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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. Fixed income investments are subject to additional risks, including, but not limited to, interest rate, credit and inflation risks. In addition, single-country and sector strategies may be subject to a higher degree of market risk than diversified strategies because of concentration in a specific industry, sector or 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.



KEY FACTS

As of June 30, 2016

Total assets under
management*
\$26.8 billion

Regional strategies
\$20.7 billion

Single-country strategies
\$6.1 billion

Investment team members†
42

Matthews Asia Overview

About Matthews Asia

- ✧ Largest dedicated Asia investment specialist in the United States
- ✧ Investing in Asia since 1991 through a variety of market environments
- ✧ Independent, privately owned firm with significant employee ownership
- ✧ Range of Asia investment strategies across the risk-reward spectrum
- ✧ Offering a unique investment perspective from a strategic location in San Francisco

*Assets under management may rise or fall due to market conditions and other factors.

†Investment team count as of July 15, 2016

Please refer to MatthewsAsia.com for most recent month-end AUM data.





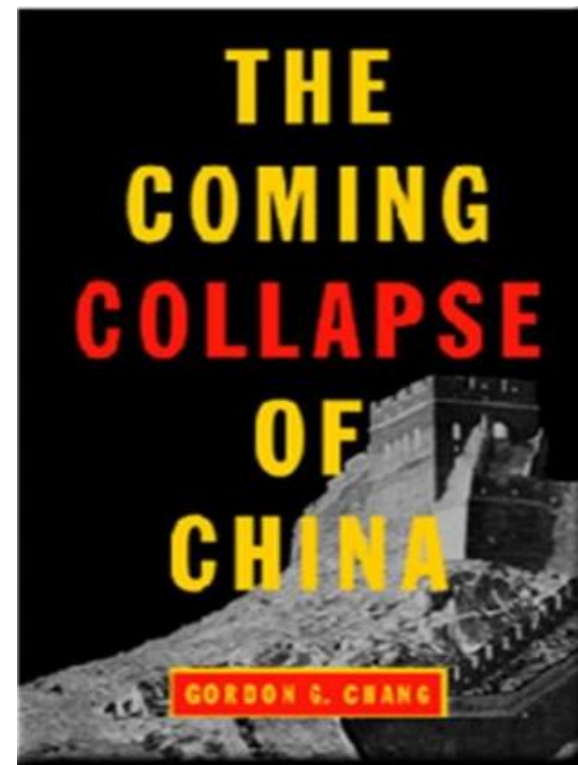
Perpetual Forecasts of Doom and Destruction

Being wrong every year for many years doesn't prove the collapse won't come this year—but it should put pressure on pundits to explain why they may finally be right this time

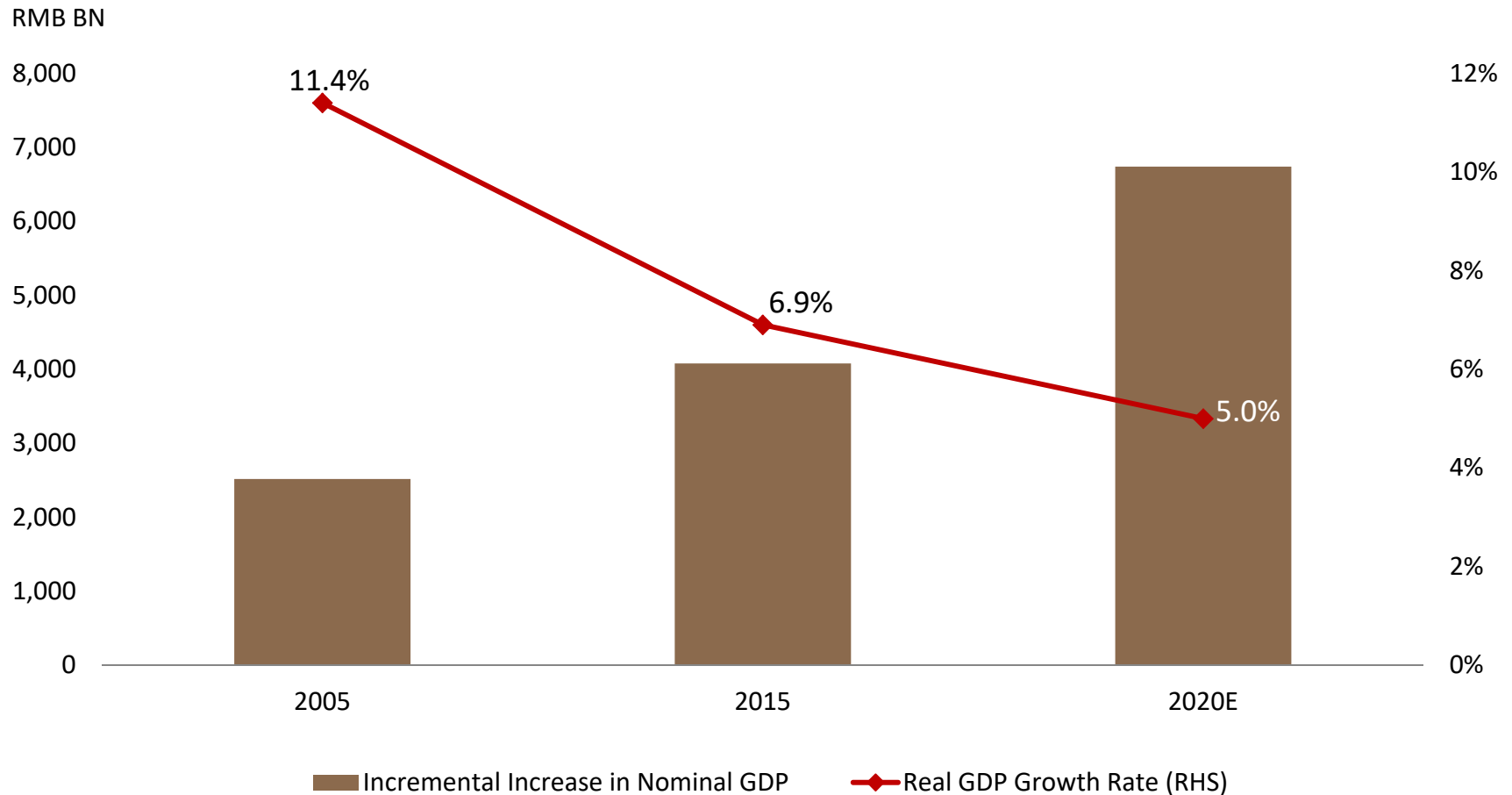
1998



2001



Rebalancing Means Slower Growth is Inevitable, but Remember the Base

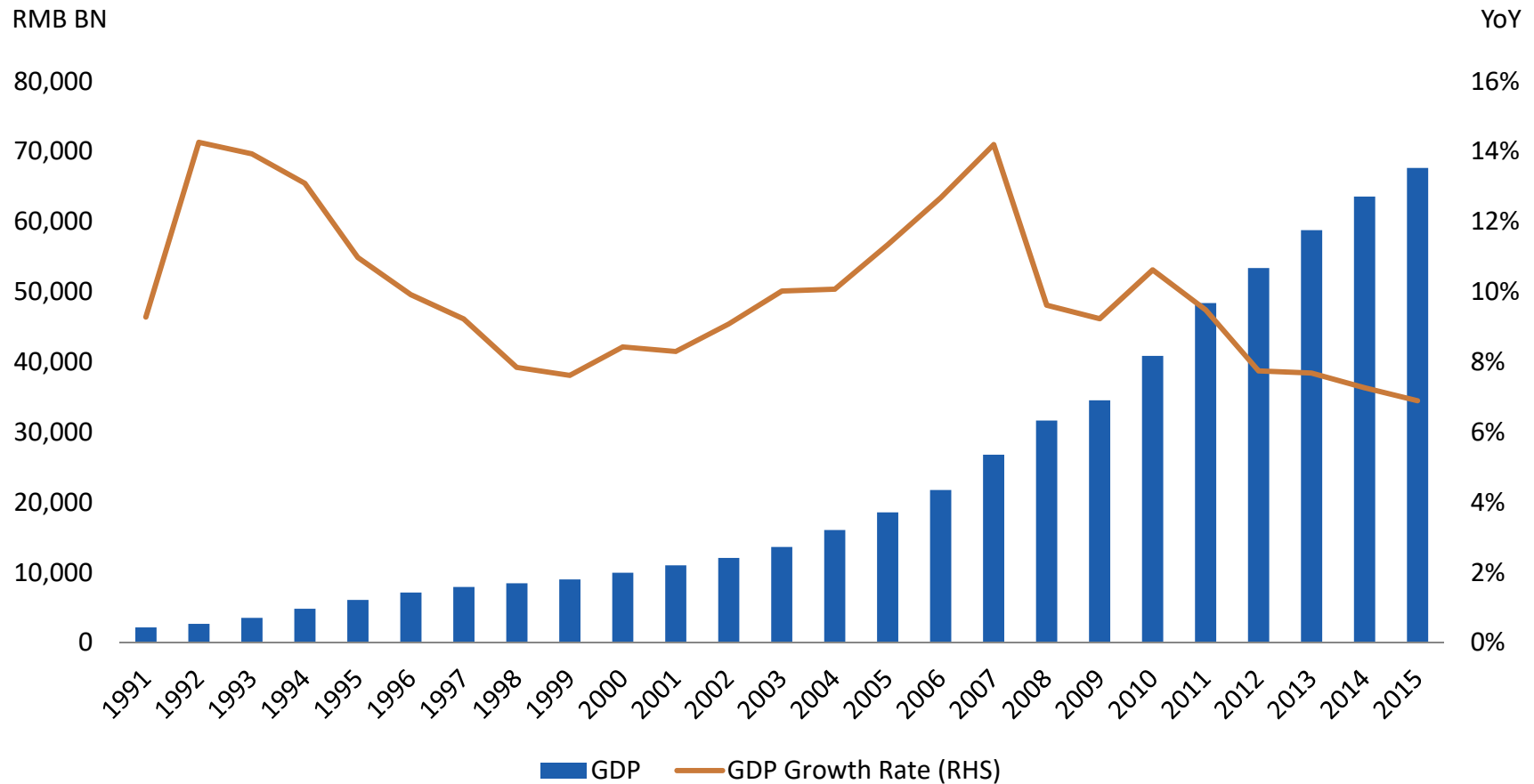


*2020 Matthews Asia Estimate

There is no assurance that any estimate or projection will be realized.

Source: CEIC

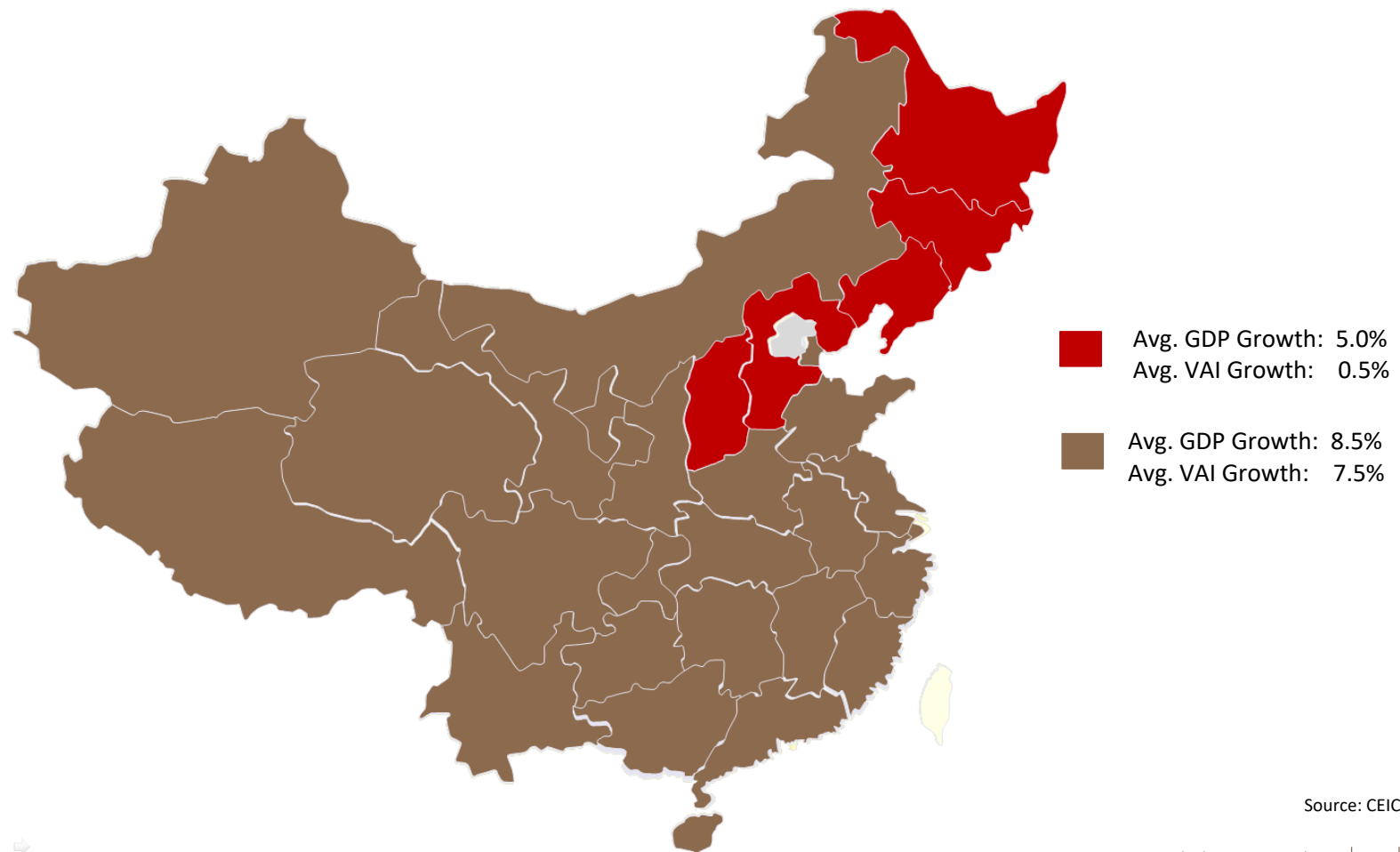
GDP Growth Rate has been Decelerating Gradually for Many Years



