA: 7.1%</b>			
Tingyi (Cayman Islands) Holding Corp.	1,182,000	3,389,625	1.6	PT Astra International	5,932,500	3,834,022	1.7
Lenovo Group, Ltd.	2,978,000	3,293,140	1.5	PT Perusahaan Gas Negara Persero	7,193,400	3,234,297	1.5
Dongfeng Motor Group Co., Ltd. H Shares	2,034,000	2,880,066	1.3	PT Telekomunikasi Indonesia Persero	15,819,900	3,071,070	1.4
China Mobile, Ltd. ADR	61,500	2,804,269	1.3	PT Indofood CBP Sukses Makmur	3,026,800	2,681,826	1.2
China Resources Land, Ltd.	1,004,000	2,202,504	1.0	PT Bank Central Asia	2,757,100	2,562,981	1.2
Hong Kong Exchanges and Clearing, Ltd.	141,500	2,145,172	1.0	PT Telekomunikasi Indonesia Persero ADR	6,400	253,421	0.1
Tencent Holdings, Ltd.	29,000	2,017,295	0.9	<b>Total Indonesia</b>		<b>15,637,617</b>	<b>7.1</b>
China Vanke Co., Ltd. B Shares	1,039,290	1,724,343	0.8	<b>THAILAND: 5.8%</b>			
Digital China Holdings, Ltd.	1,639,000	1,652,441	0.8	Central Pattana Public Co., Ltd.	3,705,600	5,369,789	2.5
Swire Pacific, Ltd. A	131,000	1,526,904	0.7	Siam Cement Public Co., Ltd.	267,700	3,450,984	1.6
<b>Total China/Hong Kong</b>		<b>53,956,119</b>	<b>24.8</b>	Kasikornbank Public Co., Ltd. NVDR	408,900	2,244,598	1.0
<b>INDIA: 17.7%</b>				PTT Exploration & Production Public Co., Ltd.	186,814	904,571	0.4
Tata Power Co., Ltd.	3,905,728	5,551,669	2.5	Siam Cement Public Co., Ltd. NVDR	49,400	636,827	0.3
Kotak Mahindra Bank, Ltd.	376,835	4,913,229	2.3	Kasikornbank Public Co., Ltd.	8,100	44,464	0.0
ITC, Ltd.	808,222	4,760,556	2.2	<b>Total Thailand</b>		<b>12,651,233</b>	<b>5.8</b>
GAIL India, Ltd.	596,780	3,746,250	1.7	<b>MALAYSIA: 4.0%</b>			
Housing Development Finance Corp.	221,597	3,269,670	1.5	Genting BHD	1,457,100	4,463,389	2.1
Container Corp. of India, Ltd.	195,599	3,168,668	1.5	IHH Healthcare BHD	1,691,900	1,995,307	0.9
Thermax, Ltd.	248,816	3,107,656	1.4	Public Bank BHD	338,800	1,988,375	0.9
Titan Co., Ltd.	676,687	2,967,460	1.4	IHH Healthcare BHD	126,000	144,203	0.1
Sun Pharmaceutical Industries, Ltd.	230,630	2,212,747	1.0	Top Glove Corp. BHD	38,600	58,524	0.0
Dabur India, Ltd.	726,698	2,179,305	1.0	<b>Total Malaysia</b>		<b>8,649,798</b>	<b>4.0</b>
HDFC Bank, Ltd.	108,937	1,361,690	0.6	<b>PHILIPPINES: 2.2%</b>			
HDFC Bank, Ltd. ADR	29,400	1,194,753	0.5	SM Prime Holdings, Inc.	8,368,975	2,728,629	1.2
Tata Power Co., Ltd.	397,104	175,003	0.1	GT Capital Holdings, Inc.	121,150	2,125,130	1.0
<b>Total India</b>		<b>38,608,656</b>	<b>17.7</b>	<b>Total Philippines</b>		<b>4,853,759</b>	<b>2.2</b>
<b>SOUTH KOREA: 17.3%</b>				<b>SWITZERLAND: 2.3%</b>			
Amorepacific Corp.	6,335	7,492,960	3.4	DKSH Holding, Ltd.	61,709	4,917,928	2.3
Dongbu Insurance Co., Ltd.	120,640	6,247,033	2.9	<b>Total Switzerland</b>		<b>4,917,928</b>	<b>2.3</b>
Samsung Electronics Co., Ltd.	4,142	5,220,544	2.4	<b>VIETNAM: 1.6%</b>			
Cheil Worldwide, Inc.	189,344	4,252,368	2.0	Vietnam Dairy Products JSC	536,157	3,585,399	1.6
Naver Corp.	5,798	4,207,959	1.9	<b>Total Vietnam</b>		<b>3,585,399</b>	<b>1.6</b>
Green Cross Corp.	31,951	3,777,450	1.7				
Hyundai Mobis	9,358	2,764,344	1.3				
Orion Corp.	2,700	2,074,974	1.0				
Yuhan Corp.	9,196	1,565,248	0.7				
MegaStudy Co., Ltd.	1,452	97,047	0.0				
<b>Total South Korea</b>		<b>37,699,927</b>	<b>17.3</b>				



*Schedule of Investments (Audited) (continued)***COMMON EQUITIES (continued)**

	Shares	Value	% of Net Assets
<b>SINGAPORE: 1.1%</b>			
Keppel Land, Ltd.	639,000	1,705,133	0.8
Hyflux, Ltd.	707,000	687,745	0.3
<b>Total Singapore</b>		<b>2,392,878</b>	<b>1.1</b>

<b>TOTAL COMMON EQUITIES</b>	<b>201,811,271</b>
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(Cost \$192,604,887)

**WARRANT: 0.0%**

<b>MALAYSIA: 0.0%</b>			
Genting BHD, expires 12/18/18	93,950	83,460	0.0
<b>Total Malaysia</b>		<b>83,460</b>	<b>0.0</b>

<b>TOTAL WARRANT</b>	<b>83,460</b>
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(Cost \$57,559)

<b>TOTAL INVESTMENTS: 92.6%</b>	<b>201,894,731</b>
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(Cost \$192,662,446)

<b>CASH AND OTHER ASSETS, LESS LIABILITIES: 7.4%</b>	<b>16,066,483</b>
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<b>NET ASSETS: 100.0%</b>	<b>217,961,214</b>
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A: A Share Class

ADR: American Depositary Receipt

B Shares: Mainland China companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors

BHD: Berhad

H Shares: Mainland China companies listed on the Hong Kong Stock exchange but incorporated in mainland China

NVDR: Non-Voting Depositary Receipt

The accompanying notes form an integral part of these financial statements.



## PORTFOLIO MANAGERS

**Richard H. Gao**  
Lead Manager

**Henry Zhang, CFA**  
Co-Manager

**Winnie Chwang**  
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

# China Fund

## *Fund Manager Report*

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the year ending 31 March 2014, the China Fund declined -0.28% underperforming its benchmark, the MSCI China Index, which rose 2.52%. For the quarter ending 31 March 2014, the Fund returned -8.06% versus -5.87% for the Index.

During the fiscal year, Chinese equity markets experienced meaningful volatility along with slowing economic growth. This was mainly driven by a combination of a weak global economy and less accommodative fiscal and monetary policies. China's equity market started to recover during the second half of 2013 as some macro indicators improved, but weaker conditions re-emerged early in 2014.

The most important economic event during the fiscal year stemmed from the central government's Third Plenum meeting in November, during which it clearly stated intentions to allow markets to play a more decisive role in allocating resources. Its related report outlined reforms in a wide range of industries, including supporting growth in the private sector.

During the year, the Fund's information technology holdings were the biggest contributors to performance. The sector is a key area of focus for the portfolio as we are attracted to firms that can deliver sustainable growth. E-commerce is gaining traction in China and is supported by the country's remarkable online usage rate. Among the Fund's top performers for the year were Internet-related firms Tencent, a leading online social platform; Sina, an online media provider; and Netease, which provides online game services.

Over the past two years, China's overall consumer-related sectors have come under pressure. The weak operating environment for consumer companies improved only marginally in 2013. The Fund maintains an overweight position in the consumer staples sectors, which performed relatively well. China Mengniu, China's dairy industry leader, was among the top contributors to Fund performance in the fiscal year, benefiting from an increasing demand for dairy products.

The Fund's consumer discretionary sector, on the other hand, was a detractor to overall performance. Holdings such as Belle International, a leading women's shoe retailer and Golden Eagle, a domestic department store chain both suffered from weak consumer sentiment as well as rising competition from e-commerce retailers. In light of such developments, we consolidated our consumer discretionary holdings and exited Li & Fung, as well as Parkson Department Store.

Meanwhile, we selectively increased our holdings in the health care, education and industrial automation areas. For example, we added Airtac International Group, a pneumatics equipment and components manufacturer in Taiwan that derives most of its revenue from China.

Economic indicators for 2014 in China are still mixed although we believe that a gradual slowdown is inevitable for the government to achieve its goal of rebalancing the economy. We will be closely monitoring the developments in Chinese banks' liquidity and the execution and implementation of the ambitious reform measures announced during the Plenum. While the path to reform may be challenging, we are encouraged by China's stated determination to transition its economy, and believe the measures should ultimately be greatly beneficial toward the country's long-term sustainable growth.

