

**SHINING A LIGHT ON THE.....
Matthews Asia ex Japan Dividend Fund**

AT A GLANCE

Investment Objective
The Fund's investment objective is to achieve total return through capital appreciation and current income. The Fund pursues its objective by primarily investing in companies that exhibit attractive dividend yields and/or the potential (in the Investment Manager's judgment) to grow dividends over time.

Inception Date	30 th November 2015
Fund Factsheet Link	https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000WMSG

Management	
Manager Name	Start Date
S. Joyce Li	30 April 2019
Yu Zhang	30 November 2015
Sherwood Zhang	30 November 2015
Robert Horrocks	30 November 2015

FUND PERFORMANCE

Performance from 1st January 2016 to 31st May 2022:

	2016	2017	2018	2019	2020	2021	2022
Matthews Asia ex Japan Dividend Fund	28.50%	34.23%	-7.38%	13.21%	46.52%	5.36%	-9.04%
MSCI AC Asia Ex Japan GR	26.15%	29.78%	-8.78%	13.94%	21.49%	-3.58%	-5.73%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Matthews Asia ex Japan Dividend Fund	-8.71%	46.92%	73.89%	157.70%
MSCI AC Asia Ex Japan GR	-11.33%	19.83%	28.69%	89.37%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
7.47	1.00	80.58	124.12	80.94	58.33	0.92	7.80	Blend/Large

Volatility Measurements	
3-Yr Std Dev (volatility)	14.35%
3-Yr Mean Return (average)	13.68%

Investment Style Details	
Giant	37.61%
Large	25.73%
Medium	28.93%
Small	3.36%
Micro	0.98%

Top 5 Holdings – 53 holdings		
Tencent Holdings Ltd	Communication Services	5.33%
Taiwan Semiconductor Manufacturi...	Technology	4.78%
E Ink Holdings Inc	Technology	3.30%
Link Real Estate Investment Trust	Real Estate	2.74%
United Overseas Bank Ltd	Financial Services	2.64%

Top 5 Sectors	
Technology	19.46%
Industrials	18.50%
Financial Services	17.14%
Consumer Cyclical	13.77%
Communication Services	9.91%

Top 5 Regions	
China	31.69%
Taiwan	21.10%
Vietnam	10.82%
South Korea	10.35%
Hong Kong	8.16%

UPDATE....

This is a strategy we have used for a couple of years, and so a chance for us to catch-up with the manager and do a follow-up. There is so much happening and Asia has struggled in terms of performance. We discussed this and the manager explained that sentiment will always drive the market. The power play between the US and China, China's recent policy moves and China's zero COVID policy has meant that the sentiment is low. Added to this, hedge funds have taken advantage of the situation which has pushed the markets down further.

They see this as a total return fund. This doesn't mean it won't deliver negative returns, but it is about delivering a total return from income and growth over the long term. They invest across dividend

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growers and dividend payers. So, the dividend payers just pay the dividend but don't necessarily grow them.

We talked about whether they have stocks which don't pay dividends, and this is rare but depends on the opportunity. An example they gave was an "enabler" within the biotech space where they felt it would pay a dividend, but hadn't when they invested. Shortly after the investment it was announced a dividend would be made.

More recently they have added Alibaba and JD.com. Alibaba have started to do share buybacks where they use their cash to buy back some of its stock. This is a means of returning money to shareholders. JD.com have recently announced a special dividend.

They feel that in periods of volatility their strategy can provide a good anchor. The rapid sell-offs we are seeing are providing opportunities. Coming into the year they feel in hindsight they should have been more defensively positioned, but this was on the basis that they could have foreseen the Russian / Ukrainian crisis and a change in positioning in China.

In terms of where they are now, the strategy is more positioned for a recovery. They see so much negativity around China but feel much of the pain has already been felt and that this will start to change. In China they are also seeing a change in stance as they have seen the damage of enforced lockdowns and the impact on employment. They also think that the worse of regulatory tightening is over and that we will see more fine tuning and a focus on economic growth.

They can see a rebound in the second half of the year coming through and that is why the fund is positioned in this way. They had dropped back their exposure to China, but this has increased. How China does feeds out across Asia as they all trade together.

We talked about the US and China, and they explained that the US is trying to respond to China potentially overtaking them and therefore this creates a powerplay between the two. In terms of China, they are still opening their economy and allowing more foreign investment. China needs and wants foreign investment and so it must tread a careful path. It also knows that it is reliant on other parts of the world in areas like semi-conductors, and although it wants to get a place of self-sufficiency in some areas, this will take time. Therefore there will always be this tension.

The region is not just about China. They have around a 10% weighting to Vietnam which is benefiting from businesses broadening out their supply chains. They have recently come back from a visit to Thailand and Vietnam and the messages were similar. The US will use them when they need to, but China is more of the natural trading partner. South-East Asia will not replace China, but it is an important place and offers many opportunities.

The spreading out of wealth means that countries like Vietnam are seeing people getting better jobs and more pay. This in turns leads to more consumer consumption and to natural change. This will slow with rising inflation but long term the story remains strong.

We discussed the types of companies and having a margin of safety. The manager explained it is more about looking for sustainable businesses. Some of the businesses that did well in 2020 have sold off aggressively and yet nothing has changed with the business. They have strong balance sheets, they are profitable, and they are growing. That hasn't changed and therefore the pull back is all to do with sentiment, and that will change.

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In summary, we have always seen this as a strategy that an investor can sleep easy with. It invests in strong sustainable businesses. Almost all the companies they invest in are profitable and pay dividends. They freely accept they should have been more defensive this year, but at the same time the events that played out were not ones anyone could have foreseen. They do think that we are near the bottom of the market and that sentiment could change in the second half of the year. They have therefore positioned this for a recovery phase, with more of a lean towards stocks with growing dividends.

The source of information in this note has been provided by Matthews and is correct as of June 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.