

Matthews Asia Dividend Fund

31 December 2016



Overall Morningstar Rating™ (31/12/16)*



Matthews Asia

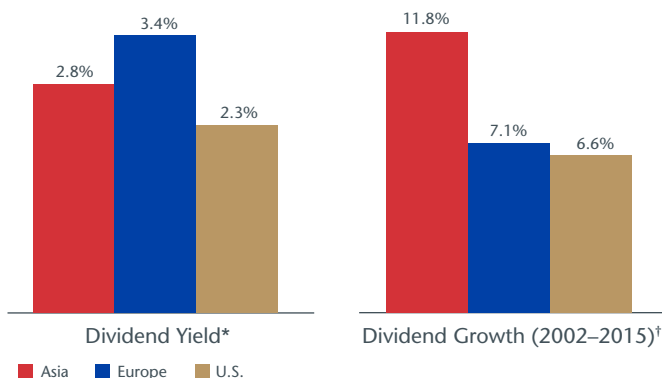
Risk Considerations

The Fund is subject to risks of investing in international and emerging markets. | The Fund invests primarily in Asian countries and economies. Investments in Asian economies involve certain risks and special considerations such as greater political, tax, economic and regulatory risks. Additional risks relate to liquidity and the repatriation of capital and income due to currency controls which may adversely impact the value of the Fund holdings. | Distribution of dividends, if any, is not guaranteed. There can be no guarantee that companies that the Fund invests in, and which have historically paid dividends, will continue to pay them or to pay them at the current rates in the future. | The Fund invests primarily in equity securities, which may result in increased volatility. It is possible to lose the principal capital of your investment. | The Fund may invest in smaller companies which are likely to carry higher risks than larger companies. | The Fund does not hedge to attempt to offset certain market risks. This may expose the Fund to the risk of full losses resulting from a decline in a security's value. | The Fund may hold investments denominated in multiple currencies. Movements in the exchange rate between these currencies and the base currency of the Fund may adversely affect performance.

Why Invest in the Matthews Asia Dividend Fund?

1. Asia: An Attractive Source of Yield and Dividend Growth

The portfolio blends stable dividend “payers” with attractive dividend “growers.”



*Trailing dividend yield estimates for 2015, as of 31/12/16, based on FactSet Aggregates.
 †Compound annual growth rate (CAGR) based on index constituents of Europe (Bloomberg European 500 Index), Asia Pacific (MSCI AC Asia Pacific Index), U.S. (S&P 500 Index), as of 31/12/02, excluding those that are no longer in existence as of fiscal year 2015.¹

Sources: FactSet Research Systems, MSCI, S&P, Bloomberg

2. Uncover the Next Generation of Sustainable Dividend-Paying Companies

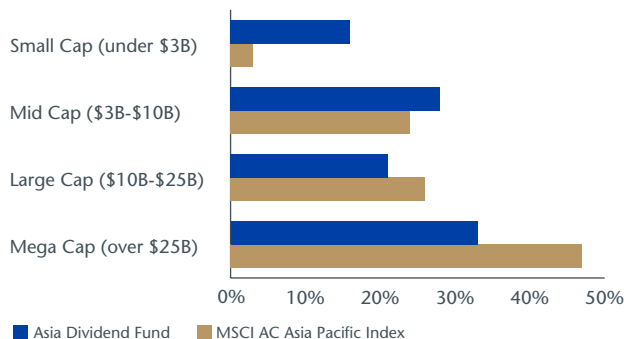
Structural reform efforts and an increasing emphasis on shareholder returns support better corporate governance practices.

<p>Japan</p>	<p>South Korea</p>	A shift in government policies or family ownership structures are encouraging a higher dividend payout and higher shareholder returns.
<p>China</p>		Deeper capital markets and opening of the A-share market are expanding investible universe of dividend-paying companies.
<p>Taiwan</p>	<p>Australia</p>	Tax regimes encourage companies to pay higher dividends.
<p>ASEAN</p>		Family-owned businesses are common where largest shareholders have incentive to extract value via dividends as income.

Source: Matthews Asia

3. Unconstrained All-Cap Approach

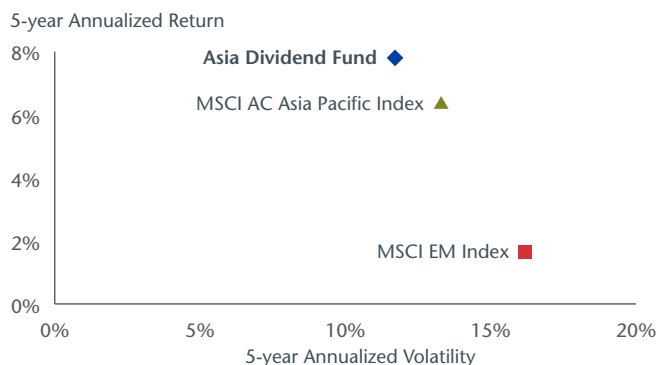
The portfolio has a strategic focus on small- to mid-cap stocks to capitalize on Asia's domestic consumption story and the burgeoning middle class.