*Schedule of Investments (Audited)*

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 97.5%**

	Shares	Value	% of Net Assets	Shares	Value	% of Net Assets
<b>FINANCIALS: 20.7%</b>						
<b>Real Estate Management &amp; Development: 7.7%</b>						
China Vanke Co., Ltd. B Shares	500,453	830,329	2.5			
China Resources Land, Ltd.	312,000	684,443	2.0			
Hang Lung Group, Ltd.	113,000	568,668	1.7			
Swire Pacific, Ltd. A	39,000	454,575	1.5			
		<b>2,538,015</b>	<b>7.7</b>			
<b>Insurance: 5.6%</b>						
Ping An Insurance Group Co. of China, Ltd. H Shares	120,500	999,018	3.0			
China Life Insurance Co., Ltd. H Shares	206,000	583,041	1.7			
China Life Insurance Co., Ltd. ADR	7,000	295,933	0.9			
		<b>1,877,992</b>	<b>5.6</b>			
<b>Commercial Banks: 5.5%</b>						
China Merchants Bank Co., Ltd. H Shares	439,610	796,616	2.4			
China Construction Bank Corp. H Shares	850,340	595,261	1.8			
BOC Hong Kong Holdings, Ltd.	160,000	455,725	1.3			
		<b>1,847,602</b>	<b>5.5</b>			
<b>Diversified Financial Services: 1.9%</b>						
Hong Kong Exchanges and Clearing, Ltd.	42,400	642,794	1.9			
		<b>642,794</b>	<b>1.9</b>			
<b>Total Financials</b>		<b>6,906,403</b>	<b>20.7</b>			
<b>INFORMATION TECHNOLOGY: 18.1%</b>						
<b>Internet Software &amp; Services: 8.0%</b>						
Tencent Holdings, Ltd.	16,800	1,168,640	3.5			
NetEase, Inc. ADR	9,450	646,320	1.9			
Sina Corp.	9,450	560,432	1.7			
Baidu, Inc. ADR	1,900	287,961	0.9			
		<b>2,663,353</b>	<b>8.0</b>			
<b>Software: 3.4%</b>						
Kingdee International Software Group Co., Ltd.	2,954,800	1,131,355	3.4			
		<b>1,131,355</b>	<b>3.4</b>			
<b>Electronic Equipment, Instruments &amp; Components: 2.4%</b>						
Digital China Holdings, Ltd.	717,000	722,880	2.1			
Hollysys Automation Technologies, Ltd.	4,400	90,087	0.3			
		<b>812,967</b>	<b>2.4</b>			
<b>Communications Equipment: 2.3%</b>						
ZTE Corp. H Shares	404,480	785,189	2.3			
		<b>785,189</b>	<b>2.3</b>			
<b>Technology Hardware, Storage &amp; Peripherals: 2.0%</b>						
Lenovo Group, Ltd.	598,000	661,282	2.0			
		<b>661,282</b>	<b>2.0</b>			
<b>Total Information Technology</b>		<b>6,054,146</b>	<b>18.1</b>			
<b>CONSUMER DISCRETIONARY: 15.5%</b>						
<b>Hotels, Restaurants &amp; Leisure: 7.4%</b>						
Sands China, Ltd.	126,400	944,186	2.8			
Cafe' de Coral Holdings, Ltd.	246,000	743,498	2.2			
Home Inns & Hotels Management, Inc. ADR	19,300	611,995	1.8			
Shangri-La Asia, Ltd.	110,000	179,970	0.6			
		<b>2,479,649</b>	<b>7.4</b>			
<b>Automobiles: 1.8%</b>						
Dongfeng Motor Group Co., Ltd. H Shares	434,000	614,527	1.8			
		<b>614,527</b>	<b>1.8</b>			
<b>Textiles, Apparel &amp; Luxury Goods: 1.4%</b>						
Li Ning Co., Ltd.	680,000	459,250	1.4			
		<b>459,250</b>	<b>1.4</b>			
<b>Specialty Retail: 1.4%</b>						
Belle International Holdings, Ltd.	456,000	454,613	1.4			
		<b>454,613</b>	<b>1.4</b>			
<b>Media: 1.2%</b>						
Television Broadcasts, Ltd.	67,000	400,954	1.2			
		<b>400,954</b>	<b>1.2</b>			
<b>Multiline Retail: 1.2%</b>						
Golden Eagle Retail Group, Ltd.	281,000	387,462	1.2			
		<b>387,462</b>	<b>1.2</b>			
<b>Diversified Consumer Services: 1.1%</b>						
New Oriental Education & Technology Group, Inc. ADR	12,600	372,530	1.1			
		<b>372,530</b>	<b>1.1</b>			
<b>Total Consumer Discretionary</b>		<b>5,168,985</b>	<b>15.5</b>			
<b>CONSUMER STAPLES: 10.6%</b>						
<b>Food Products: 5.1%</b>						
China Mengniu Dairy Co., Ltd.	203,000	1,016,728	3.1			
Tingyi (Cayman Islands) Holding Corp.	234,000	671,043	2.0			
		<b>1,687,771</b>	<b>5.1</b>			
<b>Food &amp; Staples Retailing : 2.2%</b>						
China Resources Enterprise, Ltd.	190,000	536,306	1.6			
Sun Art Retail Group, Ltd.	166,000	208,594	0.6			
		<b>744,900</b>	<b>2.2</b>			
<b>Beverages: 1.8%</b>						
Tsingtao Brewery Co., Ltd. H Shares	80,000	584,997	1.8			
		<b>584,997</b>	<b>1.8</b>			
<b>Personal Products: 1.5%</b>						
Hengan International Group Co., Ltd.	49,500	512,807	1.5			
		<b>512,807</b>	<b>1.5</b>			
<b>Total Consumer Staples</b>		<b>3,530,475</b>	<b>10.6</b>			

*Schedule of Investments (Audited) (continued)***COMMON EQUITIES: CHINA/HONG KONG (continued)**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>INDUSTRIALS: 10.1%</b>				<b>UTILITIES: 5.5%</b>			
<b>Transportation Infrastructure: 3.4%</b>				<b>Independent Power Producers &amp; Energy Traders: 2.2%</b>			
China Merchants Holdings International Co., Ltd.	194,000	666,342	2.0	China Longyuan Power Group Corp. H Shares	728,000	732,721	2.2
Yuexiu Transport Infrastructure, Ltd.	918,000	473,295	1.4			732,721	2.2
		<b>1,139,637</b>	<b>3.4</b>	<b>Electric Utilities: 1.9%</b>			
<b>Machinery : 3.2%</b>				Cheung Kong Infrastructure Holdings, Ltd.			
CSR Corp., Ltd. H Shares	967,000	812,857	2.5	100,000	637,677	1.9	
Airtac International Group	24,000	248,690	0.7			<b>637,677</b>	<b>1.9</b>
		<b>1,061,547</b>	<b>3.2</b>	<b>Gas Utilities : 1.4%</b>			
<b>Industrial Conglomerates:1.6%</b>				Hong Kong & China Gas Co., Ltd.			
NWS Holdings, Ltd.	313,500	528,278	1.6	218,987	477,451	1.4	
		<b>528,278</b>	<b>1.6</b>			<b>477,451</b>	<b>1.4</b>
<b>Airlines: 1.4%</b>				<b>Total Utilities</b>			
Air China, Ltd. H Shares	766,000	452,146	1.4			<b>1,847,849</b>	<b>5.5</b>
		<b>452,146</b>	<b>1.4</b>	<b>TELECOMMUNICATION SERVICES: 4.6%</b>			
<b>Construction &amp; Engineering: 0.5%</b>				<b>Wireless Telecommunication Services : 2.8%</b>			
China State Construction International Holdings, Ltd.	106,000	179,570	0.5	China Mobile, Ltd.	62,500	572,058	1.7
		<b>179,570</b>	<b>0.5</b>	China Mobile, Ltd. ADR	8,000	364,783	1.1
<b>Total Industrials</b>						<b>936,841</b>	<b>2.8</b>
		<b>3,361,178</b>	<b>10.1</b>	<b>Diversified Telecommunication Services: 1.8%</b>			
<b>HEALTH CARE: 6.6%</b>				China Communications Services Corp., Ltd. H Shares			
<b>Health Care Providers &amp; Services: 2.7%</b>				1,294,000	598,984	1.8	
Sinopharm Group Co., Ltd. H Shares	327,200	895,425	2.7			<b>598,984</b>	<b>1.8</b>
		<b>895,425</b>	<b>2.7</b>	<b>Total of Telecommunication Services</b>			
<b>Health Care Equipment &amp; Supplies: 2.3%</b>						<b>1,535,825</b>	<b>4.6</b>
Mindray Medical International, Ltd. ADR	25,450	813,962	2.3	<b>TOTAL COMMON EQUITIES</b>			
		<b>813,962</b>	<b>2.3</b>	<b>32,592,674</b>			
<b>Pharmaceuticals: 1.6%</b>				(Cost \$31,461,866)			
Sino Biopharmaceutical, Ltd.	616,000	524,814	1.6	<b>TOTAL INVESTMENTS: 97.5%</b>			
		<b>524,814</b>	<b>1.6</b>	<b>32,592,674</b>			
<b>Total of Health Care</b>				(Cost \$31,461,866)			
		<b>2,234,201</b>	<b>6.6</b>	<b>CASH AND OTHER ASSETS, LESS LIABILITIES: 2.5%</b>			
<b>ENERGY: 5.8%</b>				<b>843,738</b>			
<b>Oil, Gas &amp; Consumable Fuels: 4.0%</b>				<b>NET ASSETS: 100.0%</b>			
Kunlun Energy Co., Ltd.	324,000	542,257	1.6	<b>33,436,412</b>			
China Shenhua Energy Co., Ltd. H Shares	146,500	423,129	1.3				
CNOOC, Ltd.	255,000	383,350	1.1				
		<b>1,348,736</b>	<b>4.0</b>				
<b>Energy Equipment &amp; Services: 1.8%</b>							
China Oilfield Services, Ltd. H Shares	258,000	604,876	1.8				
		<b>604,876</b>	<b>1.8</b>				
<b>Total Energy</b>							
		<b>1,953,612</b>	<b>5.8</b>				

The accompanying notes form an integral part of these financial statements.



## PORTFOLIO MANAGERS

**Sunil Asnani**

Lead Manager

**Sharat Shroff, CFA**

Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

# India Fund

## Fund Manager Report

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ending 31 March 2014, the India Fund gained 6.67%\* while its benchmark, the Bombay Stock Exchange 100 Index, rose 9.31%. For the quarter ending 31 March 2014, the Fund rose 11.81% versus 9.83% for the benchmark.

The market rallied amid rising foreign inflows and favourable pre-election sentiment, with positive correlations across most sectors. The rupee depreciated 9.75% during the year amid reaction to news of U.S. Fed tapering decisions. The rupee is one of the region's more volatile currencies, which reflects persistent inflation issues and India's over-reliance on shorter-term foreign capital inflows.

The portfolio's relative underperformance could be attributed to its sector allocation strategy and some stock-specific factors. Among the contributors were higher allocations to industrials and capital goods, which helped performance amid optimism that a decisive election outcome would lead to investment reforms and increased infrastructure activity.

One of the portfolio's better performers, Gujarat Pipavav Port, has benefited from the anticipation of a pickup in import-export and investment-related activity. The company's management has been successful in expanding its core business and has obtained the requisite clearances for further capacity expansion. We expect it may also benefit from such projects as the Dedicated Freight Corridor (DFC) rail project, a public-private partnership that has recently overcome hurdles in funding and land acquisition. We believe this US\$13 billion construction project will enhance productivity in a country where infrastructure development, while long-anticipated, has faced many delays. For the past few years, we have selectively built exposure to businesses that may benefit from a recovery in investment demand. We believe longer-term economic progress hinges on progress in this sector.

During the year, our high allocation to the consumer sector was a main detractor to relative Fund performance. For example, our overweight in Exide Industries versus the benchmark was a drag on performance. A leader in the production of automotive and industrial batteries, the firm has begun facing rising competition from a formidable opponent in an environment of slowing growth. The retirement last year of its chief executive officer may have also been a distraction, and we are monitoring its progress in dealing with competitive forces, especially in the current environment of a domestic economic slowdown.

The portfolio has held between 30 to 40 holdings for many months, and became more concentrated during the year. We do see opportunity in small- and mid-capitalisation stocks, which have historically traded at a noticeable discount to large caps. We question whether the size of the discount continues to be warranted, however, given improvements in their relative fundamentals. We may choose to increase our number of holdings slightly over time.

For the time being, the broader market seems overly focused on India's election results, and much less appreciative of the role of institutions, such as the Reserve Bank of India, and various other policymaking channels. We believe the Indian economy is not as fragile as many fear. Last year's currency weakness helped export growth while curbs on gold imports contributed to a reduction in the current account deficit by over 2% of GDP. For now, some of the tail risks stemming from a potential reversal of capital flows may have been reduced. But a forceful recovery in economic activity is predicated on a rejuvenation of investment-related demand, which may be closer to a recovery as there are efforts already underway to reduce policy-related delays. Meanwhile, market valuations seem to be in line or below historical averages, which in our view, presents a good opportunity to scout for long-term growth.

\* Performance is based on swung net asset value per Share, see note 11.