Regional Variations in China's Growth Story

Resource extraction and heavy industry concentrated in the northeast

GROWTH RATES BY PROVINCE FOR GDP AND VALUE-ADDED OF INDUSTRY (VAI) IN 2015



Source: CEIC

More than 150 Cities with a Population of One Million Plus

Last year, more new homes sold in Hefei than in Beijing. More in Chengdu than in Shanghai

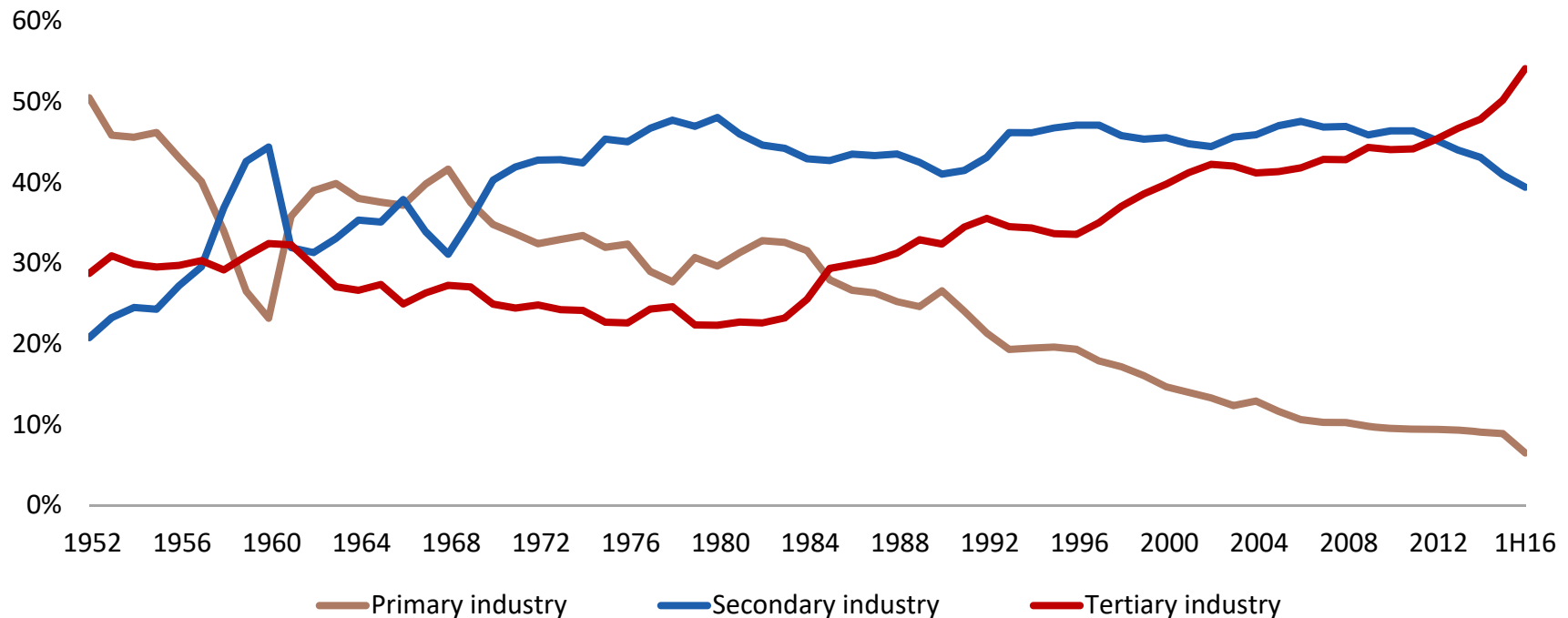


Source: CLSA

Rebalancing of the Chinese Economy Well Underway

Services and consumption now bigger than manufacturing and construction for five years

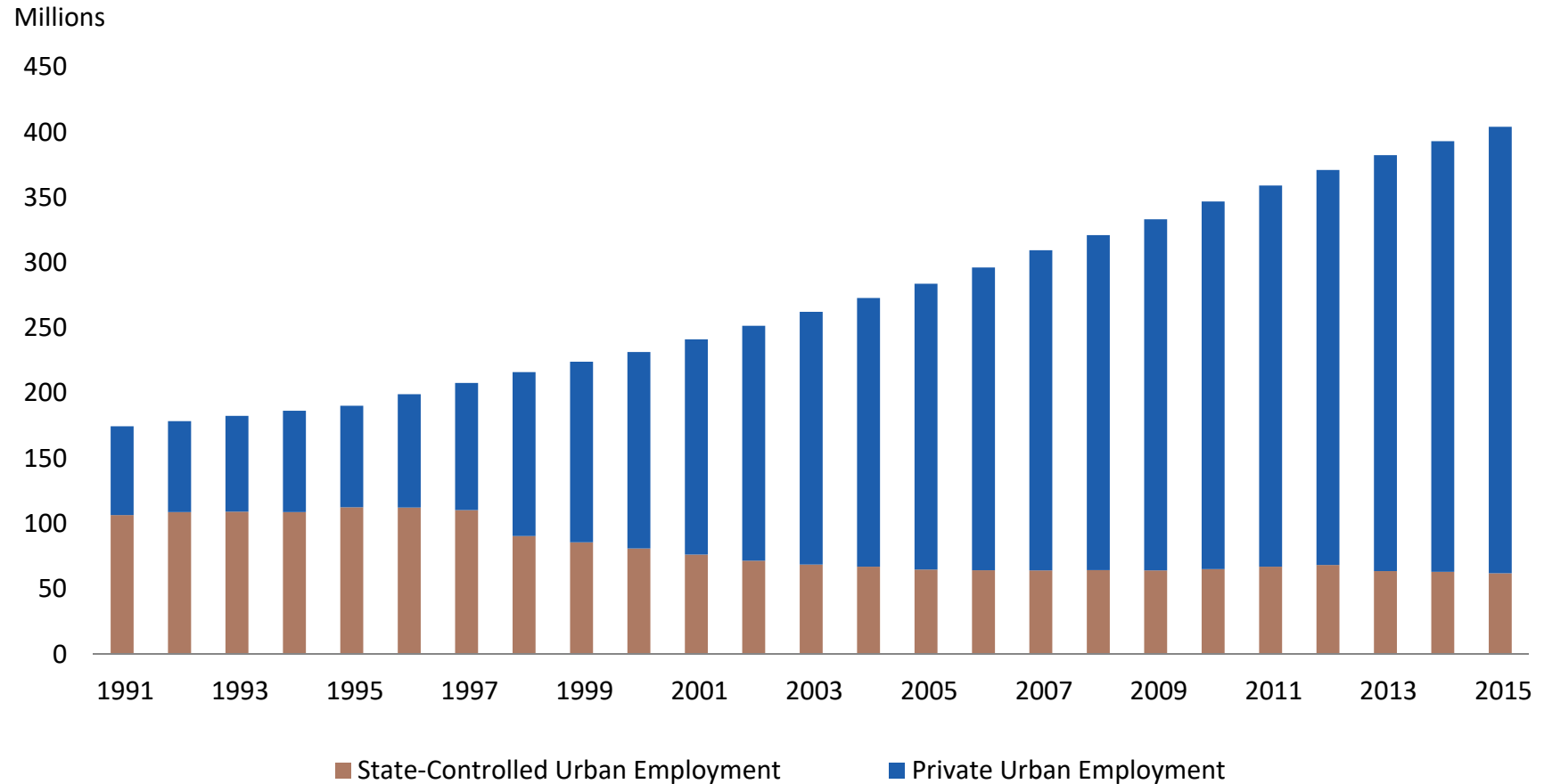
SHARE OF GDP BY PRODUCTION APPROACH



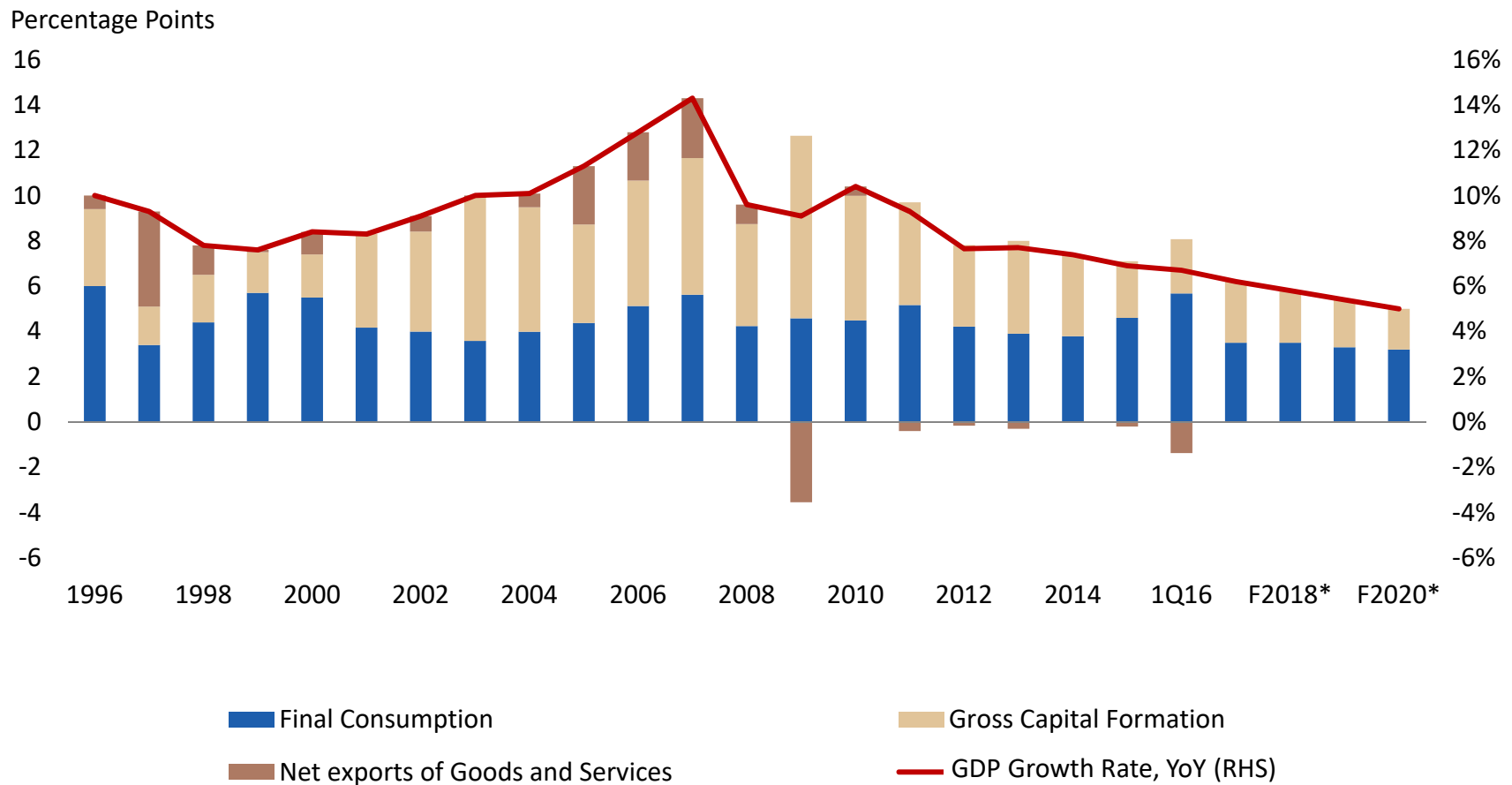
- Primary industry** refers to agriculture, forestry, animal husbandry and fishery and services in support of these industries
- Secondary industry** refers to mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction
- Tertiary industry** refers to all other economic activities not included in the primary or secondary industries, including real estate, finance, wholesale and retail, transportation and other service industries



