



## ISSUER

MATTHEWS INTERNATIONAL CAPITAL MANAGEMENT, LLC

August 2021

*This statement provides you with key information about this product.*

*This statement is a part of the offering document.*

*You should not invest in this product based on this statement alone.*

## QUICK FACTS

<b>Management Company:</b>	Carne Global Fund Managers (Luxembourg) S.A.
<b>Investment Manager:</b>	Matthews International Capital Management, LLC
<b>Depository:</b>	Brown Brothers Harriman (Luxembourg) S.C.A.
<b>Ongoing Charges Over a Year<sup>^</sup>:</b>	Class A Acc USD* 2.02%      Class I Acc GBP* 1.26% Class I Acc USD* 1.28%
<b>Dealing Frequency:</b>	Every Valuation Day which is also a Hong Kong Business Day
<b>Base Currency:</b>	USD
<b>Dividend Policy:</b>	No dividends will be declared or distributed for accumulation (“Acc”) shares.
<b>Financial Year End of the Sub-Fund:</b>	31 March

## Minimum Investment:

	Initial Investment	Subsequent Investment
Class A USD:	USD 1,000	USD 100
Class I USD (for non-UK residents):	USD 100,000	USD 100
Class I USD (for UK residents):	USD 1,000	USD 100
Class I GBP (for non-UK residents):	GBP 50,000	GBP 50
Class I GBP (for UK residents):	GBP 500	GBP 50

## WHAT IS THIS PRODUCT?

Matthews Asia Funds - China Small Companies Fund (the “**Sub-Fund**”) is a sub-fund of the Matthews Asia Funds (the “**Fund**”) which is constituted in the form of an umbrella mutual fund. It is domiciled in Luxembourg and its home regulator is the *Commission de Surveillance du Secteur Financier*.

<sup>^</sup> The ongoing charges figure for Class A Shares and Class I Shares are capped at 2.25% and 1.75% respectively, per annum of the average net asset value (“NAV”) of the relevant share class and shall not exceed such maximum level. Should the actual ongoing charges figure exceed such maximum level, the Investment Manager shall waive fees and/or reimburse expenses to the extent necessary to limit the ongoing charges to the stated maximum.

\* The ongoing charges figure is based on expenses for the 12 months ended 31 March 2021 and is the total expense ratio as stated in the Fund’s annual report dated 31 March 2021. This figure may vary from year to year.

**OBJECTIVE AND INVESTMENT STRATEGY****Objective**

The Sub-Fund seeks to achieve long-term capital appreciation.

**Strategy**

Under normal market conditions, the Sub-Fund seeks to achieve its investment objective by investing primarily (i.e. at least 65% of its total net assets) directly or indirectly through collective investment schemes or other similar instruments, in equities and other equity-related instruments of small companies located in or with substantial ties to China.

For the purpose of this Sub-Fund, "China" includes the People's Republic of China, its administrative regions and other districts, such as Hong Kong, as well as Taiwan.

A company is considered to be a "small company" based on its market capitalization (the number of the company's shares outstanding times the market price per share for such securities). The Sub-Fund will invest in any company that has a market capitalization no higher than the greater of US\$5 billion or the market capitalization of the largest company included in the Sub-Fund's primary benchmark index, i.e. the MSCI China Small Cap Index (each, a "**Small Company**" and together, "**Small Companies**"). The choice of stocks and equity-related instruments held by the Sub-Fund would not be restricted by industry/sector of the issuers.

On an ancillary basis, the Sub-Fund may invest in other permitted assets on a worldwide basis including equities (including equities of non-Small Companies), and other securities which are transferrable, collective investment schemes, and/or other similar instruments admitted to or dealt in on a Regulated Market<sup>†</sup>, and other assets which are considered by the Sub-Fund to be of good potential growth in its value and which may, thus, increase the overall value of the Sub-Fund's investment portfolio.

However, the Sub-Fund may continue to hold equities of an investee company if such investee company grows into a non-Small Company after purchase by the Sub-Fund. Nevertheless, the existing holdings of securities of such a company will continue to be considered a Small Company. If additional purchases of a security are made, all holdings (including prior purchases) of that security will be re-classified with respect to the company's market capitalization at the time of the last purchase.

It is not the intention of the Sub-Fund to invest more than 10% of its net assets in securities issued, or guaranteed, by any single sovereign (including the relevant government, public or local authority) which has a credit rating that is below investment grade.

The Sub-Fund may invest in debt instruments with loss-absorption features ("**LAP**"), e.g. contingent convertible bonds. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s). The Sub-Fund's expected total maximum investments in LAP will be up to 20% of its net assets.