*Schedule of Investments (Audited)*

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: INDIA: 92.8%**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>FINANCIALS: 22.9%</b>				<b>MATERIALS : 10.2%</b>			
<b>Commercial Banks: 11.5%</b>				<b>Chemicals: 5.9%</b>			
Kotak Mahindra Bank, Ltd.	73,096	953,036	6.2	Asian Paints, Ltd.	38,519	352,333	2.3
HDFC Bank, Ltd.	65,527	819,074	5.3	Castrol India, Ltd.	55,192	286,486	1.9
		<b>1,772,110</b>	<b>11.5</b>	Supreme Industries, Ltd.	31,017	260,102	1.7
<b>Consumer Finance: 5.0%</b>						<b>898,921</b>	<b>5.9</b>
Shriram City Union Finance, Ltd.	42,097	773,389	5.0	<b>Construction Materials: 2.9%</b>			
		<b>773,389</b>	<b>5.0</b>	Grasim Industries, Ltd.	9,240	445,465	2.9
<b>Diversified Financial Services: 4.8%</b>						<b>445,465</b>	<b>2.9</b>
IDFC, Ltd.	335,442	684,547	4.5	<b>Metals &amp; Mining: 1.4%</b>			
Multi Commodity Exchange of India, Ltd.	6,398	52,771	0.3	NMDC, Ltd.	93,932	218,346	1.4
		<b>737,318</b>	<b>4.8</b>			<b>218,346</b>	<b>1.4</b>
<b>Thriffs &amp; Mortgage Finance: 1.6%</b>				<b>Total Materials</b>			
Housing Development Finance Corp.	16,223	239,371	1.6			<b>1,562,732</b>	<b>10.2</b>
		<b>239,371</b>	<b>1.6</b>	<b>CONSUMER DISCRETIONARY: 9.2%</b>			
<b>Total Financials</b>		<b>3,522,188</b>	<b>22.9</b>	<b>Household Products: 3.0%</b>			
<b>INDUSTRIALS: 20.4%</b>				Symphony, Ltd.			
<b>Machinery: 10.2%</b>					37,833	464,284	3.0
AIA Engineering, Ltd.	88,812	828,522	5.4			<b>464,284</b>	<b>3.0</b>
Thermax, Ltd.	50,787	634,318	4.1	<b>Auto Components: 2.6%</b>			
Ashok Leyland, Ltd.	258,057	101,879	0.7	Exide Industries, Ltd.	199,356	403,171	2.6
		<b>1,564,719</b>	<b>10.2</b>			<b>403,171</b>	<b>2.6</b>
<b>Transportation Infrastructure: 4.0%</b>				<b>Textiles, Apparel &amp; Luxury Goods: 2.5%</b>			
Gujarat Pipavav Port, Ltd.	422,750	619,605	4.0	Titan Co., Ltd.	87,068	381,817	2.5
		<b>619,605</b>	<b>4.0</b>			<b>381,817</b>	<b>2.5</b>
<b>Road &amp; Rail: 3.8%</b>				<b>Media: 1.1%</b>			
Container Corp. of India, Ltd.	35,567	576,179	3.8	Jagran Prakashan, Ltd.	97,159	167,135	1.1
		<b>576,179</b>	<b>3.8</b>			<b>167,135</b>	<b>1.1</b>
<b>Industrial Conglomerates: 2.4%</b>				<b>Total Consumer Discretionary</b>			
MAX India, Ltd.	106,393	369,503	2.4			<b>1,416,407</b>	<b>9.2</b>
		<b>369,503</b>	<b>2.4</b>	<b>INFORMATION TECHNOLOGY: 6.0%</b>			
<b>Total Industrials</b>		<b>3,130,006</b>	<b>20.4</b>	<b>IT Services: 3.8%</b>			
<b>CONSUMER STAPLES: 18.3%</b>				MindTree, Ltd.			
<b>Personal Products: 9.8%</b>					26,339	580,883	3.8
Emami, Ltd.	105,489	766,536	5.0			<b>580,883</b>	<b>3.8</b>
Dabur India, Ltd.	195,024	584,860	3.8	<b>Internet Software &amp; Services: 2.2%</b>			
Bajaj Corp., Ltd.	40,175	145,664	1.0	Info Edge India, Ltd.	32,685	338,062	2.2
		<b>1,497,060</b>	<b>9.8</b>			<b>338,062</b>	<b>2.2</b>
<b>Tobacco: 5.3%</b>				<b>Total Information Technology</b>			
ITC, Ltd.	138,785	817,466	5.3			<b>918,945</b>	<b>6.0</b>
		<b>817,466</b>	<b>5.3</b>	<b>HEALTH CARE: 3.2%</b>			
<b>Food Products: 3.2%</b>				<b>Pharmaceuticals: 3.2%</b>			
Zyodus Wellness, Ltd.	59,011	488,844	3.2	Sun Pharmaceutical Industries, Ltd.	50,548	484,976	3.2
		<b>488,844</b>	<b>3.2</b>			<b>484,976</b>	<b>3.2</b>
<b>Total Consumer Staples</b>		<b>2,803,370</b>	<b>18.3</b>	<b>Total Health Care</b>			
						<b>484,976</b>	<b>3.2</b>
				<b>UTILITIES: 2.6%</b>			
				<b>Gas Utilities: 2.6%</b>			
				GAIL India, Ltd.	63,787	400,419	2.6
						<b>400,419</b>	<b>2.6</b>
				<b>Total Utilities</b>			
						<b>400,419</b>	<b>2.6</b>
				<b>TOTAL COMMON EQUITIES: INDIA</b>			
						<b>14,239,043</b>	
				(Cost \$13,124,643)			

*Schedule of Investments* (Audited) (continued)**COMMON EQUITIES: SINGAPORE: 1.6%**

	Shares	Value	% of Net Assets
<b>FINANCIALS: 1.6%</b>			
<b>Real Estate Management &amp; Development: 1.6%</b>			
Ascendas India Trust	407,000	248,833	1.6
		<u>248,833</u>	<u>1.6</u>
<b>Total Financials</b>		<u>248,833</u>	<u>1.6</u>
<b>TOTAL COMMON EQUITIES: SINGAPORE</b>			
		<u>248,833</u>	
(Cost \$254,013)			
<b>TOTAL COMMON EQUITIES</b>		<u>14,487,876</u>	
<b>TOTAL INVESTMENTS: 94.4%</b>		<u>14,487,876</u>	
(Cost 13,376,56)			
<b>CASH AND OTHER ASSETS, LESS LIABILITIES: 5.6%</b>		<u>855,702</u>	
<b>NET ASSETS: 100.0%</b>		<u>15,343,578</u>	

The accompanying notes form an integral part of these financial statements.



## PORTFOLIO MANAGERS

**Lydia So, CFA**  
Lead Manager

**Kenichi Amaki**  
Co-Manager

**Beini Zhou, CFA**  
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

# Asia Small Companies Fund

## *Fund Manager Report*

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

The Asia Small Companies Fund was launched on 30 April 2013. Since inception until 31 March 2014, the Fund returned 6.20%, outperforming its benchmark, the MSCI All Country Asia ex Japan Small Cap Index, which returned 1.69%. For the quarter ending 31 March 2014, the Fund rose 3.81% while the benchmark returned 3.16%.

Following the Fund's inception in April, volatility in Asia's markets continued into the late summer, as investors reacted to U.S. Federal Reserve "tapering" of quantitative easing measures. Countries with high current account deficits, particularly India and Indonesia, were perceived to be most negatively impacted given the possibility of reversal in capital flows. China's slowdown also continued to dampen investor enthusiasm for Asian equities. Accordingly, valuations were also reflective of the respective macroeconomic challenges facing different parts of Asia.

As we entered 2014, the bearish sentiment shifted somewhat on the margin. Our holdings in India were the main drivers of absolute performance for the recent quarter, owing to both good stock selection and a favourable currency effect. India's Gujarat Pipavav Port was among the top performance contributors for this period because of strong operational improvements. Our holdings in Pacific Online, a Chinese Internet company, also helped the Fund's absolute performance as the sector's valuation multiples expanded strongly.

Despite the fact that the market was preoccupied with macroeconomic issues, we stayed consistent with our approach of selecting quality businesses with solid fundamentals and avoid directly applying "top-down" views in terms of allocating investments based on short-term news. Our stock selection in industrials, health care, and Internet-related segments enabled the Fund to outperform its benchmark for the period since inception. For example, Airtac International, one of China's largest pneumatic components makers, was the largest performance contributor. Demand for the company's products were strong as the manufacturing sector's needs for more automation continued to rise in light of rising wages. Meanwhile, a combination of company-specific factors and political uncertainty caused holdings in Thailand to be the main performance detractors for the period. Oishi Group Public of Thailand was a main detractor to performance. The company, which operates Japanese restaurants and manufactures ready-to-drink teas, has been facing keen competition and has seen profitability suffer recently.

During the most recent quarter, we continued to find investment ideas with attractive secular growth prospects. One such example is i-SENS, a medical device company, which we believe has the potential to generate sustained revenue growth from different geographies and also holds an attractive profitability profile. We also initiated a position in Singapore's OSIM International, a specialty retailer focused on lifestyle and wellness products. The company has a retail network across the Asian region, and we believe its products, such as massage chairs, appeal to the region's growing middle class consumers. On the flip side, we decided to exit Kiwoom Securities, an online brokerage company in Korea that may continue to struggle to improve its profitability, in our view.

Looking forward, we will continue to monitor China's progress in various economic reforms, as well as any potential policy implications arising from election results in India and Indonesia. However, our approach for uncovering opportunities in industries with long-term structural growth potential remains unchanged.



