

Matthews Asia Funds

China Small Companies Fund



Matthews Asia

30 September 2017



MORNINGSTAR®

Overall Morningstar Rating™ (30/9/17)*

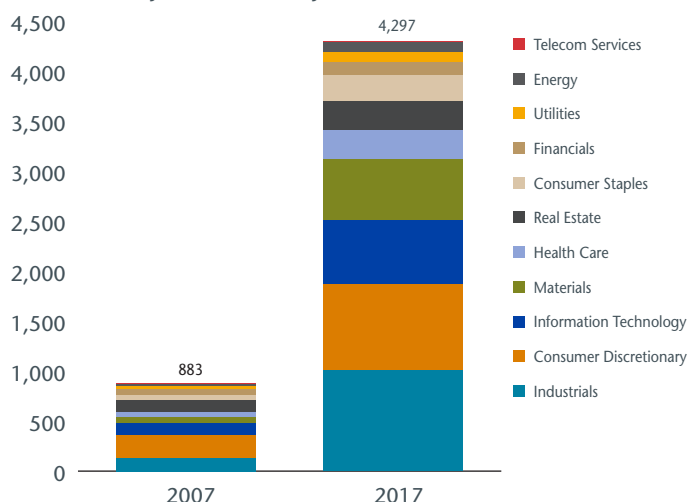
Risk Considerations

Investment involves risk. It is possible to lose the principal capital of your investment. | The Fund invests primarily in Mainland China-related companies. Investments in such companies may be subject to increased risks such as political, tax, economic, market, liquidity, custody and settlement, currency, legal and regulatory risks. | The Fund invests primarily in equity securities, which may result in increased volatility. | 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. | Investors should not invest in the Fund solely based on the information in this material alone. Please refer to the relevant Offering Documents for each respective share class for further details of the risk factors.

Why Invest in the Matthews Asia China Small Companies Fund?

1. China's Small Company Universe is Expanding for Foreign Investors

The investable universe of China small caps has expanded five-fold in the past decade, and most are not widely known or covered by sell-side analysts.



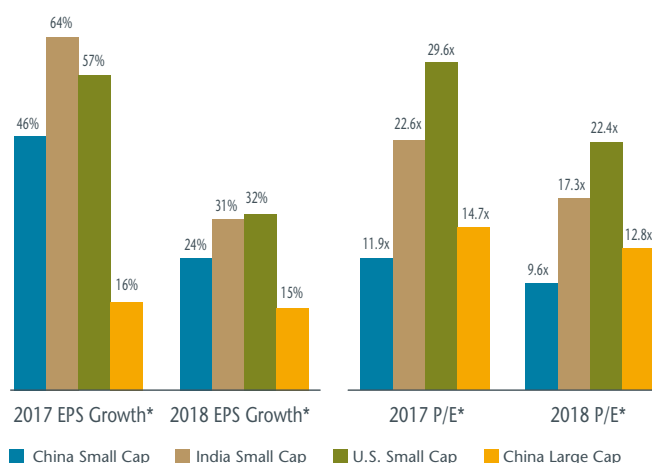
Includes all companies domiciled in Hong Kong, Macau and mainland China with market cap of US\$50MN to US\$3BN. 2007 figures do not include companies listed on the Shanghai or Shenzhen exchanges as they were generally not available to foreign investors at that time.

Sources: FactSet Research Systems and Bloomberg as of 31 August 2017

2. Growth and Valuations

China's smaller firms may offer high quality growth at more attractive valuations

Estimated Growth (Earnings) Estimated Valuation (P/E)

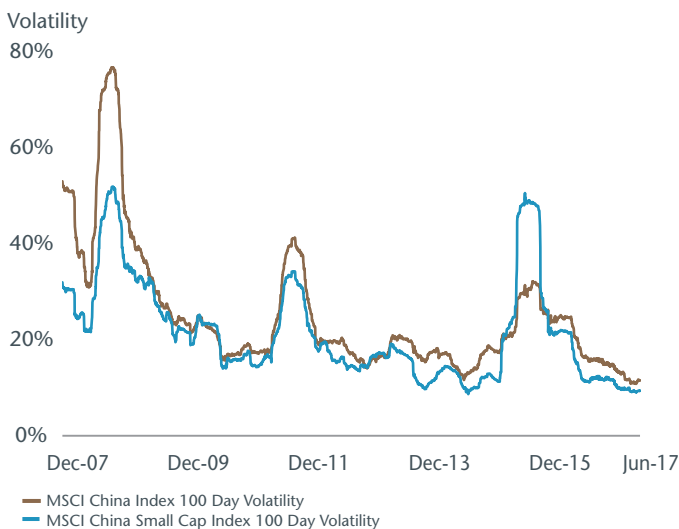


*Estimates as of 23 August 2017 for China Small Cap (MSCI China Small Cap Index), India Small Cap (MSCI India Small cap Index), U.S. Small Cap (Russell 2000 Index), China Large Cap (MSCI China Index) companies that provided forward looking EPS and P/E. There is no guarantee that forecasted EPS growth and/or P/E will be achieved.