Source: FactSet Research Systems, Data as of 31/12/16; Equity market cap of issuer.

4. Track Record of Strong Returns Over the Long Term

Dividend-paying companies offer the opportunity to tap into Asia's growth potential.



All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than performance shown. Investors investing in 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 are based on a NAV to NAV basis with any dividends reinvested, and are net of management fees and other expenses. Volatility is the standard deviation of returns.

Data as of 31 December 2016. Performance reflects Class I (ACC) Shares, USD.

Source: Zephyr Associates, Brown Brothers Harriman (Luxembourg) S.C.A.

*Overall Morningstar Ratings are reflective of the I (ACC) USD share class.

MATTHEWS ASIA DIVIDEND FUND

Strategy Highlights

☼ Total Return Approach

The portfolio blends stable dividend yielders with attractive dividend growers in seeking to provide both capital growth and a sustainable dividend yield.

☼ Dividends Validate Corporate Governance

Dividends are a useful lens through which we assess a company's earnings, cash flow and commitment to minority shareholders.

☼ Highly Experienced Team

Yu Zhang, CFA, and Robert Horrocks, PhD, are Lead Managers of the Fund, with over 30 years of combined investment experience.

☼ Long-term Track Record of Superior Returns with a Focus on Downside Protection

Matthews Asia has offered our Asian Dividend Strategy since 2006. The Asia Dividend Fund has outperformed its benchmark in 3 and 5 year, and since inception periods*.

*As of 31/12/16. Inception date: 30/04/10, annualised. Performance reflects Class I (ACC) Shares, USD.

Source: Brown Brothers Harriman (Luxembourg) S.C.A.

FUND FACTS (USD)

Class I (ACC) Shares

Total Fund Assets	\$373.4 million
Total # of Positions	50–70
Inception	30 April 2010
ISIN	LU0491818331 (USD) LU0594556648 (GBP)

Benchmark

MSCI All Country Asia Pacific Index

Why Matthews Asia*?

☼ 25 years of Experience Investing in Asian Equity Markets

We have invested in dividend-paying equity income strategies since 1994 and have offered our dedicated Asia Dividend Strategy since 2006.

☼ Specialist Firm Focused Solely on Investing in Asia

Independent and privately owned, Matthews Asia has a 40+ person investment team dedicated to investing in Asia.

☼ Clear Investment Philosophy

We believe that a long-term investment horizon and benchmark-agnostic approach provides value creation opportunities for our clients. This is reflected in a portfolio with low turnover and high active share.

☼ Research-driven, Bottom-up Approach

Our disciplined process is anchored in an active, bottom-up approach to stock picking. Our dedicated investment team holds over 2,500 company meetings per year.

For Professional Investor Use Only

The Fund is a sub-fund of Matthews Asia Funds, an open end umbrella fund with variable capital and incorporated with limited liability under the laws of Luxembourg. **NOT FOR SALE IN THE U.S. OR TO U.S. PERSONS.**

†Matthews International Capital Management, LLC ("Matthews Asia") is the Fund Manager to Matthews Asia Funds. Matthews Asia is a U.S.-based investment adviser registered with the U.S. Securities and Exchange Commission who has not represented and will not represent that it is otherwise registered with any other regulator or regulatory body. Investment team members in this report include employees of Matthews Asia and its subsidiaries.

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Investments involve risk. Past performance is not a guide to future performance. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully. Please read the Hong Kong Offering Document for further details including risk factors before investing and consult professional legal, tax and financial advisers as to the suitability of any investment in light of your particular circumstances and applicable citizenship, residence or domicile. Application for shares may only be made by way of the Fund's most recent Hong Kong Offering Document which is available free of charge from Matthews Global Investors (Hong Kong) Limited or your financial professional. Fees and expenses vary among Funds and share classes.

The Board of Directors of the Matthews Asia Funds may, at its discretion, pay dividends out of the capital in respect of the distribution shares of its relevant sub-funds. The Board of Directors of the Fund may amend the dividend policy, subject to the SFC's prior approval and by giving not less than one month prior notice to the shareholders of the Fund. Dividends paid out of capital amount to a return or withdrawal of part of an investor's original investment, or from any capital gains attributable to that original investment. Such dividends may result in an immediate decrease of the net asset value per share of the relevant sub-fund. The compositions of dividends (i.e. the relative amounts paid out of income and capital) (if any) paid on the distribution shares for the preceding 12 months (or if a sub-fund was launched less than 12 months ago since its inception) are available from Matthews Asia Funds upon request as well as on its website at hk.matthewsasia.com.

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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 Emerging Markets (EM) Index is a free float-adjusted market capitalization-weighted index of the stock of China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand. The index is used to illustrate the return and volatility of investing in Asian emerging markets and for reference only.

Index is for comparative purposes only and it is not possible to invest directly in an index.

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