*Schedule of Investments* (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: 96.8%**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
<b>CHINA/HONG KONG : 24.2%</b>				<b>TAIWAN : 10.5%</b>			
Towngas China Co., Ltd.	49,000	59,878	3.1	PChome Online, Inc.	5,000	37,425	2.0
Lee's Pharmaceutical Holdings, Ltd.	35,000	40,626	2.1	Sinmag Equipment Corp.	6,200	36,235	1.9
Minth Group, Ltd.	18,000	36,657	1.9	Yungtay Engineering Co., Ltd.	12,000	34,435	1.8
Vitasoy International Holdings, Ltd.	24,000	34,848	1.8	Pacific Hospital Supply Co., Ltd.	10,000	26,652	1.4
Airtac International Group	3,210	33,262	1.7	Sporton International, Inc.	5,000	23,964	1.2
Sunny Optical Technology Group Co., Ltd.	31,000	30,174	1.6	St. Shine Optical Co., Ltd.	1,000	22,294	1.2
Stelux Holdings International, Ltd.	85,000	26,191	1.4	TSC Auto ID Technology Co., Ltd.	2,000	19,113	1.0
Pacific Online, Ltd.	41,000	25,458	1.3	<b>Total Taiwan</b>		<b>200,118</b>	<b>10.5</b>
Haitian International Holdings, Ltd.	12,000	24,067	1.3	<b>SOUTH KOREA : 8.2%</b>			
Convenience Retail Asia, Ltd.	34,000	23,821	1.3	Binggrae Co., Ltd.	360	31,084	1.6
Fairwood Holdings, Ltd.	11,500	23,246	1.2	Hy-Lok Corp.	988	28,525	1.5
51job, Inc. ADR	300	21,544	1.1	SaraminHR Co., Ltd.	2,402	28,387	1.5
ASR Holdings, Ltd.	97,500	19,730	1.0	Pyeong Hwa Automotive Co., Ltd.	1,295	26,719	1.4
YGM Trading, Ltd.	9,000	18,561	1.0	i-SENS, Inc.	521	25,897	1.4
Yip's Chemical Holdings, Ltd.	24,000	16,581	0.9	Cheil Worldwide, Inc.	670	15,047	0.8
KWG Property Holding, Ltd.	26,500	14,549	0.8	<b>Total South Korea</b>		<b>155,659</b>	<b>8.2</b>
Lifetech Scientific Corp.	10,000	12,967	0.7	<b>SINGAPORE : 8.2%</b>			
<b>Total China/Hong Kong</b>		<b>462,160</b>	<b>24.2</b>	Petra Foods, Ltd.	12,000	35,158	1.9
<b>INDIA : 16.5%</b>				ARA Asset Management, Ltd.	24,000	35,157	1.9
Gruh Finance, Ltd.	7,930	39,091	2.1	Super Group, Ltd.	12,000	33,178	1.7
Page Industries, Ltd.	320	34,666	1.8	OSIM International, Ltd.	14,000	28,791	1.5
Ipca Laboratories, Ltd.	2,442	34,440	1.8	Raffles Medical Group, Ltd.	9,000	22,939	1.2
Gujarat Pipavav Port, Ltd.	23,463	34,389	1.8	<b>Total Singapore</b>		<b>155,223</b>	<b>8.2</b>
Supreme Industries, Ltd.	4,054	33,996	1.8	<b>THAILAND : 7.3%</b>			
Emami, Ltd.	4,563	33,157	1.7	Bangkok Chain Hospital Public Co., Ltd.	140,600	30,791	1.6
AIA Engineering, Ltd.	3,031	28,276	1.5	Siam Global House Public Co., Ltd.	56,916	25,273	1.3
Berger Paints India, Ltd.	6,835	26,225	1.4	Supalai Public Co., Ltd.	43,500	23,883	1.3
CRISIL, Ltd.	1,227	25,192	1.3	PTG Energy Public Co., Ltd.	159,200	17,678	0.9
MindTree, Ltd.	1,128	24,877	1.3	Aeon Thana Sinsap Thailand Public Co., Ltd.	6,300	17,003	0.9
<b>Total India</b>		<b>314,309</b>	<b>16.5</b>	Tisco Financial Group Public Co., Ltd.	11,600	14,581	0.8
<b>INDONESIA : 10.9%</b>				Oishi Group Public Co., Ltd.	3,500	9,175	0.5
PT Bank Tabungan Pensiunan Nasional	85,400	32,074	1.7	<b>Total Thailand</b>		<b>138,384</b>	<b>7.3</b>
PT AKR Corporindo	63,100	26,708	1.4	<b>MALAYSIA : 6.0%</b>			
PT Arwana Citramulia	264,600	21,838	1.1	Dialog Group BHD	27,800	30,572	1.6
PT Wismilak Inti Makmur	322,000	20,881	1.1	Alliance Financial Group BHD	20,500	27,693	1.5
PT Sarana Menara Nusantara	59,300	20,456	1.1	Oldtown BHD	40,000	24,261	1.3
PT Selamat Sempurna	57,400	20,052	1.1	KPJ Healthcare BHD	19,160	17,550	0.9
PT Sumber Alfaria Trijaya	398,800	18,111	1.0	LPI Capital BHD	2,700	13,729	0.7
PT Astra Otoparts	51,300	17,967	0.9	<b>Total Malaysia</b>		<b>113,805</b>	<b>6.0</b>
PT Ultrajaya Milk Industry & Trading Co.	42,000	14,416	0.8				
PT Modern Internasional	255,900	13,857	0.7				
<b>Total Indonesia</b>		<b>206,360</b>	<b>10.9</b>				

*Schedule of Investments (Audited) (continued)***COMMON EQUITIES (continued)**

	Shares	Value	% of Net Assets
<b>PHILIPPINES : 5.0%</b>			
Vista Land & Lifescapes, Inc.	285,400	33,588	1.8
Security Bank Corp.	10,706	25,364	1.3
RFM Corp.	188,800	24,580	1.3
Philippine Seven Corp.	5,060	11,074	0.6
<b>Total Philippines</b>		<b>94,606</b>	<b>5.0</b>

<b>TOTAL COMMON EQUITIES</b>	<b>1,840,624</b>
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(Cost \$1,756,430)

**WARRANT: 0.0%****MALAYSIA : 0.0%**

KPJ Healthcare BHD, expires 01/23/19	1,120	213	0.0
<b>Total Malaysia</b>		<b>213</b>	<b>0.0</b>

<b>TOTAL WARRANT</b>	<b>213</b>
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(Cost \$54)

<b>TOTAL INVESTMENTS: 96.8%</b>	<b>1,840,837</b>
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(Cost \$1,756,484)

**CASH AND OTHER ASSETS,  
LESS LIABILITIES: 3.2%**

**60,585****NET ASSETS: 100.0%****1,901,422**

ADR: American Depositary Receipt

BHD: Berhad

The accompanying notes form an integral part of these financial statements.

**PORTFOLIO MANAGERS**

**Richard Gao**  
Lead Manager

**Henry Zhang, CFA**  
Co-Manager

# China Small Companies Fund

## *Fund Manager Report*

*Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ending 31 March 2014, the China Small Companies Fund returned 22.53% while its benchmark, the MSCI China Small Cap Index, returned 12.01%. For the quarter ending 31 March 2014, the Fund declined -1.09% while the benchmark lost -0.16%.

China's economy experienced rather modest growth over the past 12 months. Amid such an environment, private sector companies fared substantially better than state-owned enterprises and demonstrated resilient profit growth. In November, the Communist party passed an ambitious reform package, which outlined a blueprint for the country's future growth and encouragingly highlighted the importance of developing a more market-oriented economy.

In a related development, the renminbi (RMB) depreciated about 2.6% in the last quarter of the fiscal year. As the currency's reference rate is set by China's central bank, the deliberate move by the People's Bank of China caught many investors by surprise considering that the RMB had appreciated consistently for the past four years. While the rapid fall of the RMB increased short-term volatility in the market, it should help shake out some currency speculators and help the RMB become a more market-driven currency.

By sector, health care, consumer discretionary and industrials made the largest contribution to absolute returns in the past 12 months. TAL Education, one of leading education service providers for K-12 students in China, was among the top contributors to performance. The company has been able to expand its facilities while maintaining its margins and profitability. In our view, TAL Education should remain a long-term beneficiary of increasing spending on education. Medical research outsourcing company Wuxi PharmaTech was another significant contributor to Fund performance for the fiscal year. The firm delivered solid operating results, given strong execution capabilities and growing demand in medicinal chemistry and biologics research.

Within the industrials sector, Airtac International, a pneumatic equipment and component manufacturer, was one of top contributors to Fund performance. The company has benefited from the increasing demand for automation in China. As Airtac continues to broaden its product offerings and optimise its production processes, we believe there is a strong tailwind behind the company's long-term growth.

Conversely, holdings in the financials and materials sectors performed poorly. Real estate developer China Overseas Grand Oceans was the largest detractor to Fund performance. The company suffered a continued sell-off as investor sentiment toward China's real estate market remained weak, particularly among lower-tier cities where the company is mainly focused. However, given the government's ongoing urbanisation effort and the company's strong ability to execute, we believe the share price already reflects most of the negative factors and we, therefore, continue to hold this position.

China's current administration seems to have a larger tolerance for lower growth, allowing for some necessary adjustments to the economy. One of the key objectives of the government's reform package is to promote the development of small and medium enterprises, and to level the playing field for private sector firms. We expect that non-state-owned enterprises will continue to benefit from China's economic reforms and the government's deregulation of state-dominated sectors. Finding small companies with sustainable growth and quality management teams remains our top objective for the strategy.

*Schedule of Investments* (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2014, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 82.5%**

	Shares	Value	% of Net Assets
<b>CONSUMER DISCRETIONARY: 20.3%</b>			
<b>Hotels, Restaurants &amp; Leisure: 5.1%</b>			
China Lodging Group, Ltd. ADS	2,600	61,784	2.7
Tao Heung Holdings, Ltd.	51,000	33,657	1.6
Home Inns & Hotels Management, Inc. ADR	600	19,026	0.8
		<b>114,467</b>	<b>5.1</b>
<b>Auto Components: 4.4%</b>			
MintH Group, Ltd.	42,000	85,533	3.7
Xingda International Holdings, Ltd. H Shares	32,000	16,003	0.7
		<b>101,536</b>	<b>4.4</b>
<b>Diversified Consumer Services: 4.3%</b>			
TAL Education Group ADR	3,400	76,833	3.3
China Distance Education Holdings, Ltd.	1,300	22,618	1.0
		<b>99,451</b>	<b>4.3</b>
<b>Multiline Retail: 2.3%</b>			
Springland International Holdings, Ltd.	117,000	51,877	2.3
		<b>51,877</b>	<b>2.3</b>
<b>Internet &amp; Catalog Retail: 1.7%</b>			
Qunar Cayman Islands, Ltd. ADR	1,342	39,814	1.7
		<b>39,814</b>	<b>1.7</b>
<b>Leisure Equipment &amp; Products: 1.7%</b>			
Goodbaby International Holdings, Ltd.	72,000	38,430	1.7
		<b>38,430</b>	<b>1.7</b>
<b>Textiles, Apparel &amp; Luxury Goods: 0.8%</b>			
ANTA Sports Products, Ltd.	11,000	18,346	0.8
		<b>18,346</b>	<b>0.8</b>
<b>Total Consumer Discretionary</b>		<b>463,921</b>	<b>20.3</b>
<b>INDUSTRIALS: 15.9%</b>			
<b>Machinery: 6.3%</b>			
Airtac International Group	10,210	105,797	4.6
Haitian International Holdings, Ltd.	14,000	28,078	1.2
CIMC Enric Holdings, Ltd.	8,000	11,281	0.5
		<b>145,156</b>	<b>6.3</b>
<b>Professional Services: 2.6%</b>			
51job, Inc. ADR	800	57,449	2.6
		<b>57,449</b>	<b>2.6</b>
<b>Air Freight &amp; Logistics: 2.5%</b>			
Shenzhen Chiwan Petroleum B Shares	28,100	56,539	2.5
		<b>56,539</b>	<b>2.5</b>
<b>Transportation Infrastructure: 2.0%</b>			
Yuexiu Transport Infrastructure, Ltd.	90,000	46,402	2.0
		<b>46,402</b>	<b>2.0</b>
<b>Electrical Equipment: 1.7%</b>			
Zhuzhou CSR Times Electric Co., Ltd. H Shares	6,000	20,241	0.9
Boer Power Holdings, Ltd.	14,000	18,832	0.8
		<b>39,073</b>	<b>1.7</b>
<b>Marine: 0.8%</b>			
SITC International Holdings Co., Ltd.	40,000	19,282	0.8
		<b>19,282</b>	<b>0.8</b>
<b>Total Industrials</b>		<b>363,901</b>	<b>15.9</b>

	Shares	Value	% of Net Assets
<b>HEALTH CARE: 15.4%</b>			
<b>Pharmaceuticals: 12.3%</b>			
Sino Biopharmaceutical, Ltd.	104,000	88,605	3.9
Lee's Pharmaceutical Holdings, Ltd.	70,000	81,251	3.5
CSPC Pharmaceutical Group, Ltd.	82,000	72,611	3.2
Lijun International Pharmaceutical Holding Co., Limited	70,000	28,611	1.2
Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	10,000	10,596	0.5
		<b>281,674</b>	<b>12.3</b>
<b>Life Sciences Tools &amp; Services: 3.1%</b>			
WuXi PharmaTech Cayman, Inc. ADR	2,000	70,335	3.1
		<b>70,335</b>	<b>3.1</b>
<b>Total Health Care</b>		<b>352,009</b>	<b>15.4</b>
<b>INFORMATION TECHNOLOGY: 13.7%</b>			
<b>Electronic Equipment, Instruments &amp; Components: 7.9%</b>			
PAX Global Technology, Ltd.	109,000	55,495	2.5
Truly International Holdings, Ltd.	78,000	52,497	2.3
Sunny Optical Technology Group Co., Ltd.	53,000	51,588	2.3
Digital China Holdings, Ltd.	19,000	19,155	0.8
		<b>178,735</b>	<b>7.9</b>
<b>Internet Software &amp; Services: 3.6%</b>			
21Vianet Group, Inc. ADR	1,800	48,405	2.1
Sina Corp.	400	23,722	1.0
Autohome, Inc. ADR	300	11,333	0.5
		<b>83,460</b>	<b>3.6</b>
<b>Software: 2.2%</b>			
Kingsoft Corp., Ltd.	13,000	51,201	2.2
		<b>51,201</b>	<b>2.2</b>
<b>Total Information Technology</b>		<b>313,396</b>	<b>13.7</b>
<b>FINANCIALS: 8.6%</b>			
<b>Real Estate Management &amp; Development: 8.6%</b>			
Franshion Properties China, Ltd.	234,000	78,111	3.4
K Wah International Holdings, Ltd.	64,000	42,896	1.9
China Overseas Grand Oceans Group, Ltd.	64,000	42,073	1.8
KWG Property Holding, Ltd.	62,500	34,315	1.5
		<b>197,395</b>	<b>8.6</b>
<b>Total Financials</b>		<b>197,395</b>	<b>8.6</b>
<b>UTILITIES: 5.3%</b>			
<b>Gas Utilities: 5.3%</b>			
Towngas China Co., Ltd.	99,000	120,977	5.3
		<b>120,977</b>	<b>5.3</b>
<b>Total Utilities</b>		<b>120,977</b>	<b>5.3</b>