Underestimating the Dominant Role of the Private Sector



No Longer an Export-led Economy



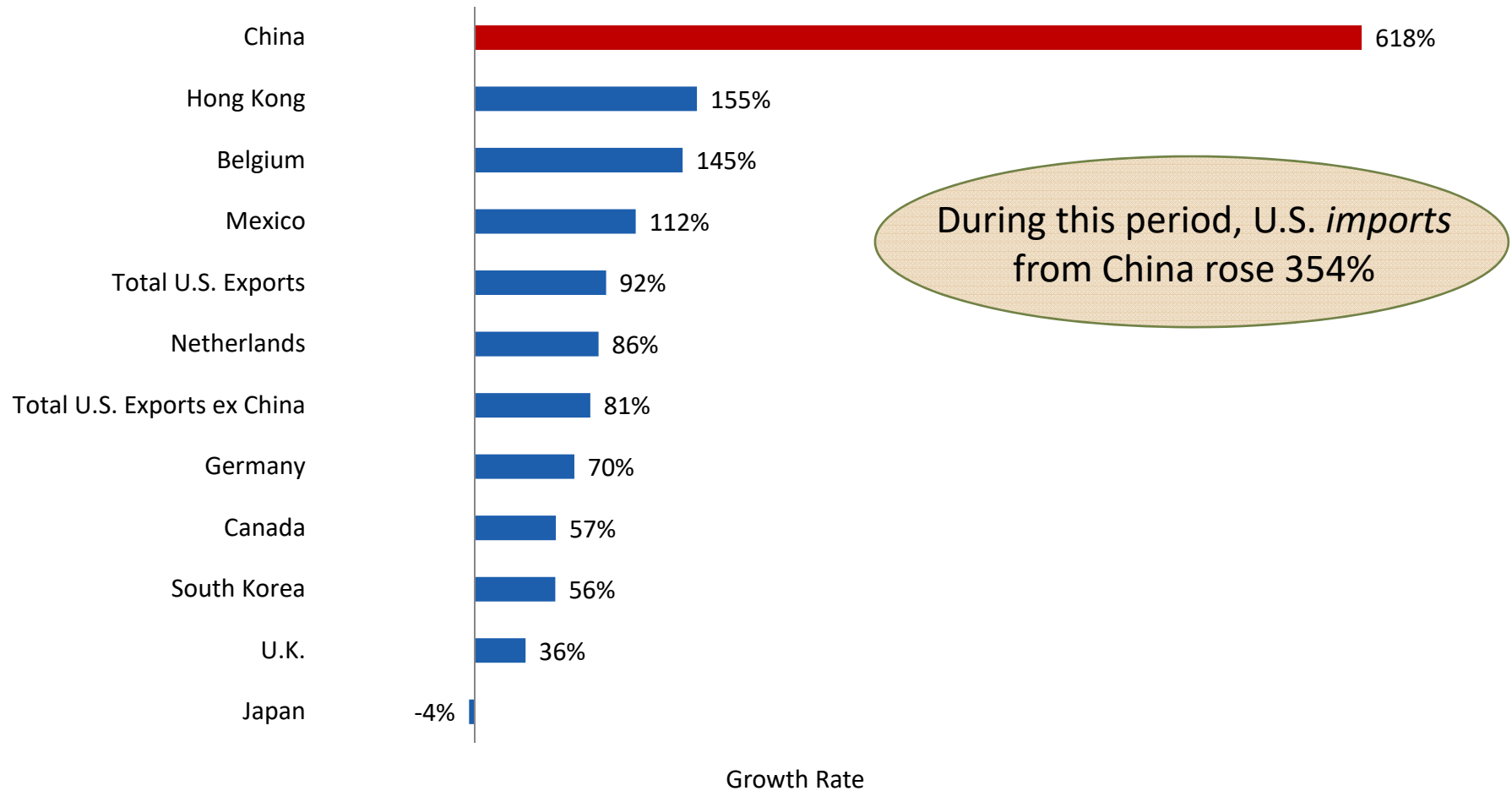
*Estimates

There is no assurance that any estimate or projection will be realized.

Sources: CEIC, Matthews Asia estimates

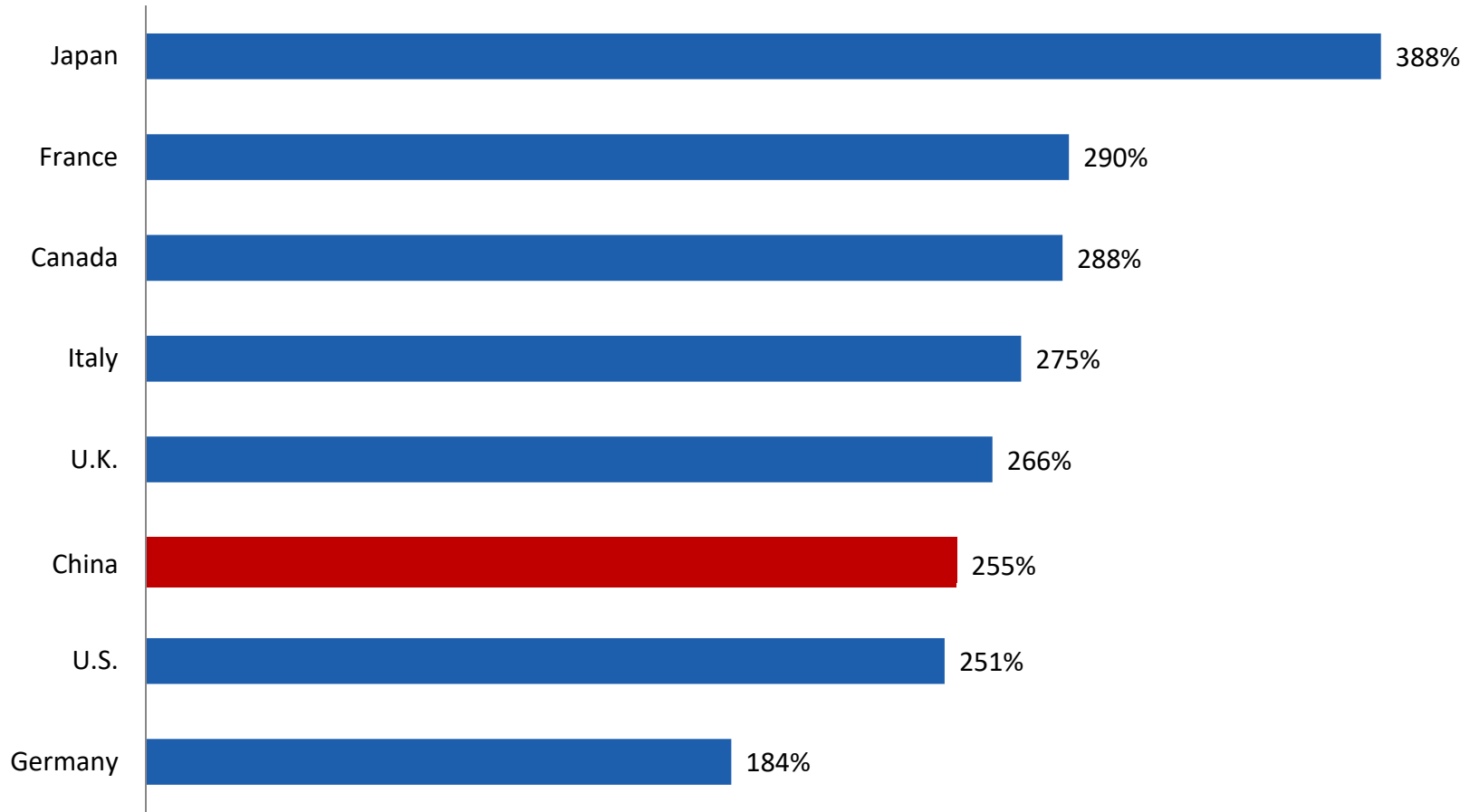
China has been the U.S.' Fastest Growing Export Market...by Far

Growth rate of U.S. goods exports to its 10 biggest markets, since China joined the WTO in 2001