Source: Bloomberg

3. A Look at 100-day Volatility among China Small Caps

Small Caps Have Historically Been Less Volatile Over the Long Run

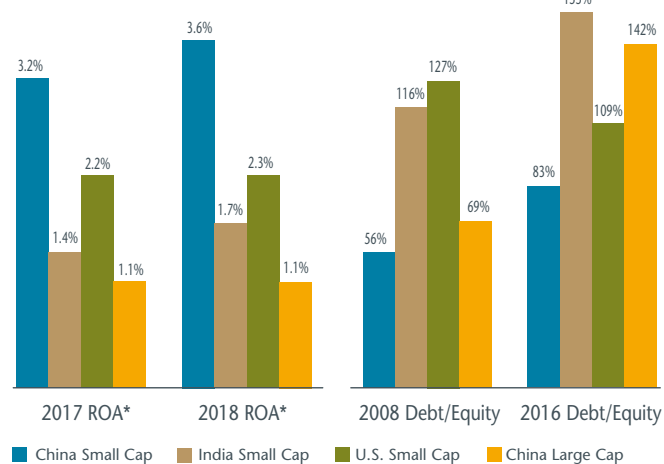


Volatility is the standard deviation of returns. Past performance is no guarantee of future results. Source: Bloomberg, data as of 30 June 2017

4. China small companies do not depend on leverage for returns

China's smaller firms may offer high returns at low leverage

Estimated Return on Assets Total Debt to Total Equity



*Estimates as of 23 August 2017 for China Small Cap (MSCI China Small Cap Index), India Small Cap (MSCI India Small cap Index), U.S. Small Cap (Russell 2000 Index), China Large Cap (MSCI China Index) companies that provided estimated ROA. There is no guarantee that estimated ROA will be realized.

Source: Bloomberg

MATTHEWS CHINA SMALL COMPANIES FUND

Strategy Highlights

- ✿ **China's smaller companies:**
 - are poised to benefit from China's shift toward a consumption-driven market-based "new economy" that is less capital intensive
 - can drive strong return on invested capital
- ✿ **Smaller companies provide opportunities:**
 - for the potential for higher growth at lower valuations as they are less well-known
 - the historical volatility of small-cap stocks in China has trended lower than the overall China market*
- ✿ **Small companies in China may lack access to capital and, thus, must be more:**
 - competitive
 - innovative
 - capital-efficient than their larger peers to survive and thrive
- ✿ **Rigorous due diligence**
 - Our investment team maintains a rigorous due diligence process, including on-the-ground assessments of both business and management team quality

*MSCI China Index

Why Matthews Asia†?

- ✿ **25 years of Experience Investing in Asian Equity Markets**
We have invested in Asian equity markets, including small caps, since 1991 through multi-year market cycles.
- ✿ **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.

FUND FACTS (USD)	Total Fund Assets	\$5.8 million	Inception	29 February 2012	Benchmark
Class I (ACC) Shares	Total # of Positions	58	ISIN	LU0721876877(USD)	MSCI China Small Cap Index

Disclosure and Notes

For Professional Investors Only

†Matthews International Capital Management, LLC ("Matthews Asia") is the Investment Manager to Matthews Asia Funds.

Investment team members in this report include employees of Matthews Asia and its subsidiaries.

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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). **The MSCI China Index** is a free float-adjusted market capitalization-weighted index of Chinese equities that include China-affiliated corporations and H shares listed on the Hong Kong exchange, and B shares listed on the Shanghai and Shenzhen exchanges. **The MSCI India Small Cap Index** is a free float-adjusted market capitalization-weighted small cap index of the India market. With 255 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Indian equity universe. **The Russell 2000 Index** measures the performance of the small-capitalization segment of the U.S. stock market. Index is for comparative purposes only and it is not possible to invest directly in an index.

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Investments involve risk. Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation.

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Investors should not invest in a Fund solely based on the information in this document. Investors should carefully consider the investment objectives, risks, charges and expenses of the Matthews Asia Funds before making an investment decision. Please read the relevant Offering Documents for each respective share class carefully for further details including risk factors before investing or contact Matthews Global Investors (Hong Kong) Limited for further information.

The Funds invest primarily in equity securities, which may result in increased volatility. It is possible to lose the principal capital of your investment. The Funds may invest 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 Fund holdings. In addition, single-country funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific geographic location. Investing in small- and mid-size companies is more risky than investing in large companies as they may be more volatile and less liquid than large companies. Focused funds may be subject to greater share price volatility as a larger portion of their assets may be invested in the securities of a single issuer compared to diversified funds. Distribution of dividends, if any, is not guaranteed. There can be no guarantee that companies that the Funds 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 Funds do not hedge to attempt to offset certain market risks. This may expose the Funds to the risk of full losses resulting from a decline in a security's value. The Funds may hold investments denominated in multiple currencies. Movements in the exchange rate between these currencies and the base currency of the Funds may adversely affect performance.

The Funds may, at their discretion, pay dividends out of the capital or effectively out of capital in respect of the distribution shares. Payment of dividends out of capital and/or effectively out of capital represents 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 of the relevant shares.

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