*Schedule of Investments (Audited) (continued)***COMMON EQUITIES: CHINA/HONG KONG (continued)**

	Shares	Value	% of Net Assets
<b>MATERIALS: 2.0%</b>			
<b>Containers &amp; Packaging: 1.3%</b>			
Greatview Aseptic Packaging Co., Ltd.	57,000	30,269	1.3
		<u>30,269</u>	<u>1.3</u>
<b>Chemicals: 0.7%</b>			
Yip's Chemical Holdings, Ltd.	24,000	16,581	0.7
		<u>16,581</u>	<u>0.7</u>
<b>Total Materials</b>		<b>46,850</b>	<b>2.0</b>
<b>ENERGY: 1.2%</b>			
<b>Energy Equipment &amp; Services: 1.2%</b>			
Hilong Holding, Ltd.	53,000	29,106	1.2
		<u>29,106</u>	<u>1.2</u>
<b>Total Energy</b>		<b>29,106</b>	<b>1.2</b>
<b>TOTAL COMMON EQUITIES: CHINA/HONG KONG: 1,887,555</b>			
(Cost: \$1,471,216)			
<b>COMMON EQUITIES: TAIWAN: 12.9%</b>			
<b>HEALTH CARE: 6.3%</b>			
<b>Health Care Equipment &amp; Supplies: 6.3%</b>			
Ginko International Co., Ltd.	6,000	103,425	4.5
St. Shine Optical Co., Ltd.	1,000	22,294	1.0
Pacific Hospital Supply Co., Ltd.	7,000	18,656	0.8
		<u>144,375</u>	<u>6.3</u>
<b>Total Health Care</b>		<b>144,375</b>	<b>6.3</b>
<b>INDUSTRIALS: 4.4%</b>			
<b>Machinery: 3.4%</b>			
Yungtay Engineering Co., Ltd.	27,000	77,480	3.4
		<u>77,480</u>	<u>3.4</u>
<b>Professional Services: 1.0%</b>			
Sporton International, Inc.	5,000	23,964	1.0
		<u>23,964</u>	<u>1.0</u>
<b>Total Industrials</b>		<b>101,444</b>	<b>4.4</b>
<b>FINANCIALS: 2.2%</b>			
<b>Diversified Financial Services: 2.2%</b>			
Chailease Holding Co., Ltd.	20,200	48,475	2.2
		<u>48,475</u>	<u>2.2</u>
<b>Total Financials</b>		<b>48,475</b>	<b>2.2</b>

<b>TOTAL COMMON EQUITIES: TAIWAN</b>	<b>294,294</b>
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(Cost: \$266,465)

<b>TOTAL COMMON EQUITIES</b>	<b>2,181,849</b>
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<b>TOTAL INVESTMENTS: 95.3%</b>	<b>2,181,849</b>
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(Cost: \$1,737,681)

<b>CASH AND OTHER ASSETS, LESS LIABILITIES: 4.7%</b>	<b>107,537</b>
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<b>NET ASSETS: 100.0%</b>	<b>2,289,386</b>
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ADR: American Depositary Receipt

B Shares: Mainland Chinese companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors

H Shares: Mainland Chinese companies listed on the Hong Kong exchange but incorporated in mainland China

S Shares: Mainland Chinese companies listed on the Singapore stock exchange but incorporated in mainland China.

# Statement of Assets and Liabilities

*As at 31 March 2014*

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)
<b>ASSETS</b>				
Investment in securities at value (note 2C)	705,541,721	201,894,731	32,592,674	14,487,876
At cost	680,446,300	192,662,446	31,461,866	13,378,656
Cash and cash equivalent at bank	13,814,377	11,279,690	868,486	204,790
Amount receivable on sales of investments	2,791,950	223,179	–	778,079
Interests and dividends receivable	3,928,424	111,163	27,272	–
Subscriptions receivable	1,495,880	37,955,574	–	5,868
Formation expenses (note 2I)	8,495	8,495	7,202	17,680
Prepaid expenses and other receivables	365,104	56,122	44,859	41,220
<b>TOTAL ASSETS</b>	<b>727,945,951</b>	<b>251,528,954</b>	<b>33,540,493</b>	<b>15,535,513</b>
<b>LIABILITIES</b>				
Amounts payable on purchases of investments	858,611	27,587,204	–	–
Redemptions payable	2,318,555	5,170,117	–	6,975
Management fees and administration fees (note 4)	561,170	114,243	21,627	7,659
Payable for foreign taxes (note 7B)	–	513,437	–	93,255
Accrued expenses and other payables	560,436	182,739	82,454	84,046
<b>TOTAL LIABILITIES</b>	<b>4,298,772</b>	<b>33,567,740</b>	<b>104,081</b>	<b>191,935</b>
<b>TOTAL NET ASSETS</b>	<b>723,647,179</b>	<b>217,961,214</b>	<b>33,436,412</b>	<b>15,343,578</b>

The accompanying notes form an integral part of these financial statements.

# Statement of Assets and Liabilities *(Continued)*

*As at 31 March 2014*

	Asia Small Companies Fund* (USD)	China Small Companies Fund (USD)	China Dividend Fund (USD)	Combined (USD)
<b>ASSETS</b>				
Investment in securities at value (note 2C)	1,840,837	2,181,849	15,081,195	973,620,883
At cost	1,756,484	1,737,681	14,650,062	936,093,495
Cash and cash equivalent at bank	18,041	102,497	228,154	26,516,035
Amount receivable on sales of investments	71	80	73,263	3,866,622
Interests and dividends receivable	1,552	–	12,882	4,081,293
Subscriptions receivable	24,819	24,811	–	39,506,952
Formation expenses (note 2I)	–	–	–	41,872
Prepaid expenses and other receivables	65,712	37,803	52,574	663,394
<b>TOTAL ASSETS</b>	<b>1,951,032</b>	<b>2,347,040</b>	<b>15,448,068</b>	<b>1,048,297,051</b>
<b>LIABILITIES</b>				
Amounts payable on purchases of investments	14,094	35,450	–	28,495,359
Redemptions payable	–	–	97,049	7,592,696
Management fees and administration fees (note 4)	1,873	2,513	12,899	721,984
Payable for foreign taxes (note 7B)	11,027	–	–	617,719
Accrued expenses and other payables	22,616	19,691	31,786	983,768
<b>TOTAL LIABILITIES</b>	<b>49,610</b>	<b>57,654</b>	<b>141,734</b>	<b>38,411,526</b>
<b>TOTAL NET ASSETS</b>	<b>1,901,422</b>	<b>2,289,386</b>	<b>15,306,334</b>	<b>1,009,885,525</b>

\* For the period from 30 April 2013 (date of launch) to 31 March 2014.

The accompanying notes form an integral part of these financial statements.

# Statement of Operations and Changes in Net Assets

For the year/period ended 31 March 2014

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)
<b>NET ASSETS AT THE BEGINNING OF THE YEAR/PERIOD</b>	<b>435,670,083</b>	<b>12,211,274</b>	<b>34,560,395</b>	<b>13,663,700</b>
<b>INCOME</b>				
Dividends income, net (foreign tax withholding)	21,077,467	470,032	754,215	200,649
Interest income, net	1,386	169	89	1,172
<b>TOTAL INCOME</b>	<b>21,078,853</b>	<b>470,201</b>	<b>754,304</b>	<b>201,821</b>
<b>EXPENSES</b>				
Overdraft interest on bank accounts	956	678	54	1,641
Management fees and administration fees (note 4)	8,528,226	529,408	347,697	113,888
Domiciliation, Administration and Transfer agency fees	301,673	71,397	68,278	62,503
Professional fees	100,994	17,144	18,617	12,823
Printing fees	219,358	2,486	3,958	4,714
Custodian fees	221,695	21,480	20,839	20,828
Amortization of formation expenses (note 2I)	7,934	7,934	7,934	7,934
Taxe d'abonnement (note 7A)	165,426	6,082	3,607	1,195
Transaction costs (note 8)	1,146,971	408,871	20,750	65,168
Other fees	286,472	32,220	45,046	25,248
<b>TOTAL EXPENSES</b>	<b>10,979,705</b>	<b>1,097,700</b>	<b>536,780</b>	<b>315,942</b>
Fee waiver (note 2H)	232,461	(63,871)	(2,043)	88,228
<b>NET INVESTMENT INCOME/(LOSS)</b>	<b>10,331,609</b>	<b>(691,370)</b>	<b>215,481</b>	<b>(25,893)</b>
Net realised gain/(loss) on investments	4,612,999	819,360	(470,819)	(1,133,430)
Net realised gain/(loss) on foreign exchanges	(379,332)	(138,320)	(964)	(46,696)
<b>Net realised gain/(loss) for the year/period</b>	<b>4,233,667</b>	<b>681,040</b>	<b>(471,783)</b>	<b>(1,180,126)</b>
Net change in unrealised gain/(loss) on investments	(16,620,528)	8,089,969	(4,338)	1,654,820
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	–	(510,638)	–	(79,538)
Net change in unrealised gain/(loss) on foreign exchanges	5,806	(6,264)	21	4,628
<b>Net change in unrealised gain/(loss) for the year/period</b>	<b>(16,614,722)</b>	<b>7,573,067</b>	<b>(4,317)</b>	<b>1,579,910</b>
<b>Increase/(decrease) in net assets as a result of operations</b>	<b>(2,049,446)</b>	<b>7,562,737</b>	<b>(260,619)</b>	<b>373,891</b>
Subscriptions	651,808,483	206,691,033	1,385,478	8,502,000
Redemptions	(359,714,327)	(8,503,830)	(2,248,842)	(7,196,013)
Dividend distributions (note 10)	(2,067,614)	–	–	–
<b>NET ASSETS AT THE END OF THE YEAR/PERIOD</b>	<b>723,647,179</b>	<b>217,961,214</b>	<b>33,436,412</b>	<b>15,343,578</b>

The accompanying notes form an integral part of these financial statements.