China's Debt Problem in Context

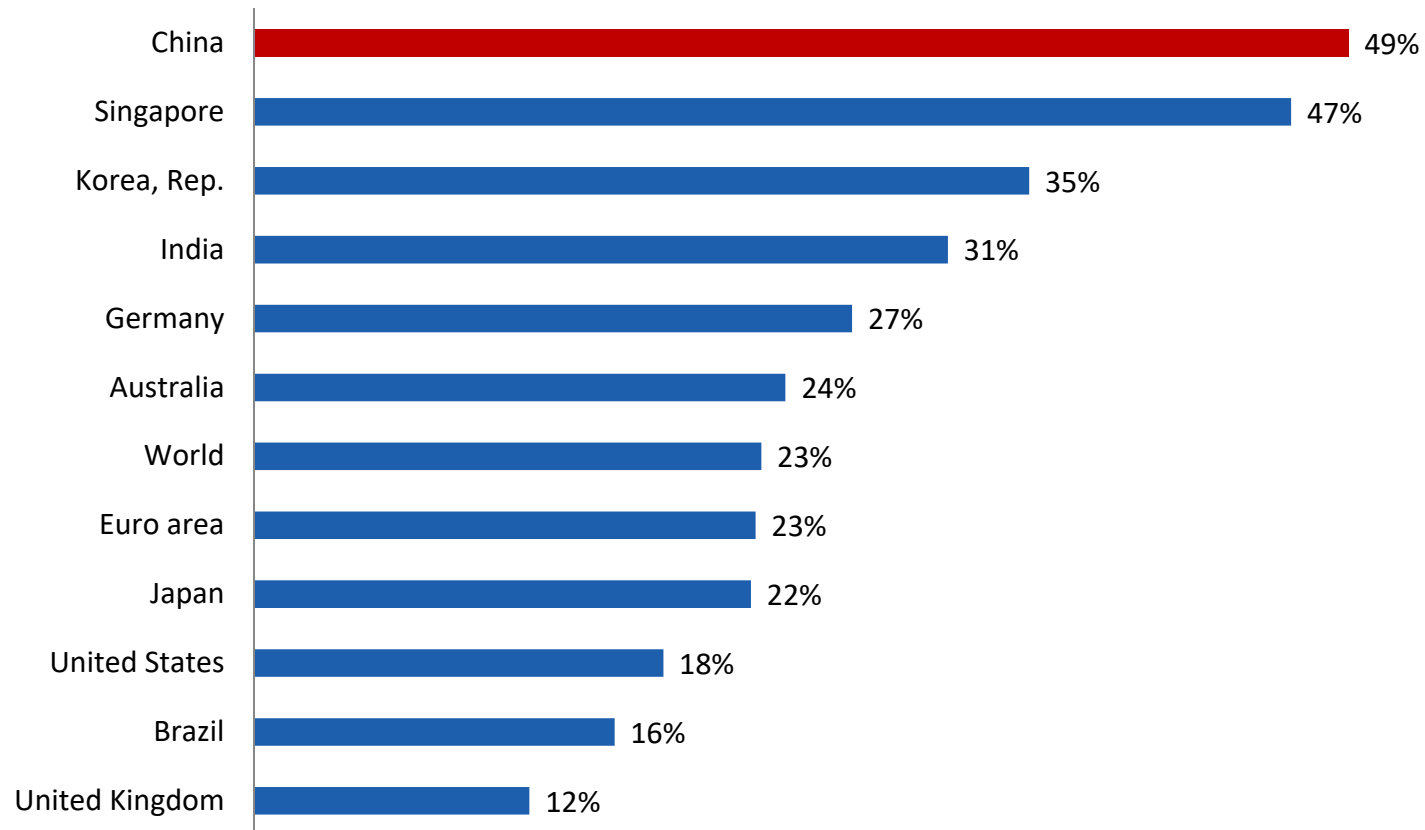
REAL ECONOMY DEBT-TO-GDP RATIO, 2015



Source: Bank for International Settlements

High Savings Rate Helps China Deal With Debt

GROSS SAVINGS AS A % OF GDP

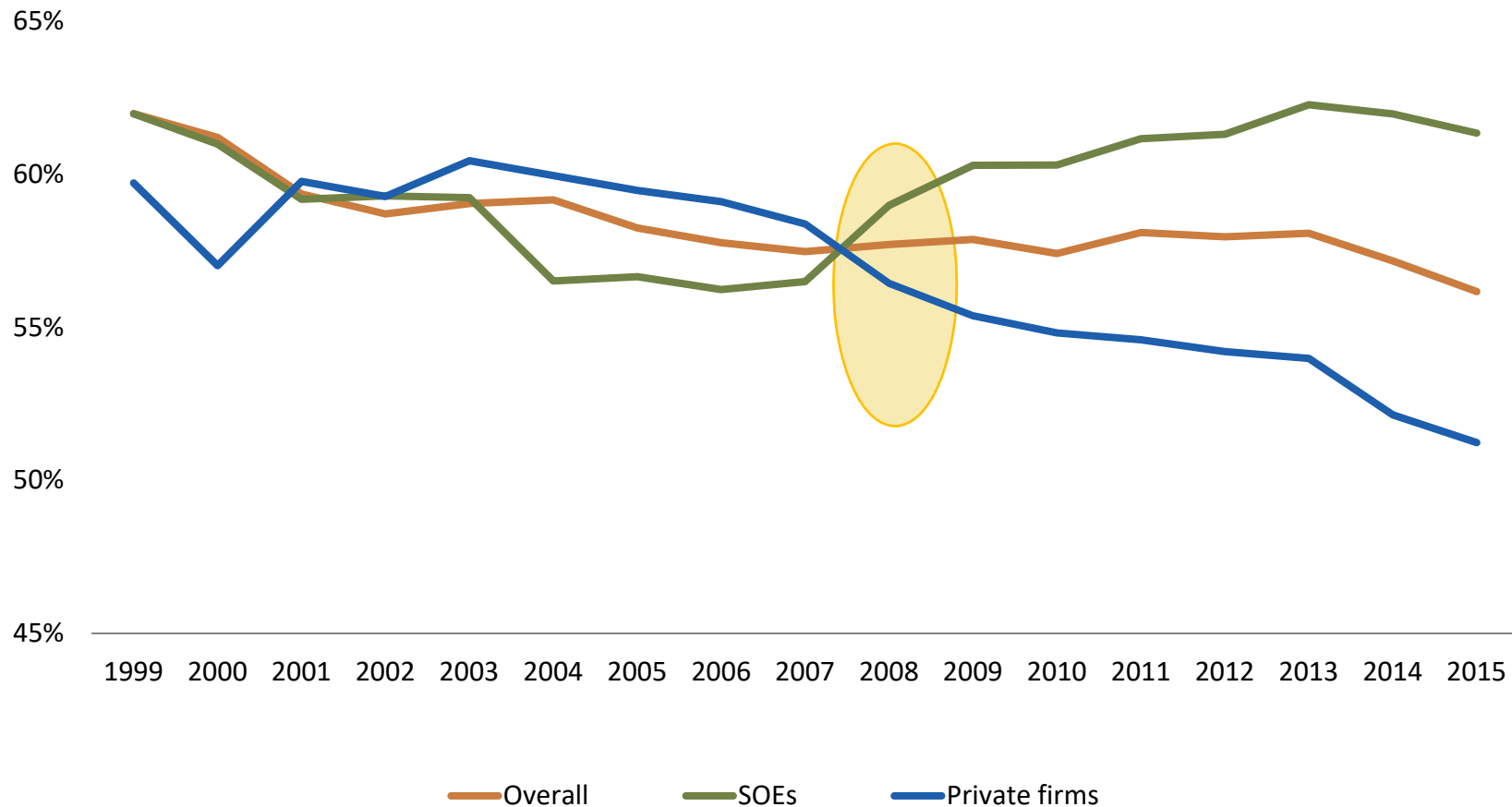


Source: World Bank, 2014

A State-Owned Enterprise (SOE) Debt Problem

Majority of problem loans made at direction of the state, by state-controlled banks to state firms

LIABILITIES-TO-ASSETS RATIO OF INDUSTRIAL FIRMS BY OWNERSHIP



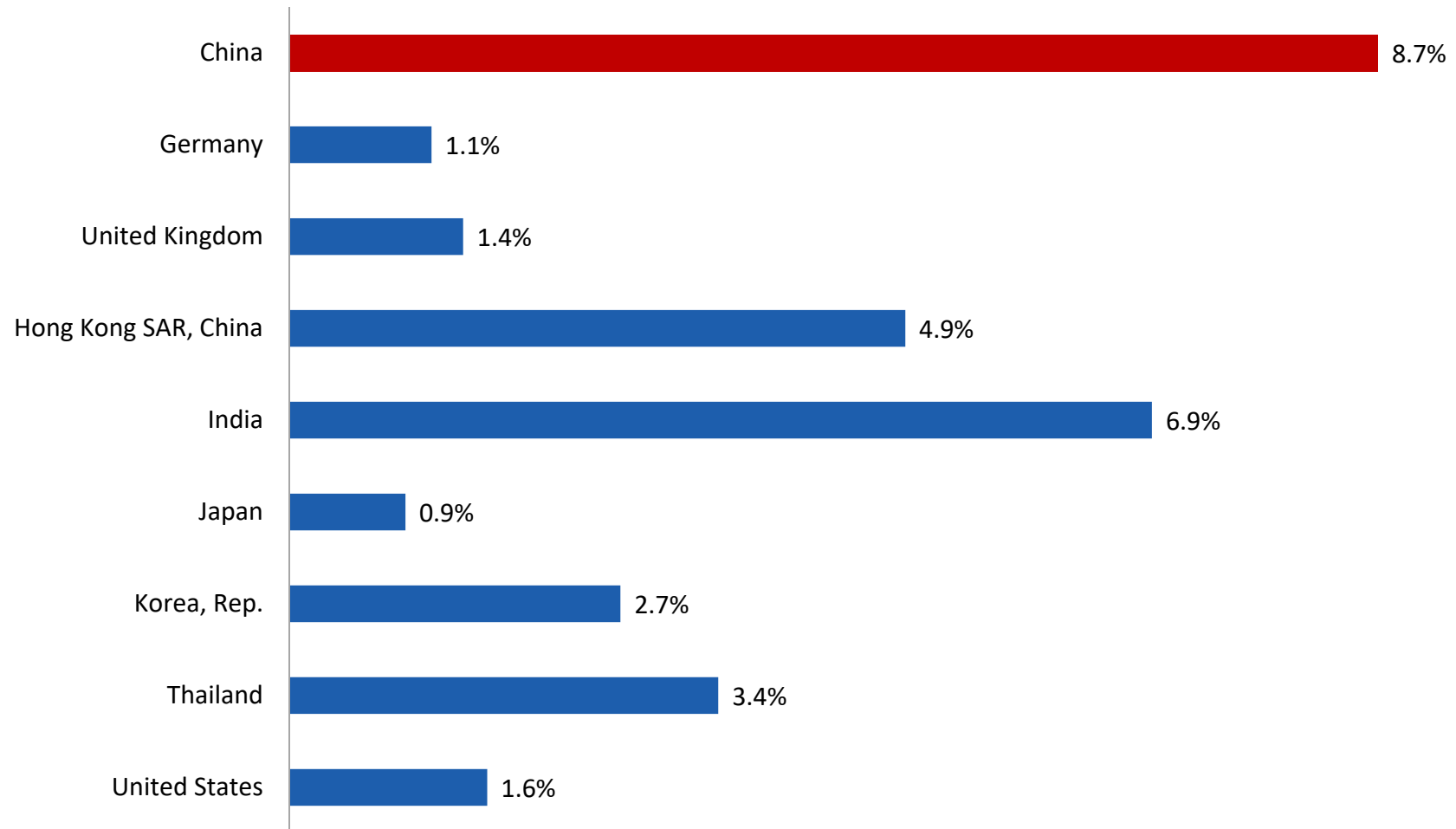
Source: CEIC

Ghostly? China's Property Market Reconsidered



China is the World's Best Consumer Story

Real compound annual growth rate of final consumption from 2009 to 2015



Data for India and Thailand is from 2009 to 2014

Sources: World Bank

The World's Best Consumption Story

Year-on-Year changes in some consumer categories, January-July 2016

52%	Express parcel deliveries
45%	SUV sales
38%	Chinese visitor arrivals in Japan
32%	Mercedes vehicle sales in China
27%	New home sales
24%	Nike shoe sales in Greater China*
16%	Home decoration materials sales
15%	Furniture sales
14%	Gasoline consumption
11%	Airline passenger traffic
10%	Electricity demand, services & consumer sector
9%	Cosmetics sales

*Nike shoe sales are for three months ending May 2016

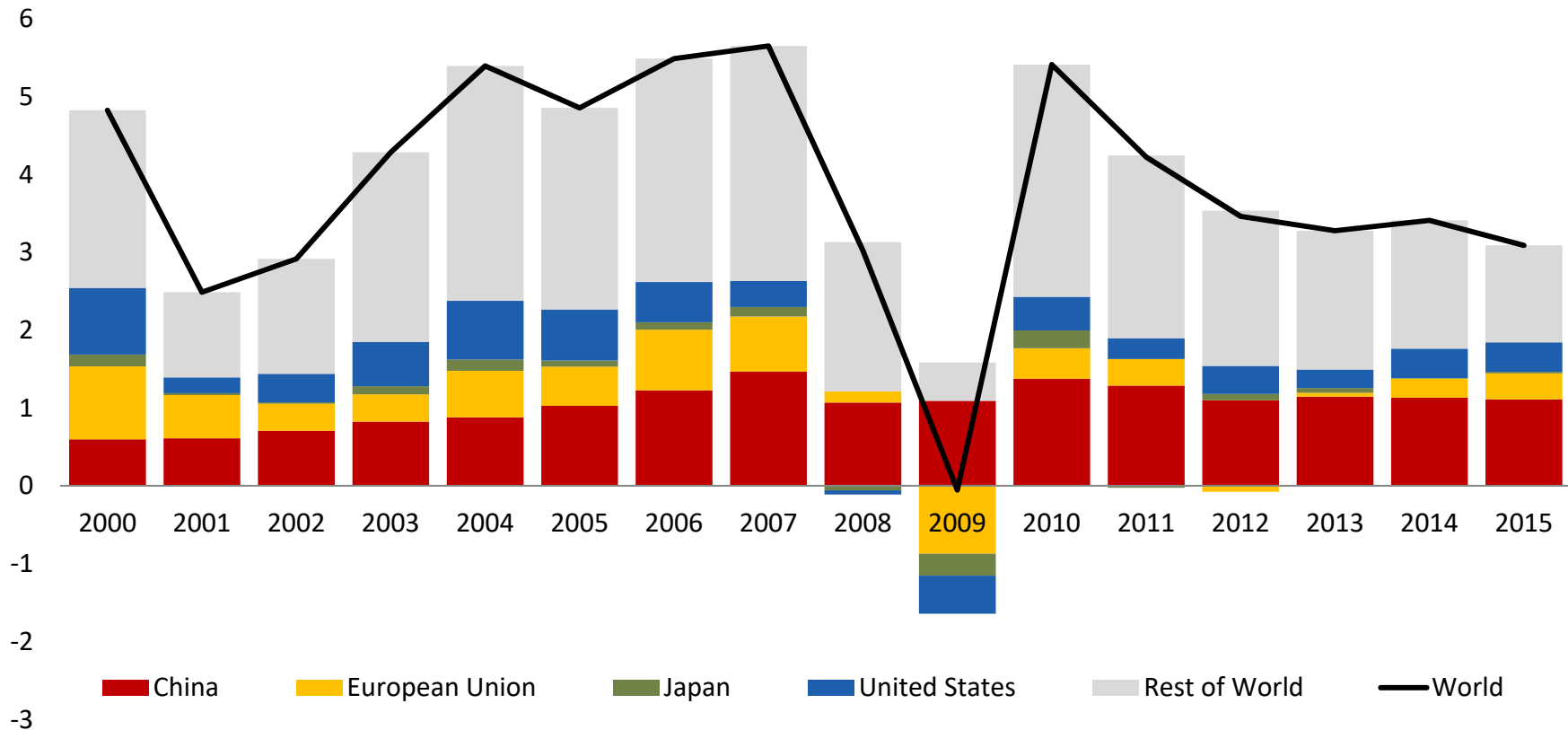
As of June 30, 2016, no accounts managed by Matthews Asia held positions in Mercedes and Nike