Under exceptional circumstances (e.g. market crash or major crisis), the Sub-Fund may invest temporarily up to 100% in liquid assets such as cash, bank deposits, certificates of deposit, commercial paper or treasury bills for cash flow management purposes.

The Management Company or the Investment Manager has latitude in determining whether a company is "located in or with substantial ties to" China, taking into account factors including (i) the region, country or jurisdiction in which it is organized; (ii) the primary market in which its equity securities are listed, quoted or traded; (iii) the region, country or jurisdiction from which it derives at least 50% of its revenues or profits; (iv) the region, country or jurisdiction in which at least 50% of its assets are located; (v) the primary region, country or jurisdiction from which its risks may be derived; and (vi) where the issuer is a governmental entity, the region, country or jurisdiction of which it is an agency, instrumentality or political subdivision.

The primary benchmark index of the Sub-Fund is the MSCI China Small Cap Index and is indicated for the definition of Small Companies and performance comparison only. The Sub-Fund is actively managed and does not aim to replicate or track the primary benchmark. Consequently, the Investment Manager may freely select the securities in which it

<sup>†</sup> "Regulated Market" generally includes a regulated market in any Member States of the EU or any other state in Eastern and Western Europe, Asia, Africa, Australia, North and South America and Oceania, which operates regularly and is recognized and open to the public.

invests, and the Sub-Fund's portfolio composition and performance may deviate materially from the primary benchmark.

The Sub-Fund may invest (whether directly or indirectly) in China A Shares, either directly via a Qualified Foreign Investor ("QFI") license awarded to a Matthews group entity, or via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect programs (collectively the "Stock Connects"), or indirectly via investment in access products. Under normal market conditions, it is expected that the Sub-Fund will hold (directly and indirectly) less than 30% of its net assets in aggregate in China A and B Shares.

The Sub-Fund is permitted to use financial derivative instruments ("FDIs") for investment, hedging or efficient portfolio management purposes. In particular, although it does not currently intend to engage in hedging at the Sub-Fund level, the Board of Directors of the Fund in its entire discretion may, in the future, seek to reduce currency risk from the Sub-Fund's portfolio holdings denominated in local currency by hedging such risk to the Sub-Fund's base currency.

#### USE OF DERIVATIVES

The Sub-Fund's net derivative exposure may be up to 50% of the Sub-Fund's NAV.

#### WHAT ARE THE KEY RISKS?

**Investment involves risks. Please refer to the offering document for details including the risk factors.**

- **General Investment Risk**

The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

- **China Investment Risk**

The Sub-Fund invests primarily in companies located in China and is subject to applicable laws, rules and regulations of the People's Republic of China ("China" or "PRC"). The Chinese government exercises significant control over China's economy through its industrial policies (e.g., allocation of resources and other preferential treatment), monetary policy, management of currency exchange rates and management of the payment of foreign currency-denominated obligations. Changes in these policies could adversely impact affected industries or companies. China's economy, particularly, its export-oriented industries, may be adversely impacted by trade or political disputes with China's major trading partners, including the U.S. In addition, as its consumer class emerges, China's domestically oriented industries may be especially sensitive to changes in government policy and investment cycles.

- **Risk Associated with Smaller Companies**

Larger portions of smaller companies may be held by a small number of investors (including founders and management) in such companies than is typical of larger companies. As a result, the rights of minority owners may be restricted or not fully respected in corporate governance or corporate actions. Securities of smaller companies may trade less frequently, in lower volumes and with less liquidity and be subject to greater price movements than more widely held securities or the securities of larger, more established companies, or the market indices in general.

- **Equity Market Risk**

The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

- **Concentration Risk**

The Sub-Fund's investments are concentrated in companies located in China. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China region.

- **Emerging Markets Risk**

The Sub-Fund invests primarily in companies located in China which is an emerging market. Investing in emerging markets may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

- **Risk Associated with High Volatility of the Equity Market in China**

High market volatility and potential settlement difficulties in the markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Sub-Fund.

- **Risk Associated with Regulatory Requirements of the Equity Market in China**

Securities exchanges in China typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Sub-Fund.

- **Risk Associated with Investment in China A Shares**

The Sub-Fund may invest in securities of companies based in the PRC, listed and traded on China's domestic stock exchanges and denominated in renminbi ("China A Shares"). The Sub-Fund's investment in China A Shares is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors. Investments in China A Shares may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the PRC. China A Shares may have lower liquidity and their prices are more volatile to adverse economic developments than those of securities traded in a more developed market.