# Statement of Operations and Changes in Net Assets *(Continued)*

For the year/period ended 31 March 2014

	Asia Small Companies Fund* (USD)	China Small Companies Fund (USD)	China Dividend Fund (USD)	Combined (USD)
<b>NET ASSETS AT THE BEGINNING OF THE YEAR/PERIOD</b>	–	1,187,192	22,064,469	519,357,113
<b>INCOME</b>				
Dividends income, net (foreign tax withholding)	20,153	26,641	746,447	23,295,604
Interest income, net	–	–	36	2,852
<b>TOTAL INCOME</b>	<b>20,153</b>	<b>26,641</b>	<b>746,483</b>	<b>23,298,456</b>
<b>EXPENSES</b>				
Overdraft interest on bank accounts	41	4	–	3,374
Management fees and administration fees (note 4)	16,274	24,830	239,126	9,799,449
Domiciliation, Administration and Transfer agency fees	31,544	52,324	57,553	645,272
Professional fees	10,337	19,777	30,878	210,570
Printing fees	46	641	628	231,831
Custodian fees	9,053	20,822	18,661	333,378
Amortization of formation expenses (note 2I)	–	–	–	31,736
Taxe d'abonnement (note 7A)	324	538	2,717	179,889
Transaction costs (note 8)	13,204	8,491	86,975	1,750,430
Other fees	19,157	15,467	19,118	442,728
<b>TOTAL EXPENSES</b>	<b>99,980</b>	<b>142,894</b>	<b>455,656</b>	<b>13,628,657</b>
Fee waiver (note 2H)	73,872	107,459	34,602	470,708
<b>NET INVESTMENT INCOME/(LOSS)</b>	<b>(5,955)</b>	<b>(8,794)</b>	<b>325,429</b>	<b>10,140,507</b>
Net realised gain/(loss) on investments	34,947	(1,168)	421,488	4,283,377
Net realised gain/(loss) on foreign exchanges	(2,872)	(465)	(5,250)	(573,899)
<b>Net realised gain/(loss) for the year/period</b>	<b>32,075</b>	<b>(1,633)</b>	<b>416,238</b>	<b>3,709,478</b>
Net change in unrealised gain/(loss) on investments	84,353	294,113	547,703	(5,953,908)
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	(11,027)	–	–	(601,203)
Net change in unrealised gain/(loss) on foreign exchanges	35	–	(3)	4,223
<b>Net change in unrealised gain/(loss) for the year/period</b>	<b>73,361</b>	<b>294,113</b>	<b>547,700</b>	<b>(6,550,888)</b>
<b>Increase/(decrease) in net assets as a result of operations</b>	<b>99,481</b>	<b>283,686</b>	<b>1,289,367</b>	<b>7,299,097</b>
Subscriptions	1,825,458	1,230,827	7,921,162	879,364,441
Redemptions	(23,517)	(412,319)	(15,944,800)	(394,043,648)
Dividend distributions (note 10)	–	–	(23,864)	(2,091,478)
<b>NET ASSETS AT THE END OF THE YEAR/PERIOD</b>	<b>1,901,422</b>	<b>2,289,386</b>	<b>15,306,334</b>	<b>1,009,885,525</b>

\* For the period from 30 April 2013 (date of launch) to 31 March 2014.

The accompanying notes form an integral part of these financial statements.

# Statement of Changes in Number of Shares

For the year/period ended 31 March 2014

	I Acc (USD)	I Dist (USD)	A Acc (USD)	A Dist (USD)	C Acc (USD)	I Acc (GBP)	I Dist (GBP)	A Acc (GBP)	A Dist (GBP)
<b>ASIA DIVIDEND FUND</b>									
Shares outstanding at the beginning of the year	10,846,388	2,513,627	8,987,379	2,093,032	8,004,916	232,015	720,101	20,498	136,438
Shares subscribed	26,820,368	4,912,184	13,579,742	1,281,319	–	48,744	1,618,777	76,627	140,966
Shares redeemed	15,515,514	1,634,451	6,827,864	1,740,591	–	115,170	1,152,592	5,905	14,602
Shares outstanding at the end of the year	22,151,242	5,791,360	15,739,257	1,633,760	8,004,916	165,589	1,186,286	91,220	262,802
<b>PACIFIC TIGER FUND</b>									
Shares outstanding at the beginning of the year	880,854	n.a.	94,025	n.a.	n.a.	215	n.a.	3,183	n.a.
Shares subscribed	14,289,359	n.a.	364,944	n.a.	n.a.	1,269,373	n.a.	5,735	n.a.
Shares redeemed	614,664	n.a.	23,224	n.a.	n.a.	22,354	n.a.	2,097	n.a.
Shares outstanding at the end of the year	14,555,549	n.a.	435,745	n.a.	n.a.	1,247,234	n.a.	6,821	n.a.
<b>CHINA FUND</b>									
Shares outstanding at the beginning of the year	3,221,673	n.a.	25,071	n.a.	n.a.	215	n.a.	1,968	n.a.
Shares subscribed	84,367	n.a.	32,231	n.a.	n.a.	488	n.a.	2,575	n.a.
Shares redeemed	210,696	n.a.	126	n.a.	n.a.	–	n.a.	2,898	n.a.
Shares outstanding at the end of the year	3,095,344	n.a.	57,176	n.a.	n.a.	703	n.a.	1,645	n.a.
<b>INDIA FUND</b>									
Shares outstanding at the beginning of the year	1,564,937	n.a.	1,000	n.a.	n.a.	622	n.a.	2,556	n.a.
Shares subscribed	871,507	n.a.	50,545	n.a.	n.a.	267	n.a.	36,791	n.a.
Shares redeemed	839,234	n.a.	42,408	n.a.	n.a.	40	n.a.	6,693	n.a.
Shares outstanding at the end of the year	1,597,210	n.a.	9,137	n.a.	n.a.	849	n.a.	32,654	n.a.
<b>ASIA SMALL COMPANIES FUND*</b>									
Shares outstanding at the beginning of the period	–	n.a.	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	93,769	n.a.	88,021	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	–	n.a.	2,338	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the period	93,769	n.a.	85,683	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>CHINA SMALL COMPANIES FUND</b>									
Shares outstanding at the beginning of the year	50,000	n.a.	65,115	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	27,171	n.a.	72,769	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	–	n.a.	33,281	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the year	77,171	n.a.	104,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>CHINA DIVIDEND FUND</b>									
Shares outstanding at the beginning of the year	2,149,161	25,000	39,564	34,618	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	500,202	234,604	23,007	15,730	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	1,519,829	15,580	1,119	9,634	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the year	1,129,534	244,024	61,452	40,714	n.a.	n.a.	n.a.	n.a.	n.a.

\* For the period from 30 April 2013 (date of launch) to 31 March 2014.

The accompanying notes form an integral part of these financial statements.

# Statement of NAV per Share and Net Asset Statistics

	Inception Dates	As at 31 March 2014			As at 31 March 2013		
		Net Assets	NAV per Share	Shares Outstanding	Net Assets	NAV per Share	Shares Outstanding
<b>ASIA DIVIDEND FUND</b>							
I Acc (USD)	30 April 2010	USD 292,541,034	USD 13.21	22,151,242	USD 141,057,180	USD 13.00	10,846,388
I Dist (USD)	26 August 2010	USD 72,133,495	USD 12.46	5,791,360	USD 31,407,246	USD 12.49	2,513,627
A Acc (USD)	26 August 2010	USD 203,976,154	USD 12.96	15,739,257	USD 115,335,104	USD 12.83	8,987,379
A Dist (USD)	26 August 2010	USD 20,329,738	USD 12.44	1,633,760	USD 26,142,354	USD 12.49	2,093,032
C Acc (USD)	20 September 2010	USD 102,528,181	USD 12.81	8,004,916	USD 100,744,165	USD 12.59	8,004,916
I Acc (GBP)	28 February 2011	GBP 1,976,015	GBP 11.93	165,589	GBP 2,998,605	GBP 12.92	232,015
I Dist (GBP)	28 February 2011	GBP 13,305,599	GBP 11.22	1,186,286	GBP 8,907,454	GBP 12.37	720,101
A Acc (GBP)	28 February 2011	GBP 1,070,956	GBP 11.74	91,220	GBP 262,186	GBP 12.79	20,498
A Dist (GBP)	28 February 2011	GBP 2,952,198	GBP 11.23	262,802	GBP 1,692,208	GBP 12.40	136,438
<b>PACIFIC TIGER FUND</b>							
I Acc (USD)	30 April 2010	USD 188,211,877	USD 12.93	14,555,549	USD 11,029,555	USD 12.52	880,854
A Acc (USD)	26 August 2010	USD 5,324,752	USD 12.22	435,745	USD 1,118,208	USD 11.89	94,025
I Acc (GBP)	28 February 2011	GBP 14,592,549	GBP 11.70	1,247,234	GBP 2,682	GBP 12.45	215
A Acc (GBP)	28 February 2011	GBP 78,634	GBP 11.53	6,821	GBP 39,268	GBP 12.34	3,183
<b>CHINA FUND</b>							
I Acc (USD)	26 February 2010	USD 32,841,016	USD 10.61	3,095,344	USD 34,279,946	USD 10.64	3,221,673
A Acc (USD)	26 August 2010	USD 560,082	USD 9.80	57,176	USD 247,486	USD 9.87	25,071
I Acc (GBP)	28 February 2011	GBP 6,421	GBP 9.13	703	GBP 2,168	GBP 10.07	215
A Acc (GBP)	28 February 2011	GBP 14,791	GBP 8.99	1,645	GBP 19,604	GBP 9.96	1,968
<b>INDIA FUND</b>							
I Acc (USD)	30 June 2011	USD 14,770,705	USD 9.25	1,597,210	USD 13,611,132	USD 8.70	1,564,937
A Acc (USD)	30 June 2011	USD 83,336	USD 9.12	9,137	USD 8,617	USD 8.62	1,000
I Acc (GBP)	30 June 2011	GBP 7,551	GBP 8.90	849	GBP 5,722	GBP 9.20	622
A Acc (GBP)	30 June 2011	GBP 286,500	GBP 8.77	32,654	GBP 23,308	GBP 9.12	2,556
<b>ASIA SMALL COMPANIES FUND*</b>							
I Acc (USD)	30 April 2013	USD 995,763	USD 10.62	93,769	n.a.	n.a.	n.a.
A Acc (USD)	30 April 2013	USD 905,659	USD 10.57	85,683	n.a.	n.a.	n.a.
<b>CHINA SMALL COMPANIES FUND</b>							
I Acc (USD)	29 February 2012	USD 977,747	USD 12.67	77,171	USD 517,224	USD 10.34	50,000
A Acc (USD)	29 February 2012	USD 1,311,639	USD 12.54	104,603	USD 669,967	USD 10.29	65,115
<b>CHINA DIVIDEND FUND</b>							
I Acc (USD)	31 January 2013	USD 11,741,762	USD 10.40	1,129,534	USD 21,091,779	USD 9.81	2,149,161
I Dist (USD)	31 January 2013	USD 2,514,536	USD 10.30	244,024	USD 245,320	USD 9.81	25,000
A Acc (USD)	31 January 2013	USD 635,031	USD 10.33	61,452	USD 387,906	USD 9.80	39,564
A Dist (USD)	31 January 2013	USD 415,005	USD 10.19	40,714	USD 339,463	USD 9.81	34,618

\* For the period from 30 April 2013 (date of launch) to 31 March 2014.

The accompanying notes form an integral part of these financial statements.

# Notes to Financial Statements

As at 31 March 2014

## 1. GENERAL

MATTHEWS ASIA FUNDS (the “Fund”) is a self-managed investment company organised under the laws of the Grand Duchy of Luxembourg as a “société d’investissement à capital variable” (SICAV) and is authorised under Part I of the amended Luxembourg Law of 17 December 2010 relating to collective investment undertakings, as amended. The Fund was incorporated on 5 February 2010.