Sources: Japan National Tourist Office; Company Data; CEIC; National Bureau of Statistics of China

Understanding China is Important as it Drives Global Growth

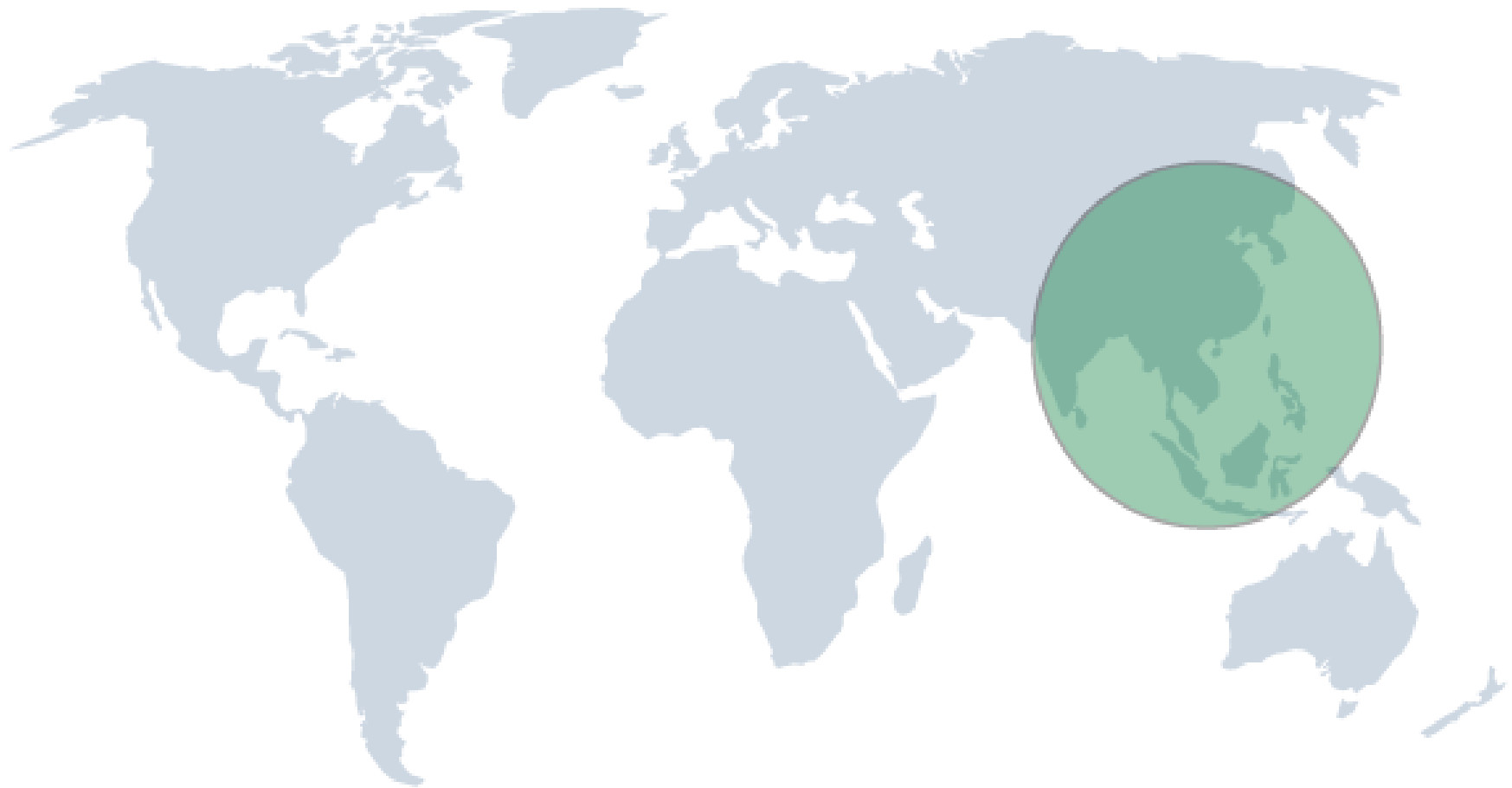
China accounts for one-third of global growth, more than in 2010 when GDP growth was 10%

CONTRIBUTION TO GLOBAL GROWTH (PERCENTAGE POINTS)



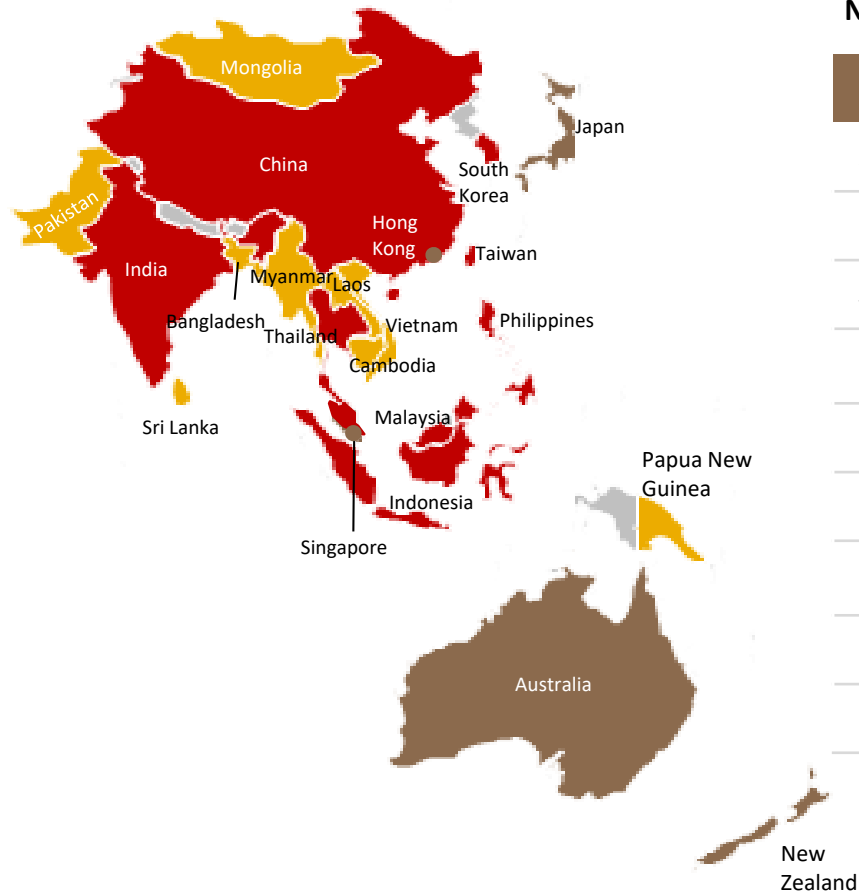
Asia's Global Relevance

There are more people living inside this circle than outside of it



What is Asia?

More than just China and India



NOMINAL GDP PER CAPITA BY COUNTRY (US\$)

DEVELOPED		EMERGING		FRONTIER	
Australia	61,219	China	7,589	Bangladesh	1,172
Hong Kong	39,871	India	1,627	Cambodia	1,081
Japan	36,332	Indonesia	3,534	Laos	1,693
New Zealand	43,837	Malaysia	10,804	Mongolia	4,096
Singapore	56,319	Philippines	2,865	Myanmar	1,221
		South Korea	28,101	Pakistan	1,343
		Taiwan	22,598	Papua New Guinea	2,133
		Thailand	5,445	Sri Lanka	3,558
				Vietnam	2,053

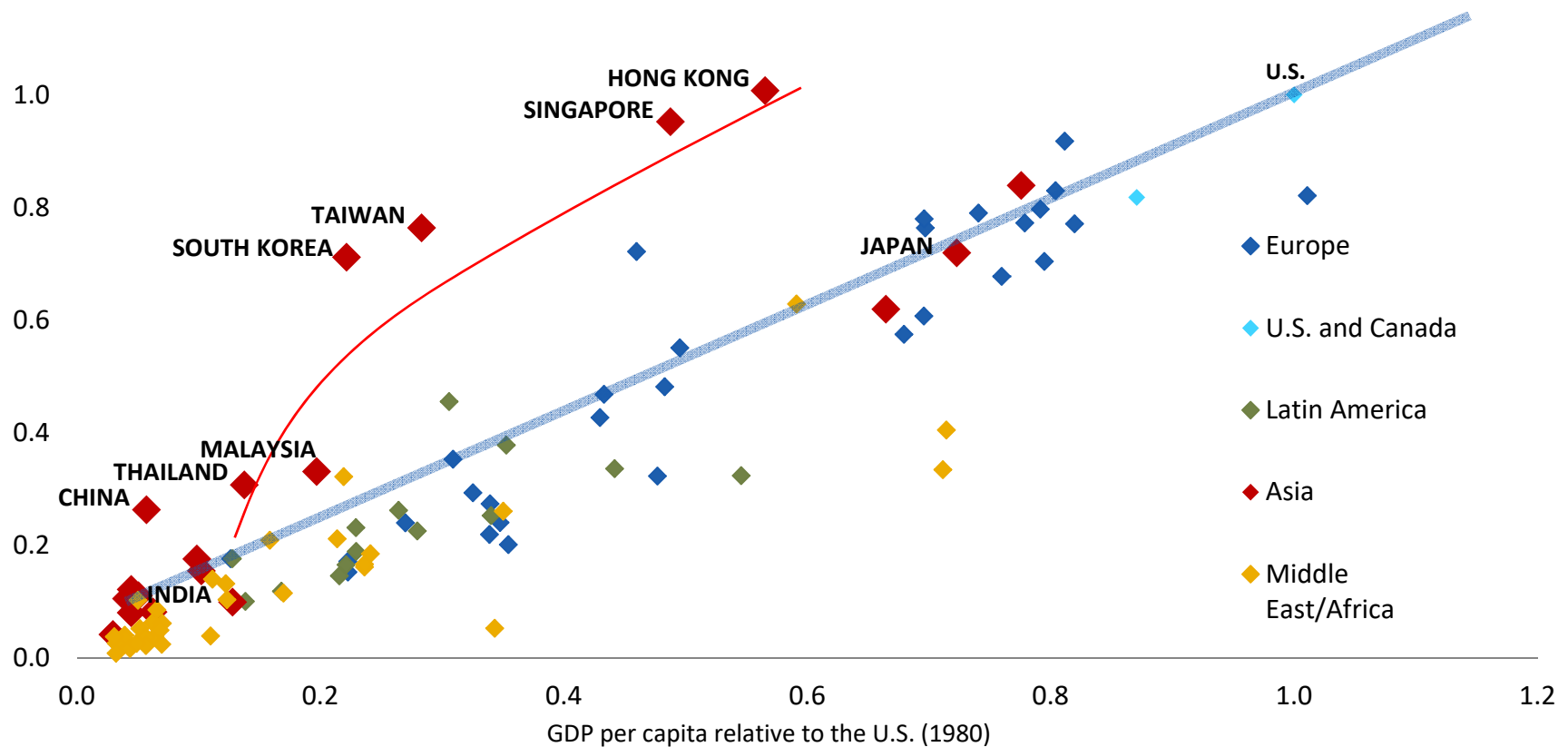
Source: International Monetary Fund, 2014

Emerging Markets are Not Created Equal

Many Asian countries have achieved “Economic Take Off”

GDP per capita relative to the U.S. (2010)

1.2



Matthews Asia

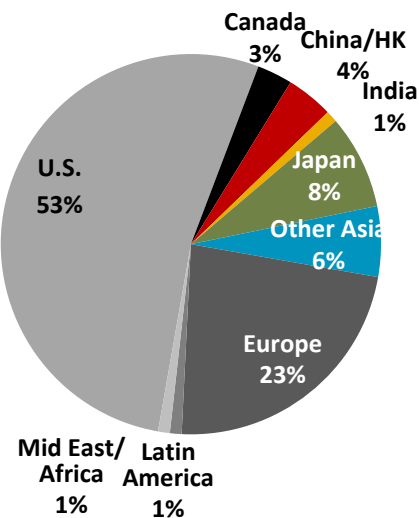
Source: Angus Maddison, Matthews Asia

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Most Client Portfolios are Under-Allocated to Asia Compared to Current Measures