- **Risk Associated with Investment made through QFI Regime**

The Sub-Fund may suffer losses if the approval of the QFI status of the Investment Manager is being revoked, terminated or otherwise invalidated as the Sub-Fund may be prohibited from trading of relevant securities and repatriation of the Sub-Fund's monies, or if any of the key operators or parties (including the QFI custodian(s) or brokers) is bankrupt, in default, or is disqualified from performing its obligations (including execution or settlement of any transaction or transfer of monies or securities).

- **Risk Associated with the Stock Connects**

The relevant rules and regulations on the Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations. Where a suspension in the trading through the program is effected, the Sub-Fund's ability to invest in China A Shares or access the PRC market through the program will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment objective could be negatively affected.

- **PRC Tax Risk**

There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of capital gains realized via the QFI regime or Stock Connects or access products on the Sub-Fund's investments in the PRC (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value. Because the Sub-Fund did not hold any China A Shares prior to 17 November 2014, based on professional and independent tax advice, the Sub-Fund will not make any provisions for tax on gross realized or unrealized capital gains derived from trading China A Shares.

- **Currency and Conversion Risk**

Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund, in particular the Chinese renminbi ("RMB"). RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currency (for example HKD) will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

Also, a class of shares may be designated in a currency other than the base currency of the Sub-Fund. The NAV of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

- **Risk Associated with Investment in LAP**

The Sub-Fund may invest up to 20% of its net assets in LAP, including contingent convertible bonds ("CoCos").

LAP are subject to greater risks when compared to traditional debt instruments as such instruments are typically subject to the risk of being written down or converted to ordinary shares upon the occurrence of pre-defined trigger events (e.g. when the issuer is near or at the point of non-viability or when the issuer's capital ratio falls to a specified level),

which are likely to be outside of the issuer’s control. Such trigger events are complex and difficult to predict and may result in a significant or total reduction in the value of such instruments. In the event of the activation of a trigger, there may be potential price contagion and volatility to the entire asset class. LAP may also be exposed to liquidity, valuation and sector concentration risk.

CoCos are highly complex and are of high risk. Upon the occurrence of the trigger event, CoCos may be converted into shares of the issuer (potentially at a discounted price), or may be subject to the permanent write-down to zero. Coupon payments on CoCos are discretionary and may be cancelled by the issuer at any point, for any reason, and for any length of time.

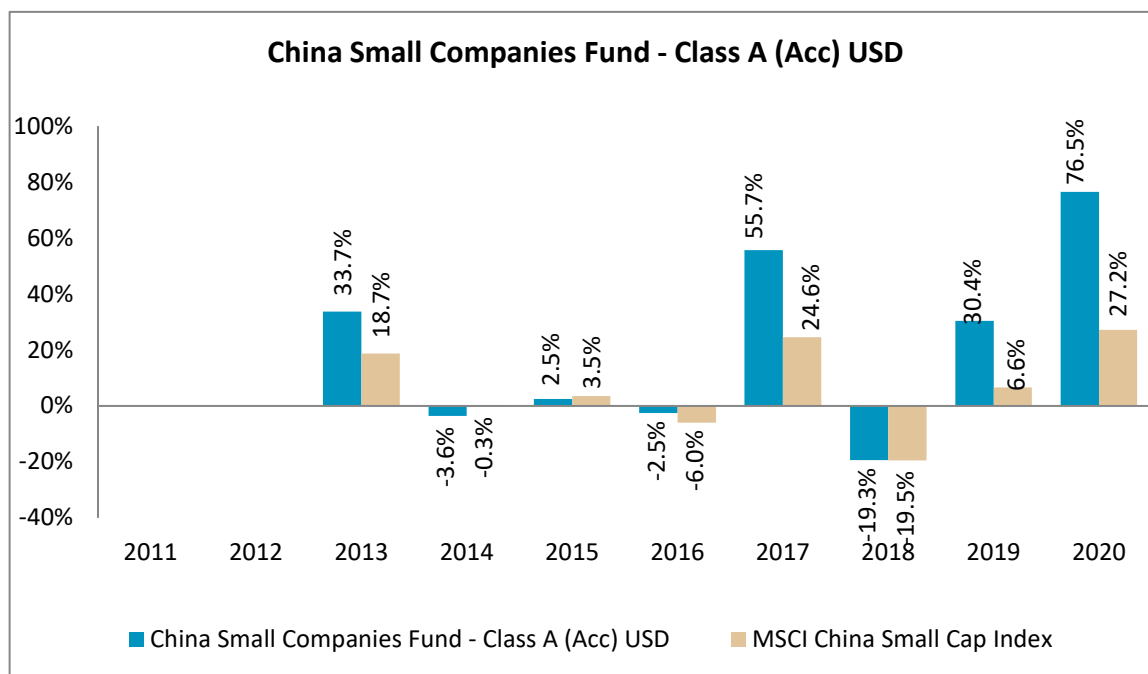
• **Risk Associated with Investment in FDIs**

Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDIs by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

• **Hedging Risk**

The Sub-Fund may use hedging techniques to attempt to offset certain market risks. For example, although the Sub-Fund does not currently intend to engage in hedging at the Sub-Fund level, the Sub-Fund may, in the future, enter into hedging transactions which seek to reduce the currency risk arising from the difference and/or fluctuations between the currencies of the underlying investments of the Sub-Fund and the base currency of the Sub-Fund. However, there is no guarantee that hedging techniques will fully and effectively achieve their desired result. The success of hedging much depends on the Investment Manager’s expertise and hedging may become inefficient or ineffective. This may have adverse impact on the Sub-Fund and its investors.

**HOW HAS THE SUB-FUND PERFORMED?**



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The performance shown is for the representative Class A (Acc) USD. Class A (Acc) USD is selected as the representative share class as it is open for investment by Hong Kong retail investors and broadly indicative of the Sub-Fund’s performance characteristics.
- The bar chart shows the representative share class’ yearly returns. The returns are provided for all the years for which performance data is available for the complete calendar year since the launch of the representative share

class. Where no past performance is shown, there is insufficient data available in that year to provide a useful indication of past performance to investors.

- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividends reinvested.
- These performance figures show by how much the representative share class increased or decreased in value during the calendar year being shown. Performance figures have been calculated in USD, including ongoing charges and excluding any subscription fee and redemption fee you might have to pay.
- The primary benchmark index for the Sub-Fund is the MSCI China Small Cap Index.
- Sub-Fund launch date: 29 February 2012.
- Class A (Acc) USD launch date: 29 February 2012.

**IS THERE ANY GUARANTEE?**

This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

**WHAT ARE THE FEES AND CHARGES?**

**Charges which may be payable by you**

You may have to pay the following fees when dealing in the shares of the Sub-Fund.

<b>Fee</b>	<b>What you pay</b>
<b>Subscription fee (Initial Sales Charge)</b>	Up to 5% of the amount you buy
<b>Switching fee (Conversion Charge)</b>	Up to 1% of the NAV of the share to be converted
<b>Redemption fee</b>	N/A

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	<b>Annual rate (as a % <i>per annum</i> of the Sub-Fund's value)</b>
<b>Management Company Fee</b>	Up to 0.02%
<b>Management Fee</b>	1.50% for Class A Shares 1.00% for Class I Shares
The Sub-Fund pays a management fee to the Investment Manager for the investment management services that the Investment Manager provides to the Sub-Fund.	
<b>Depositary Fee</b>	Up to 2% (excluding transaction costs)
<b>Performance Fee</b>	N/A

<b>Administration Fee</b>	Up to 0.25%
The Sub-Fund pays an administration fee to the Investment Manager for the shareholder servicing and administration services that the Investment Manager provides to the Sub-Fund.	
<b>Other fees</b>	
You may have to pay other fees when dealing in the shares of the Sub-Fund.	
<b>ADDITIONAL INFORMATION</b>	
<ul style="list-style-type: none"><li>• You generally buy and redeem shares at the Sub-Fund's next-determined NAV after the Hong Kong Representative receives your request in good order on or before 6:00PM (Hong Kong Time) on a Valuation Day which is also a Hong Kong Business Day, being the dealing cut-off time. Third party distributors may impose different dealing deadlines for receiving requests from investors.</li><li>• The NAV of this Sub-Fund is calculated, and the price of shares published in the South China Morning Post and the Hong Kong Economic Journal in Hong Kong, and on the Fund's website <a href="https://hk.matthewsasiasia.com/#">https://hk.matthewsasiasia.com/#</a>, on each Valuation Day which is also a Hong Kong Business Day.</li><li>• You may obtain the past performance information of other share classes offered to Hong Kong investors from the Hong Kong Representative upon request (available in English only) or on the Fund's website <a href="https://hk.matthewsasiasia.com/#">https://hk.matthewsasiasia.com/#</a>.</li></ul>	
# The Fund's website has not been reviewed by the SFC.	
<b>IMPORTANT</b>	
If you are in doubt, you should seek professional advice.	
The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.	