The Fund’s articles of incorporation have been deposited with the Luxembourg Registre du Commerce et des Sociétés and were published in the *Mémorial C, Recueil des Sociétés et Associations* (the “Mémorial”) on 25 February 2010 and the last update was published on 12 May 2014.

The Fund has been registered under number B-151275 with the Luxembourg Trade and Companies Register.

The objective of the Fund is to achieve long-term capital appreciation through diversification of investments. Each Sub-Fund will have a specific investment objective.

At the end of the financial year, seven Sub-Funds were available for investments.

The Fund offers the following Classes of Shares:

SHARE CLASS	Asia Dividend Fund	Pacific Tiger Fund	China Fund	India Fund	Asia Small Companies Fund	China Small Companies Fund	China Dividend Fund
I Acc (USD)	x	x	x	x	x	x	x
I Dist (USD)	x						x
A Acc (USD)	x	x	x	x	x	x	x
C Acc (USD)	x						
A Dist (USD)	x						x
I Acc (GBP)	x	x	x	x			
I Dist (GBP)	x						
A Acc (GBP)	x	x	x	x			
A Dist (GBP)	x						

The Fund may offer both accumulation (“Acc”) and distribution Shares (“Dist”), but in relation to Shares referenced as “Acc” Shares, no distributions will be made and all interests and other income earned by the Sub-Fund will be reflected in the Net Asset Value of such Shares. In relation to Shares referenced as “Dist” Shares, it is the intention of the Board of Directors to periodically distribute substantially all the net income earned on investment. All classes belonging to the same Sub-Fund will be commonly invested in adherence with the specific investment objective of the relevant Sub-Fund but may differ with regard to fee structure, minimum subscription amount, dividend policy or other particular features described in the Fund’s prospectus.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Luxembourg regulations relating to Undertakings for Collective Investment and generally accepted accounting principles.

### B) COMBINED FINANCIAL STATEMENTS

The Combined Statement of Assets and Liabilities and Combined Statements of Operations and Changes in Net Assets are expressed in USD.

### C) VALUATION OF THE INVESTMENTS IN SECURITIES AND MONEY MARKET INSTRUMENTS

The Fund’s equity securities are valued based on market quotations or at fair value as determined in good faith by or under the direction of the Board of Directors (the “Board”) when no market quotations are available or when market quotations have become unreliable.

Market values for equity securities are determined based on the last sale price on the principal (or most advantageous) market on which the security is traded. If a reliable last sale price is not available, market values for equity securities are determined using the mean between the last available bid and asked price. Securities are valued through valuations obtained from a commercial pricing service or at the most recent mean of the bid and asked prices provided by investment dealers in accordance with the Fund’s Pricing Policies.

# Notes to Financial Statements *(Continued)*

*As at 31 March 2014*

Events affecting the value of foreign investments may occur between the time at which they are determined and the Fund's valuation point of 2:00 p.m. Luxembourg. When such events occur, the Fund may fair value its securities if the impact of such events can be reasonably determined. Notwithstanding the foregoing, the Fund may determine not to fair value securities where it believes that the impact of doing so would not have a material impact on the calculation of a Fund's NAV on that day.

The Board has delegated the responsibility of making fair value determinations to the Investment Manager's Valuation Committee (the "Valuation Committee"), subject to the Fund's Pricing Policies. The Fund has retained third-party pricing services that may be utilized by the Valuation Committee under circumstances described in the Pricing Policies to provide fair value prices for certain securities held by the Fund. When fair value pricing is used, the prices of securities used by a Sub-Fund to calculate its NAV differ from quoted or published prices for the same securities for that day. All fair value determinations are made subject to the Board's oversight.

## **D) NET REALISED AND UNREALISED GAIN/(LOSS) ON SALES OF INVESTMENTS**

Realised and unrealised gains or losses on sales of investments are calculated on the basis of first in first out cost method of the investments sold.

## **E) CONVERSION OF FOREIGN CURRENCIES**

The books and records of the Fund are maintained in USD.

Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into USD at the current exchange rate.

Translation gains or losses resulting from changes in the exchange rate during the reporting year and realised gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current year.

The Fund does not isolate that portion of gains and losses on investments in equity securities that are due to changes in the foreign exchange rate from those that are due to changes in market prices of equity securities.

The accounting records and the financial statements of each Sub-Fund are expressed in the currency indicated below:

	<b>CURRENCY</b>
Asia Dividend Fund	USD
Pacific Tiger Fund	USD
China Fund	USD
India Fund	USD
Asia Small Companies Fund	USD
China Small Companies Fund	USD
China Dividend Fund	USD

Bank accounts, other net assets and market value of the investments in securities expressed in currencies other than the currency of a Sub-Fund are converted at the exchange rates prevailing on the date of the Statement of Assets and Liabilities. Income and expenses in currencies other than the currency of a Sub-Fund are converted at the rate of exchange prevailing at payment date.

Net realised and unrealised gains and losses on foreign exchange transactions represent: (i) foreign exchange gains and losses from the sale and holding of foreign currencies; (ii) gains and losses between trade date and settlement date on securities transactions and (iii) gains and losses arising from the difference between amounts of dividends and interest recorded and the amounts actually received.

## **F) COST OF INVESTMENTS IN SECURITIES**

Cost of investments in securities in currencies other than the currency of a Sub-Fund is converted into the Sub-Fund's currency at the exchange rate applicable at purchase date.

## **G) INCOME**

Interest income is accrued on a daily basis and may include the amortisation of premiums and accretions of discounts. Bank and time deposits interest income is recognised on an accrual basis.

Dividends are credited to income on the date upon which the relevant securities are first listed as 'ex dividend' provided that the amount of a dividend is known with reasonable certainty. This income is shown net of any withholding taxes, except where the withholding tax has been received or is receivable.

# Notes to Financial Statements *(Continued)*

*As at 31 March 2014*

## H) FEE WAIVER

The Advisor may, for such time as it considers appropriate, choose to waive all or part of the fees that it is entitled to receive, as well as other Fund expenses, in order to reduce the impact such fees and expenses may have on the performance of the Share Class. The Advisor will reimburse on a monthly basis the amount of the fee waiver to the respective Sub-Fund. Fees that have been previously reimbursed may be recovered by the advisor.

The amount of such fee waiver is separately disclosed as a "Fee Waiver" in the Statements of Operations and Changes in Net Assets.

## I) FORMATION EXPENSES

The cost of establishing the Fund amounted to USD 157,391. The establishment costs are amortised on a straight line basis over five years from the date of which the Fund commenced business.

## J) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

## 3. EXCHANGE RATES

The exchange rates used in the financial statements as at 31 March 2014 are:					
Australian Dollar (AUD)	1.0835	Indian Rupee (INR)	59.905	Singapore Dollar (SGD)	1.2594
Swiss Franc (CHF)	0.8840	Japanese Yen (JPY)	103.22	Thai Bhat (THB)	32.420
British Pound (GBP)	0.6007	South Korean Won (KRW)	1,065.3	Taiwan New Dollar (TWD)	30.457
Hongkong Dollar (HKD)	7.7584	Malaysian Ringgit (MYR)	3.2645	Vietnamese Dong (VND)*	21,085
Indian Rupee (INR)	59.905	Philippine Peso (PHP)	44.780		

\*Please refer to note 2E.

## 4. MANAGEMENT FEES AND ADMINISTRATION FEES

The Investment Advisor receives an amount corresponding to the Management Fee, which may be up to 1.50% per annum of the NAV of the Sub-Fund calculated (before deduction of accrued Management and Advisory Fees) on each Valuation Day. Such fees and any and all properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears. These fees also represent the effective fees paid to the Advisor. The Investment Advisor will remunerate the Investment Manager out of this fee.

	I Acc (USD)	I Dist (USD)	A Acc (USD)	A Dist (USD)	C Acc (USD)	I Acc (GBP)	I Dist (GBP)	A Acc (GBP)	A Dist (GBP)
Asia Dividend Fund	0.75%	0.75%	1.25%	1.25%	0.75%	0.75%	0.75%	1.25%	1.25%
Pacific Tiger Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—
China Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—
India Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—
Asia Small Companies Fund	1.00%	—	1.50%	—	—	—	—	—	—
China Small Companies Fund	1.00%	—	1.50%	—	—	—	—	—	—
China Dividend Fund	0.75%	0.75%	1.25%	1.25%	—	—	—	—	—

In addition, the Investment Advisor receives an Administration Fee, which may be up to 0.25% per annum of the NAV of the Sub-Fund calculated (before deduction of accrued Management and Advisory Fees) on each Valuation Day. Such fees and any and all properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears. These fees also represent the effective fees paid to the Advisor. The Investment Advisor pays the Administration Fee to the Investment Manager.

Sub-Fund	
Asia Dividend Fund	0.25%
Pacific Tiger Fund	0.25%
China Fund	0.25%
India Fund	0.25%
Asia Small Companies Fund	0.25%
China Small Companies Fund	0.25%
China Dividend Fund	0.25%

# Notes to Financial Statements *(Continued)*

*As at 31 March 2014*

## 5. CUSTODIAN AND CENTRAL ADMINISTRATION FEES

The Custodian and the Administrative Agent receive from the Fund aggregate fees that amount to a maximum of 2% per annum of the total net assets of each Sub-Fund. Transaction costs will be charged separately. The fees effectively charged to each Sub-Fund will be disclosed in the annual report of the Fund. The Custodian and Administration Agent fees are payable monthly in arrears.

## 6. DIRECTOR FEE

The three Directors who are employees of Matthews International Capital Management, LLC do not receive additional compensation in respect of their roles as Directors of the Fund.

The Director who is independent of Matthews International Capital Management, LLC is remunerated as a Conducting Officer, and not separately as a Director of the Fund. His remuneration as Conducting Officer totaled EUR 43,000 during the financial year to 31 March 2014.

## 7. TAXATION

### A) TAXE D'ABONNEMENT

The subscription tax is payable quarterly and calculated on the total net assets of each Sub-Fund at the end of the relevant quarter at a rate of 0.05% per annum.

This rate is reduced to 0.01% (i) for Sub-Funds or individual classes of shares reserved to one or more institutional investors or (ii) funds or Sub-Funds having the exclusive object to invest in money market instruments as defined by the amended law of 17 December 2010 relating to undertakings of collective investment.

### B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposal of Indian securities held for a period of one year or less. The tax is computed on net realised gains; any realised losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Sub-Funds that invest in Indian securities accrue a deferred tax liability for net unrealised short-term gains in excess of available carry forwards on Indian securities. This accrual may reduce a Sub-Fund's net asset value. As at 31 March 2014, the Matthews Asia Funds Pacific Tiger Fund has recorded a payable of USD 513,437, the Matthews Asia Funds India Fund a payable of USD 93,255 and the Matthews Asia Funds Asia Small companies Fund a payable of USD 11,027 as an estimate for potential future India capital gains taxes.

Those amounts have been recorded as a reduction of "Dividend Income, Net".

## 8. TRANSACTION COSTS

For the year ended 31 March 2014, the Fund incurred transaction costs which have been defined as brokerage fees and custody transaction fees relating to purchase or sale of transferable securities or other eligible assets as follows:

Sub-Fund (USD)	Transaction costs	Custody transaction fees	Brokerage fees and commissions
Asia Dividend Fund	1,146,971	73,531	1,073,440
Pacific Tiger Fund	408,871	36,457	372,414
China Fund	20,750	2,600	18,150
India Fund	65,168	9,538	55,630
Asia Small Companies Fund	13,204	8,844	4,360
China Small Companies Fund	8,491	5,939	2,552
China Dividend Fund	86,975	22,312	64,663

## 9. SOFT COMMISSION ARRANGEMENTS

The Investment Manager may effect transactions with or through the agency of another person with whom the Investment Manager or an entity affiliated to the Investment Manager has arrangements under which that person will, from time to time, provide to or procure for the Investment Manager and/or an affiliated party goods, services or other benefits such as research and advisory services, specialised computer hardware or software. No direct payment may be made for such goods or services but the Investment Manager may undertake to place business with that person provided that person has agreed to provide best execution with respect to such business and the services provided must be of a type which assist in the provision of investment services to the Fund. The total monetary value of these arrangements for the year ended 31 March 2014 are USD 136,983.