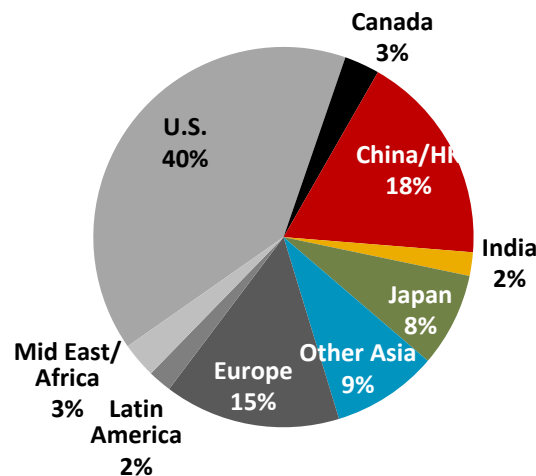
MSCI ALL COUNTRY WORLD INDEX

ASIA: 19%



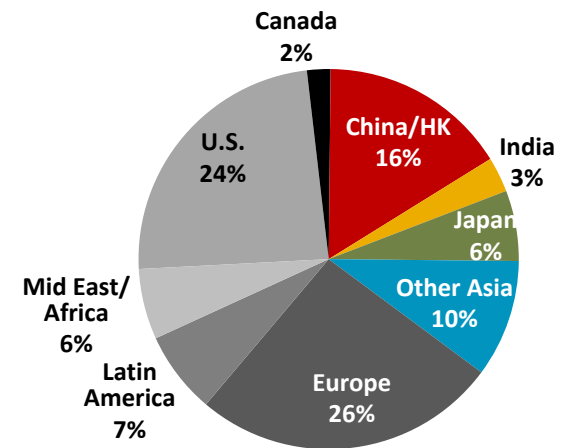
WORLD STOCK MARKET VALUE

ASIA: 37%



GDP

ASIA: 35%



The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

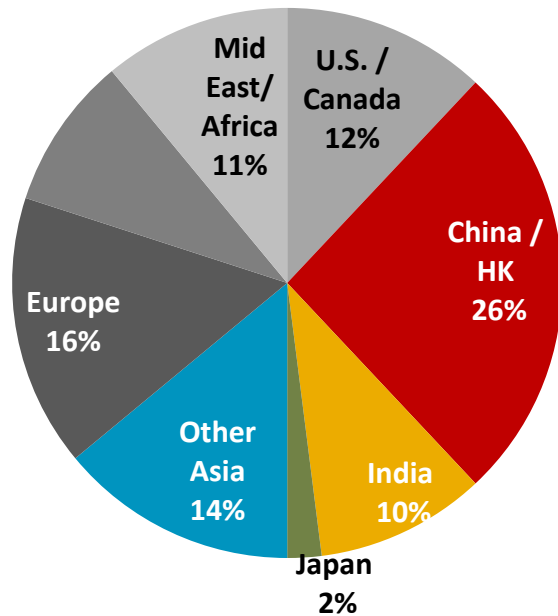
Sources: MSCI, International Monetary Fund and World Federation of Exchange Members, IMF GDP data as of 12/31/15; MSCI All Country World Index and Stock Market Value data as of 12/31/15; Figures in US\$



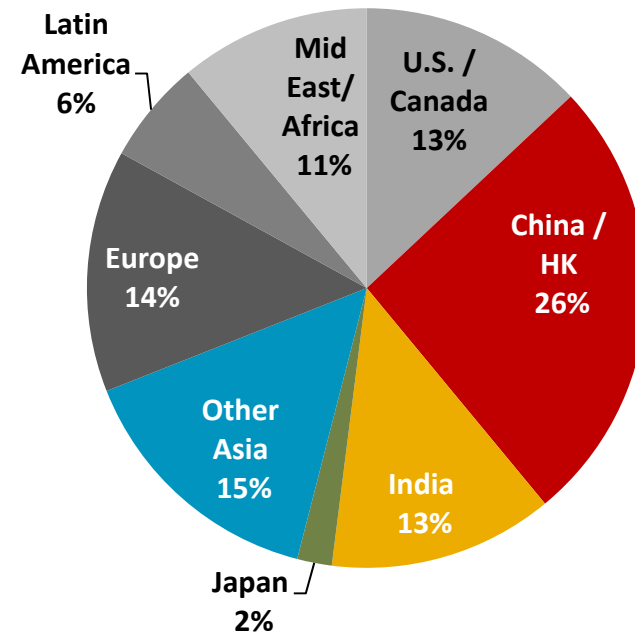
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Asia is Expected to Comprise the Majority of Future Global Growth

COMPOSITION OF GROWTH*
2004 – 2014
ASIA: 52%



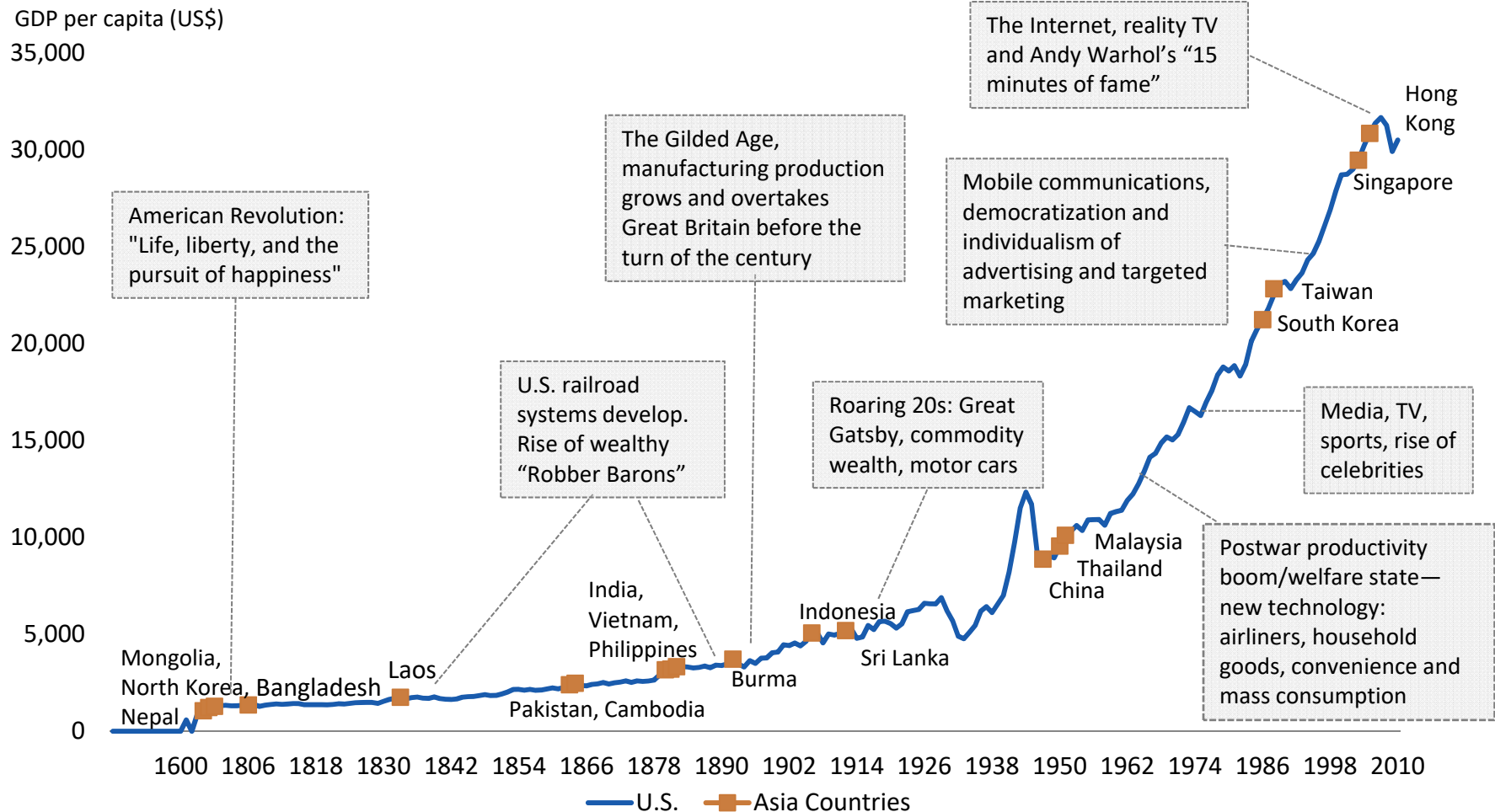
EXPECTED COMPOSITION OF GROWTH*
2014 – 2020
ASIA: 56%



*Based on GDP on Purchasing Power Parity (PPP) basis
Source: International Monetary Fund; data as of July 2015

Asia's Consumption Still Has a Long Way To Go...

Asia per capita GDP in historical context to the U.S.



Sources: Maddison Historic GDP, IMF, Matthews Asia calculations; Data as of 2012







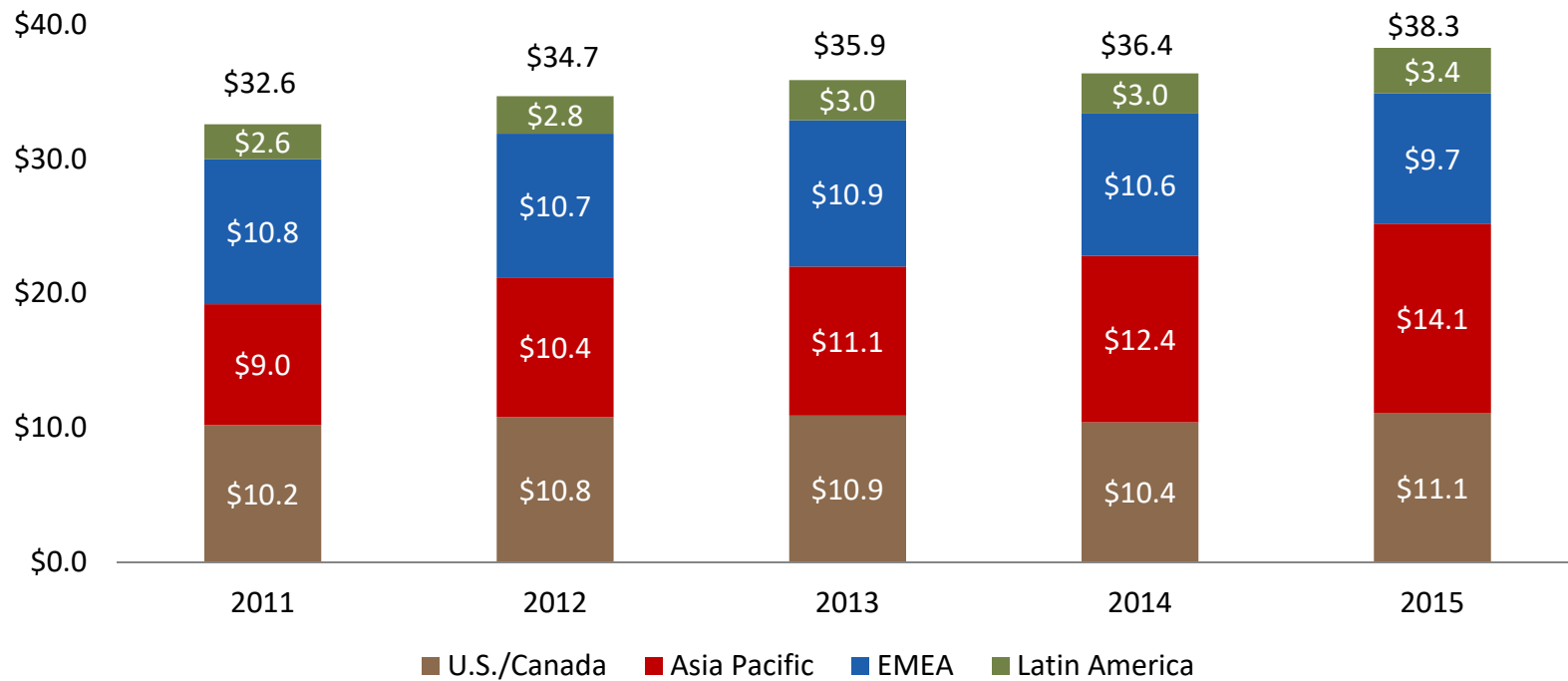




Global Box Office Revenues 2011-2015

US\$ Billions

\$50.0



Values include all films released, regardless of distributor or country of origin. International box office calculated country-by-country based on a variety of primary and secondary data sources.

