

Matthews Asia Funds

China Small Companies Fund

30 September 2018



Overall Morningstar Rating™ (30/9/18)*



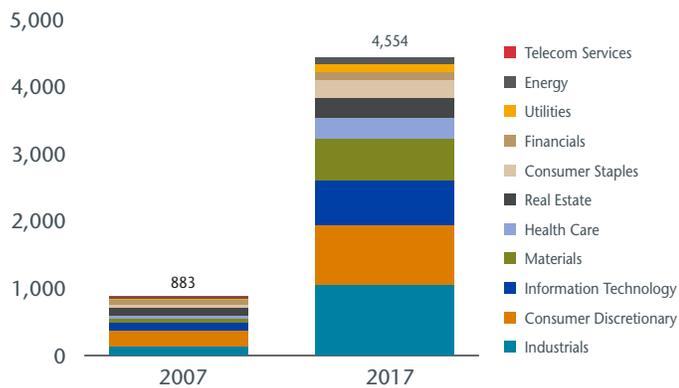
Matthews Asia

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 contact Matthews Global Investors (Hong Kong) Limited for further details of the risk factors.

Why Invest in the Matthews 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.

Source: Bloomberg as of 31 December 2017

2. Growth and Valuation Estimates of Small Companies in China



*Estimates as of 11 July 2018 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 LargeCap (MSCI China Index) and Europe Small Cap (MSCI Europe Small Cap Index, USD) for companies that provided forward looking EPS and P/E. There is no guarantee that estimated EPS growth and/or P/E will be achieved. Indexes are unmanaged and it is not possible to invest directly in an index. Universe includes Chinese companies listed on the Hong Kong Exchange, and B shares listed on Shanghai and Shenzhen exchanges.

Source: Bloomberg

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

Small Caps Have Historically Been Less Volatile Over the Long Run



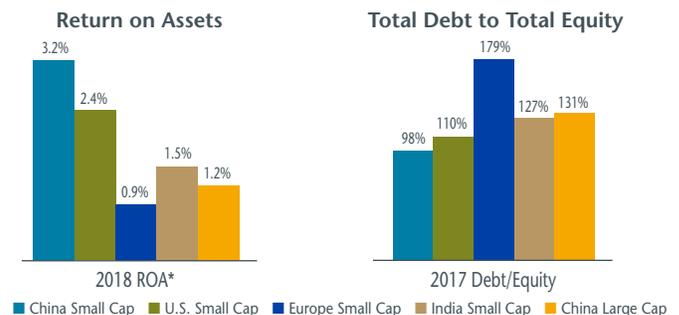
Volatility is the standard deviation of returns.

Past performance is no guarantee of future results.

Source: Bloomberg, as of 5 January 2018

4. Chinese Small Companies Don't Depend on Leverage for Returns

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



*Estimates as of 11 July 2018 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) and Europe Small Cap (MSCI Europe Small Cap Index) for companies that provided ROA estimates. There is no guarantee that estimated ROA will be realized. Universe includes Chinese companies listed on the Hong Kong Exchange, and B shares listed on Shanghai and Shenzhen exchanges.

Source: Bloomberg

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

MATTHEWS ASIA 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 been lower than the overall China market† over the long run
- ✿ **Small companies in China may lack access to capital and, thus, should 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 Small Cap Index

†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 45+ 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.
- ✿ **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	\$84.6million	Inception	29 February 2012	Benchmark	MSCI China Small Cap Index
Class I (ACC) Shares	Total # of Positions	49	ISIN	LU0721876877 (USD)		

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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 MSCI Europe Small Cap Index captures small cap representation across the 15 Developed Markets (DM) countries in Europe. With 985 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in the European equity universe. The Russell 2000 Index measures the performance of the small-capitalization segment of the U.S. stock market.

Indexes are unmanaged and for comparative purposes only. It is not possible to invest directly in an index.