# Notes to Financial Statements *(Continued)*

*As at 31 March 2014*

## 10. DIVIDENDS

The Fund intends to declare and distribute dividends representing substantially all of the investment income attributable to Distributing Shares. Dividends in respect of these Shares will normally be payable quarterly or semi-annually, will be declared in the currency of denomination of the relevant Fund and will be recorded on ex-date. Interim dividends in respect of the Distributing Shares of any particular Fund may be paid from the attributable net investment income and realised capital gains with a frequency and at such intervals as the Board of Directors may decide.

The following dividend payments were made during the twelve months ended 31 March 2014:

Asia Dividend Fund	Currency	Ex-Date	Date of dividend payment	Dividend per Share	Dividend paid out of net distributable income for the month (%)	Dividend paid out of capital (%)
I Dist	USD	6/19/13	6/26/13	0.103118	100%	0%
I Dist	USD	9/18/13	9/25/13	0.087778	100%	0%
I Dist	USD	12/11/13	12/18/13	0.005968	100%	0%
I Dist	USD	3/19/14	3/26/14	0.034220	100%	0%
A Dist	USD	6/19/13	6/26/13	0.078571	100%	0%
A Dist	USD	9/18/13	9/25/13	0.074034	100%	0%
A Dist	USD	3/19/14	3/26/14	0.016929	100%	0%
I Dist GBP	GBP	6/19/13	6/26/13	0.090032	100%	0%
I Dist GBP	GBP	9/18/13	9/25/13	0.092037	100%	0%
I Dist GBP	GBP	12/11/13	12/18/13	0.005383	100%	0%
I Dist GBP	GBP	3/19/14	3/26/14	0.028321	100%	0%
A Dist GBP	GBP	6/19/13	6/26/13	0.082513	100%	0%
A Dist GBP	GBP	9/18/13	9/25/13	0.066411	100%	0%
A Dist GBP	GBP	3/19/14	3/26/14	0.015627	100%	0%
<b>China Dividend Fund</b>						
I Dist	USD	6/19/13	6/26/13	0.041924	100%	0%
I Dist	USD	12/11/13	12/18/13	0.043196	100%	0%
A Dist	USD	6/19/13	6/26/13	0.106094	100%	0%
A Dist	USD	12/11/13	12/18/13	0.032209	100%	0%

The Securities and Futures Commission of Hong Kong (“SFC”) requires disclosure of the composition of dividends distributed by SFC authorized funds. This disclosure should include the amount of the distribution per share as well as the portion of the dividend paid out of capital on a rolling twelve-month period.

## 11. SWING PRICING

The Board of Directors of the Fund implemented a price adjustment policy in order to protect the interests of the Fund’s Shareholders. The purpose of the price adjustment policy is to allocate the costs associated with large inflows and outflows to investors transacting that day, thereby protecting the long-term Shareholders from the worst effects of dilution. It achieves this purpose by adjusting the price at which deals in a Sub-Fund are transacted. In other words, Sub-Fund prices may be adjusted up or down depending on the level and type of investor transactions on a particular day. In this way the existing and remaining Shareholders do not suffer an inappropriate level of dilution. The Fund will only trigger an adjustment in the price when there are net flows. The adjustment will be based on the normal dealing costs for the particular assets in which a Sub-Fund is invested but will not exceed 2% of the price. Once an adjustment is made to the price, that price is the official price for that Sub-Fund for all deals that day.

As at year end, swing pricing was applied on the NAV per share of the following Sub-Funds: Pacific Tiger Fund, Asia Dividend Fund and India Fund.

## Further Information

### STATEMENT OF CHANGES IN PORTFOLIO

A copy of the changes in the securities portfolio for the year is available free of charge at the registered office of the Fund.

## 12. SUBSEQUENT EVENTS

The following significant changes were made after year end:

Fund launch

- On 30 May 2014 Asia Focus Fund commenced operations.



# Performance and Expenses *(Unaudited)*

As at 31 March 2014

	Average Annual Total Return <sup>1</sup>					Inception Date	Portfolio Turnover <sup>2</sup>	Total Expense Ratio <sup>3</sup>
	3 Months	1 year	3 years	5 years	Since Inception			
<b>ASIA DIVIDEND FUND</b>								
I Acc (USD)	-2.21%	1.53%	6.72%	n.a.	7.45%	30 Apr 2010	-48.21%	1.17%
I Dist (USD)	-2.22%	1.53%	6.75%	n.a.	8.12%	26 Aug 2010	-48.21%	1.18%
A Acc (USD)	-2.33%	1.01%	6.24%	n.a.	7.59%	26 Aug 2010	-48.21%	1.71%
A Dist (USD)	-2.36%	1.03%	6.23%	n.a.	7.59%	26 Aug 2010	-48.21%	1.70%
C Acc (USD)	-2.13%	1.74%	7.24%	n.a.	7.37%	20 Sept 2010	-48.21%	0.95%
I Acc (GBP)	-2.84%	-7.63%	5.58%	n.a.	6.03%	28 Feb 2011	-48.21%	1.17%
I Dist (GBP)	-2.85%	-7.60%	5.58%	n.a.	6.02%	28 Feb 2011	-48.21%	1.17%
A Acc (GBP)	-3.05%	-8.26%	5.02%	n.a.	5.45%	28 Feb 2011	-48.21%	1.77%
A Dist (GBP)	-3.04%	-8.22%	5.03%	n.a.	5.47%	28 Feb 2011	-48.21%	1.72%
MSCI AC Asia Pacific Index (USD)	-1.64%	4.58%	3.42%	n.a.	5.27% <sup>4</sup>			
<b>PACIFIC TIGER FUND</b>								
I Acc (USD)	1.88%	3.67%	4.30%	n.a.	6.88%	30 Apr 2010	-57.39%	1.50%
A Acc (USD)	1.66%	3.11%	3.74%	n.a.	5.83%	26 Aug 2010	-57.39%	2.00%
I Acc (GBP)	1.12%	-5.78%	3.08%	n.a.	5.34%	28 Feb 2011	-57.39%	1.50%
A Acc (GBP)	1.05%	-6.24%	2.61%	n.a.	4.84%	28 Feb 2011	-57.39%	2.00%
MSCI AC Asia ex Japan Index (USD)	-0.68%	3.07%	1.05%	n.a.	5.00% <sup>4</sup>			
<b>CHINA FUND</b>								
I Acc (USD)	-8.06%	-0.28%	-2.79%	n.a.	1.46%	26 Feb 2010	10.48%	1.50%
A Acc (USD)	-8.15%	-0.71%	-3.25%	n.a.	-0.56%	26 Aug 2010	10.48%	2.00%
I Acc (GBP)	-8.79%	-9.33%	-3.88%	n.a.	-2.91%	28 Feb 2011	10.48%	1.48%
A Acc (GBP)	-8.92%	-9.74%	-4.37%	n.a.	-3.39%	28 Feb 2011	10.48%	2.00%
MSCI China Index (USD)	-5.87%	2.52%	-1.44%	n.a.	2.49% <sup>4</sup>			
<b>INDIA FUND</b>								
I Acc (USD)	11.81%	6.67%	n.a.	n.a.	-2.68%	30 June 2011	17.41%	1.50%
A Acc (USD)	11.59%	6.15%	n.a.	n.a.	-3.17%	30 June 2011	17.41%	2.00%
I Acc (GBP)	11.07%	-2.93%	n.a.	n.a.	-4.03%	30 June 2011	17.41%	1.50%
A Acc (GBP)	10.83%	-3.51%	n.a.	n.a.	-4.54%	30 June 2011	17.41%	2.00%
S&P BSE 100 Index (USD)	9.83%	9.31%	n.a.	n.a.	-3.17% <sup>4</sup>			
<b>ASIA SMALL COMPANIES FUND</b>								
I Acc (USD)	3.81%	n.a.	n.a.	n.a.	6.20%	30 Apr 2013	53.03%	1.75%
A Acc (USD)	3.63%	n.a.	n.a.	n.a.	5.70%	30 Apr 2013	53.03%	2.25%
MSCI AC Asia ex Japan Small Cap Index (USD)	3.16%	n.a.	n.a.	n.a.	1.69% <sup>4</sup>			
<b>CHINA SMALL COMPANIES FUND</b>								
I Acc (USD)	-1.09%	22.53%	n.a.	n.a.	12.02%	29 Feb 2012	-11.49%	1.75%
A Acc (USD)	-1.18%	21.87%	n.a.	n.a.	11.47%	29 Feb 2012	-11.49%	2.25%
MSCI China Small Cap Index (USD)	-0.16%	12.01%	n.a.	n.a.	9.53% <sup>4</sup>			
<b>CHINA DIVIDEND FUND</b>								
I Acc (USD)	-4.24%	6.01%	n.a.	n.a.	3.43%	31 Jan 2013	17.04%	1.50%
I Dist (USD)	-4.28%	5.87%	n.a.	n.a.	3.31%	31 Jan 2013	17.04%	1.50%
A Acc (USD)	-4.44%	5.41%	n.a.	n.a.	2.83%	31 Jan 2013	17.04%	2.00%
A Dist (USD)	-4.41%	5.32%	n.a.	n.a.	2.85%	31 Jan 2013	17.04%	2.00%
MSCI China Index (USD)	-5.87%	2.52%	n.a.	n.a.	-5.20% <sup>4</sup>			

1 Annualised performance for periods of at least one year, otherwise cumulative and performance is based on swung net asset value per share, see note 11.

2 The Portfolio Turnover is calculated in accordance with the CSSF Circular 03/122 i.e. the aggregated sales and purchases less aggregated subscriptions and redemptions, divided by average net assets. The portfolio turnover ratio may be negative as a result of shareholder transactions exceeding the investment transactions for the accounting period.

3 The Total Expense Ratio include such fees as the Management and Administration fee, Domiciliation, Administration and Transfer agency fees, Professional fees, Printing fees, Custodian fee, Taxe d'abonnement, Transaction costs and Other expenses including Waiver fee. The total expense ratio is annualised for periods of less than 12 months.

4 Based on the Inception Date of the I Acc (USD) Share Class.

# Disclosures and Index Definitions *(Unaudited)*

## Investor Disclosure

All performance quoted represents past performance and is no guarantee of future results. The performance data do not take into account the commissions and costs incurred on the issue and redemption of units. Investment returns and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than the return figures quoted. Investors investing in Sub-Funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal.

Performance details provided for the Sub-Funds are based on a NAV to NAV basis, assuming reinvestment of dividends and capital gains, and are net of management fees and other expenses.

## Calculation Method of the Risk Exposure

The methodology used in order to calculate the global exposure is the commitment approach in accordance with the CSSF Circular 11/512. As of 31 March 2014, the Sub-Funds did not hold any derivatives.

## Index Definitions

It is not possible to invest directly in an index.

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

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

The **MSCI China Index** is a free float-adjusted market capitalisation-weighted index of Chinese equities that includes China-affiliated corporations and H shares listed on the Hong Kong Exchange, and B shares listed on the Shanghai and Shenzhen exchanges.

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



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