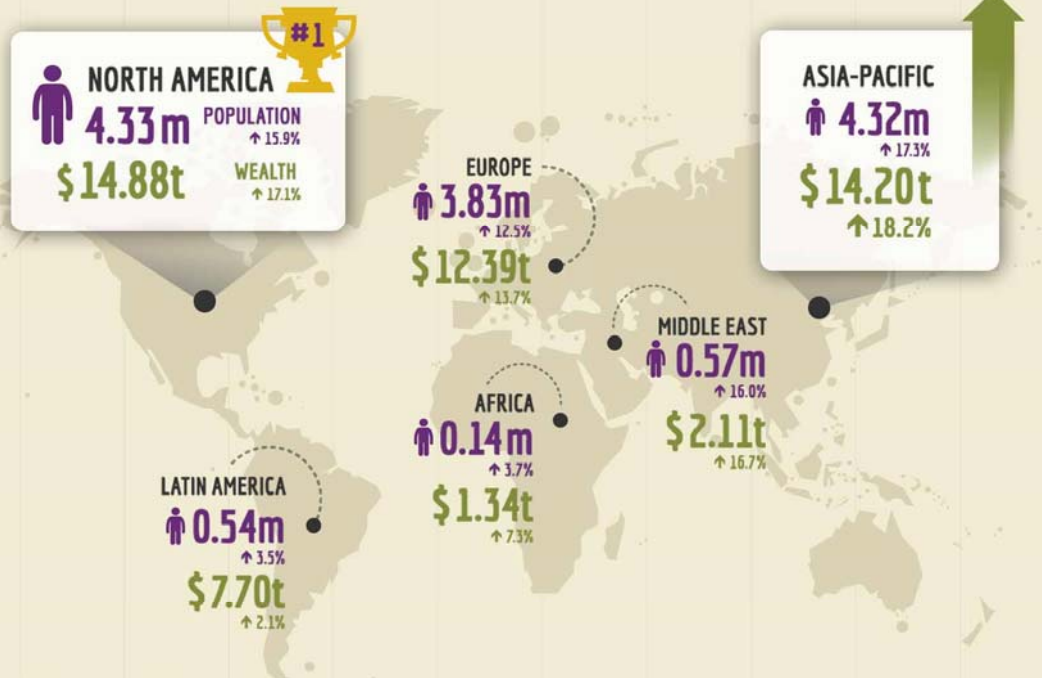
Source: Motion Picture Association of America (MPAA) and MarketingCharts.com


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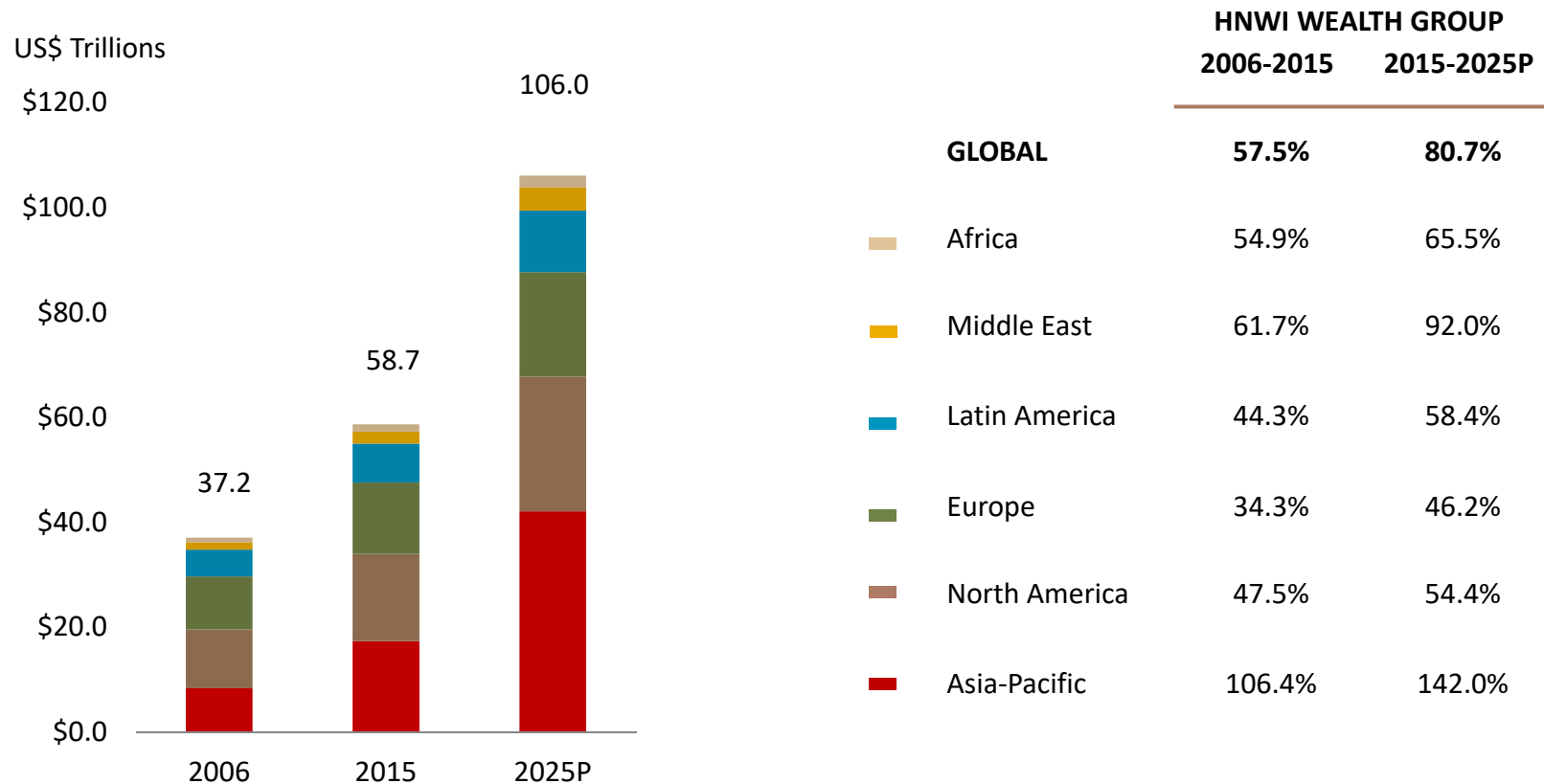


Global HNWI wealth **grew 14%**,
reaching a record-high of **\$52.6 trillion** in 2013.



Nearly 2 million individuals 
joined the global HNWI population, which grew **15%** to reach nearly **14 million**.

HNWI Wealth Projection, 2006, 2015, 2025P (by Region)

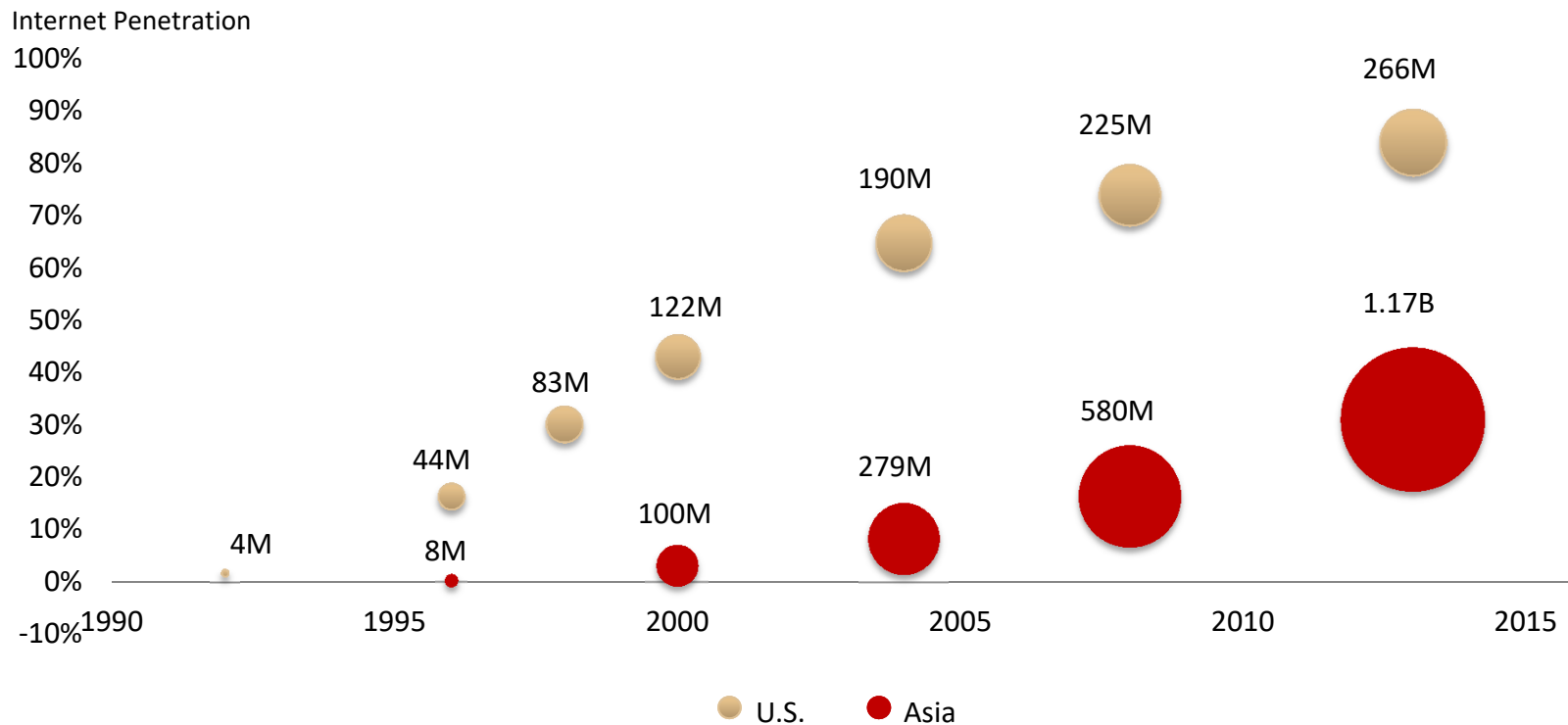


Note: Chart numbers and quoted percentages may not add up due to rounding; 2025 data is calculated by applying the country-level annualized growth rate from 2006-2015 for the 2015-2025 period; Projected data is for illustrative purposes only.
Source: Capgemini Financial Services Analysis, 2016

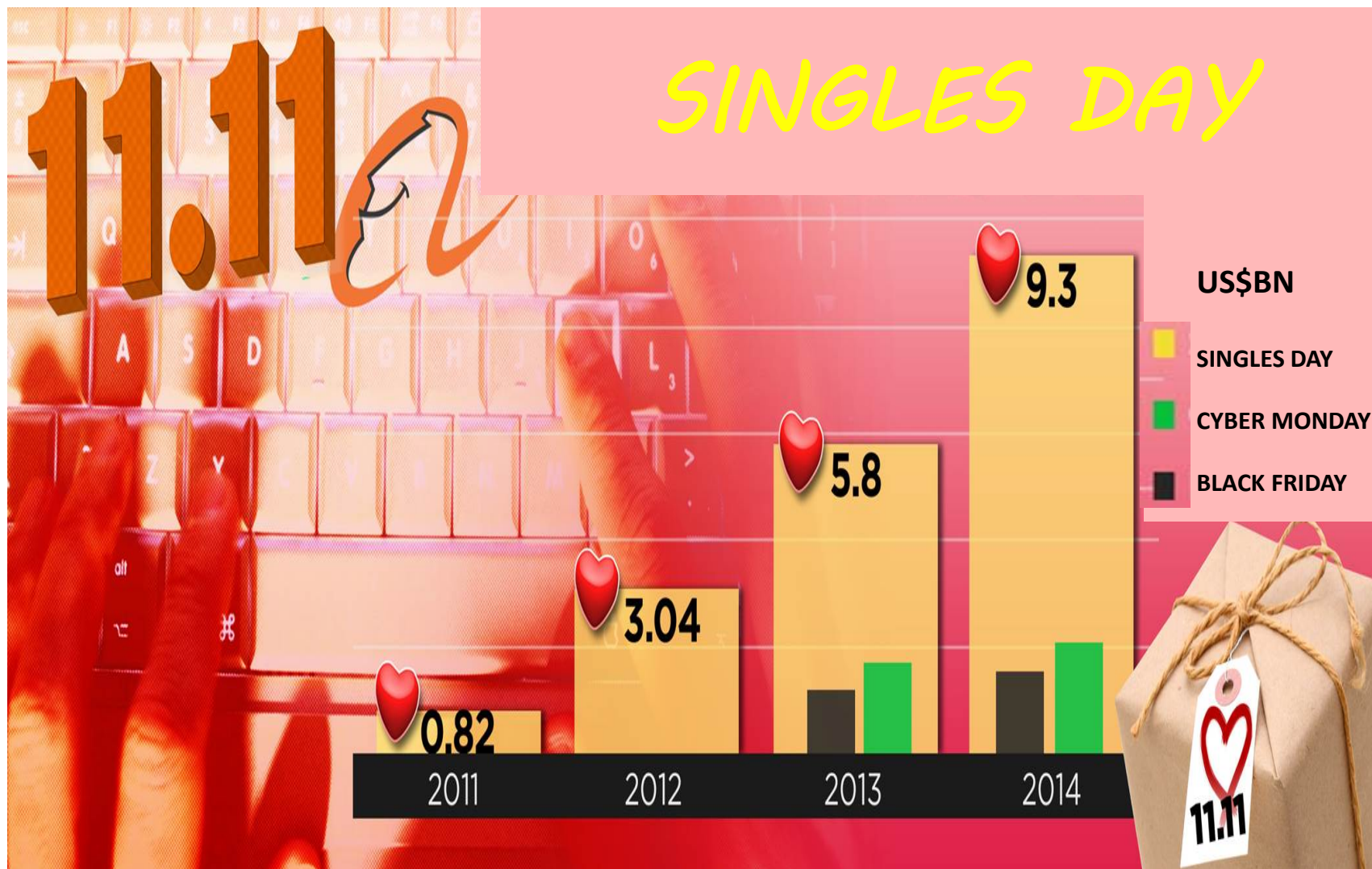


The Largest Internet Market in the World Remains Under-Penetrated

ASIA HAS THE WORLD'S LARGEST INTERNET POPULATION

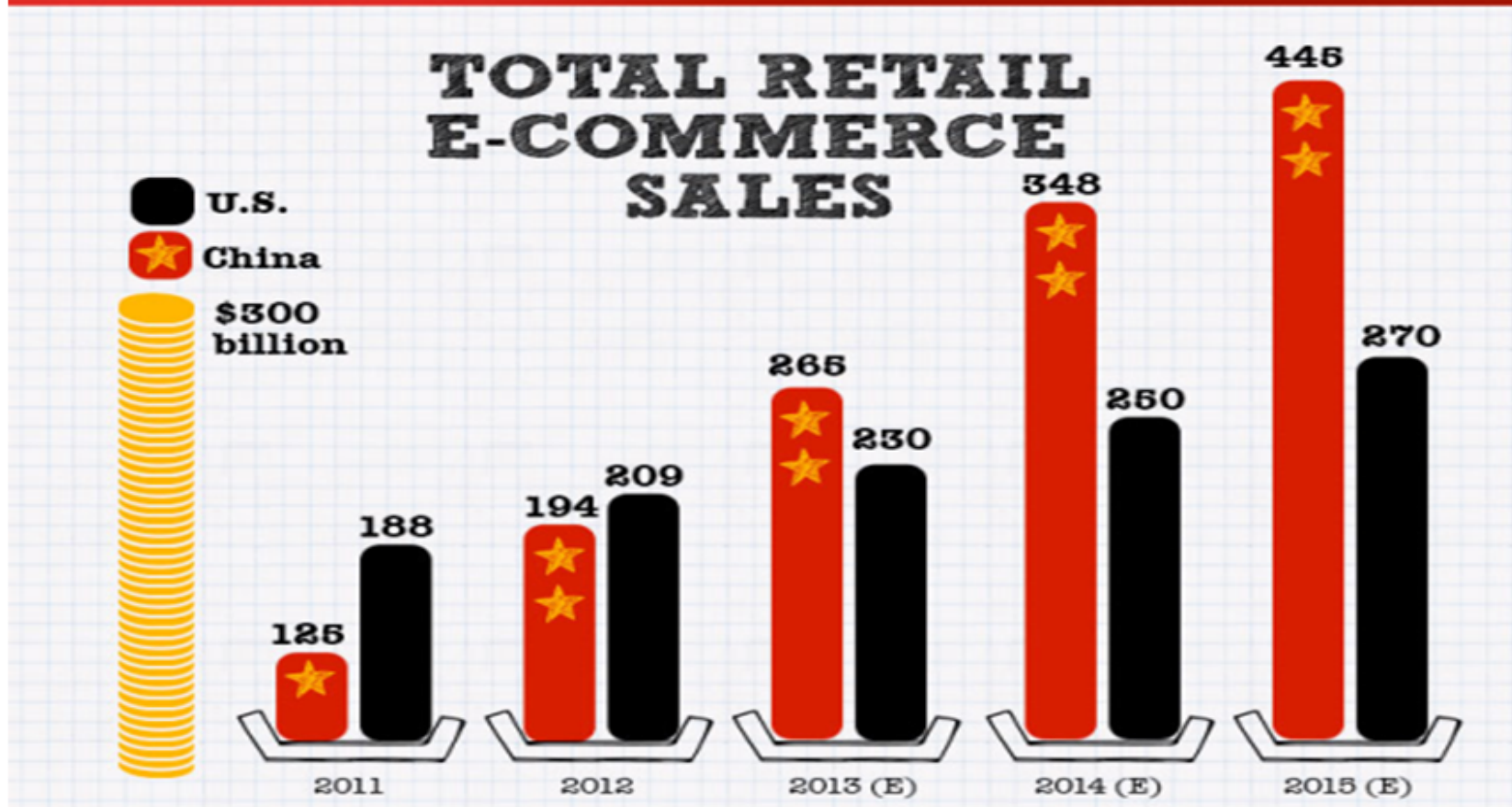


Internet population based on country's total population.
Bubble size is proportionate to internet users in millions.
Source: World Bank



Source: CNBC

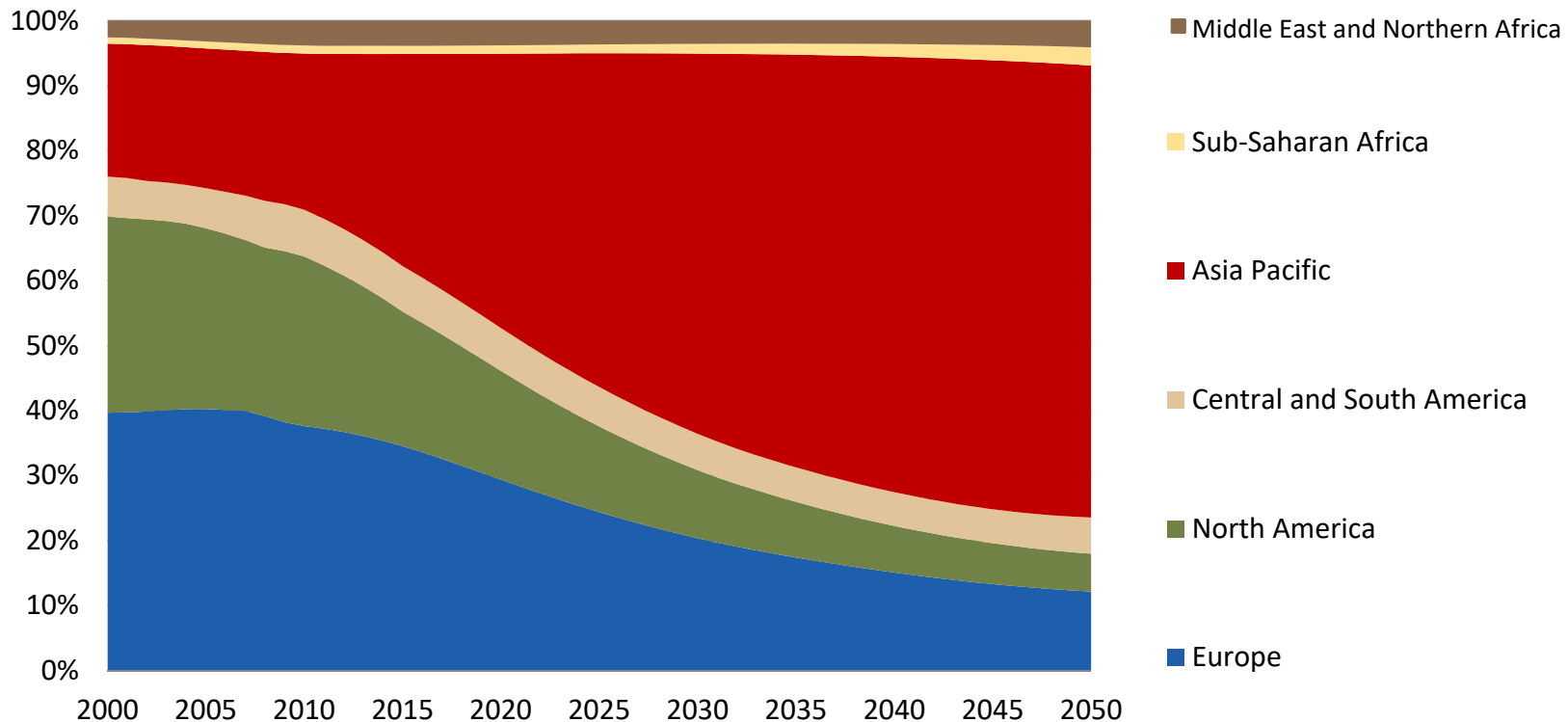
HOW CHINA COMPARES



Sources: iResearch, eMarketer, Macquarie Research

Rising Wages and Productivity Behind Asia's Rising Share of Consumption

Global middle class consumption (2000 – 2050)*



*Data represented beyond November 2011 are estimates only.
Notes: Global middle class consumption is defined here as household consumption between USD 10 and USD 100 Purchasing Power Parity (PPP)/day. Projections hold most recent distribution constant (from PovcalNet database) and assume consumption equals income growth (projected by a Cobb-Douglas production function, a model of Real Exchange Rate (RER) convergence based on the Balassa-Samuelson model, and UN population projections).
Source: Organisation for Economic Co-operation and Development (OECD) 2011, Perspectives on Global Development 2012: Social Cohesion in a Shifting World; Data as of November 2011





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Matthews Asia

Glossary

CAGR (Compound Annual Growth Rate) is the year-over-year growth rate of an investment over a specified period of time.

EBIT Margin (Earnings Before Interest and Taxation Margin) is a profitability measure equal to EBIT divided by net revenue. This value is useful when comparing multiple companies, especially within a given industry, and also helps evaluate how a company has grown over time.

EBITDA (Earnings Before Interest and Taxation, Depreciation and Amortization) is a measure of a company's earnings before considering the financing of that company (the share of equity capital and debt employed), and disregarding potential depreciation and amortization policies, which can be very different. EBITDA allows like-for-like comparisons between different companies' performance.

EPS (Earnings per Share) is the amount of annual profit (after tax and all other expenses) attributable to each share in a company. EPS is calculated by dividing profit by the average number of shares on issue.

EVA (Economic Value Added) is a measure of a company's financial performance based on the residual wealth calculated by deducting cost of capital from its operating profit (adjusted for taxes on a cash basis).

EV/EBITDA (Enterprise Multiple) is a ratio used to determine the value of a company. The enterprise multiple looks at a firm as a potential acquirer would, because it takes debt into account - an item which other multiples like the P/E ratio do not include.

EV (Enterprise Value) is a measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

FCF (Free Cash Flow) is a measure of financial performance calculated as operating cash flow minus capital expenditures. Free cash flow (FCF) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base.

Forward P/E (Forward Price to Earnings) is a measure of the price-to-earnings ratio (P/E) using forecasted earnings for the P/E calculation. While the earnings used are just an estimate and are not as reliable as current earnings data, there still may be benefit in estimated P/E analysis. The forecasted earnings used in the formula can either be for the next 12 months or for the next full-year fiscal period.

Gross Margin is a company's total sales revenue minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage. The gross margin represents the percent of total sales revenue that the company retains after incurring the direct costs associated with producing the goods and services sold by a company.

Net Margin is the ratio of net profits to revenues for a company or business segment—typically expressed as a percentage—that shows how much of each dollar earned by the company is translated into profits. It is calculated by dividing net profit by revenue.

Operating Margin is a ratio used to measure a company's pricing strategy and operating efficiency. Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production.

P/E Ratio (Price-to-Earnings Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings, calculated as marketing value per share divided by earnings per share (EPS).

P/B Ratio (Price-to-Book Ratio) is used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. A lower P/B ratio could mean that the stock is undervalued.

PPP (Purchasing Power Parity) is an economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency's purchasing power.

ROE (Return on Equity) is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested, and is calculated as net income divided by shareholder's equity.

ROIC (Return on Invested Capital) is a calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. The return on invested capital measure gives a sense of how well a company is using its money to generate returns.

