

**PRODUCT KEY FACTS**  
**Matthews Asia Funds (the "Fund")**  
**Asia Dividend Fund (the "Sub-Fund")**



**Matthews Asia**

**Issuer**

**Matthews International Capital Management, LLC**

**August 2013**

***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>Fund Manager:</b>	Matthews International Capital Management, LLC
<b>Custodian:</b>	J.P. Morgan Bank Luxembourg S.A.
<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 shares.  Dividends for distribution shares will be discretionary and if distributed will usually be made on a quarterly basis. Dividends (if any) may be distributed to the relevant Shareholders or reinvested into the Sub-Fund. Distributions may be paid out of capital and, if so, may reduce the Sub-Fund's net asset value ("NAV").
<b>Financial year end of the Sub-Fund:</b>	31 March
<b>Minimum investment:</b>	Initial - USD1,000 (or equivalent) Subsequent - USD500 (or equivalent)

**What is this product?**

Asia Dividend Fund is a sub-fund of Matthews Asia Funds, 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.

**Objective and Investment Strategy**

**Objective**

The Sub-Fund seeks to provide a level of current income that is higher than the yield generally available in Asia Pacific equity markets over the long term.

**Strategy**

Under normal market conditions, the Sub-Fund seeks to achieve its investment objective by investing at least 80% of its total net assets, directly, or indirectly through collective investment schemes, convertible securities or other similar instruments, in income-paying publicly traded common stocks,

preferred stocks, convertible preferred stocks and other equity-related instruments (including investment trusts and other financial instruments) of companies located in the Asia Pacific<sup>1</sup> region that exhibit attractive dividend yields and the propensity (as assessed by the Fund Manager) to pay dividends. On an ancillary basis, the Sub-Fund may invest in other permitted assets on a worldwide basis including equities, and other securities which are transferrable, collective investment schemes, and/or other similar instruments admitted to or dealt in on an Eligible Market<sup>2</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.

A company is considered to be "located" in a country if it (i) is organised under the laws of that country; (ii) derives at least 50% of its revenues or profits from goods produced or sold, investments made, services performed, or has at least 50% of its assets located within that country; (iii) has the primary trading markets for its securities in that country; or (iv) is a governmental entity or an agency, instrumentality or political subdivision of that country.

The Sub-Fund may invest significantly in smaller companies with growth potential and good investment value. Larger portions of stocks of such smaller companies may be held by a small number of investors (including founders and management) in the companies than is typical of larger companies.

The Sub-Fund is not currently using, and has no intention to use, financial derivative instruments for any purpose, whether for hedging, investment or efficient portfolio management purposes. Should the Sub-Fund propose to change this policy in the future, the Fund will seek prior approval to do so from the Securities and Futures Commission ("SFC") and will give all Shareholders at least one month's prior notice before such change taking effect.

The Sub-Fund is not currently investing (whether directly or indirectly) in China A shares and is currently investing no more than 10% of its NAV in China B shares. The prior approval of the SFC will be sought for any change in such investment strategy, and at least one month's prior notice will be given to the relevant Shareholders.

## What are the key risks?

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

- **Asia Pacific and Emerging Markets Risks**

- The Sub-Fund invests primarily in Asia Pacific countries and economies, which exposes the Sub-Fund to the political, social, economic and regulatory risks associated with the region.
- Investing in certain Asian Pacific economies which are emerging markets involves different and greater risks than investing in more developed markets. Among other things, they are often less stable politically and economically, their legal, judicial and regulatory infrastructure are developing, their securities markets are smaller and less developed, and their accounting standards and requirements may be less stringent and consistent than those developed economies.
- Many Asia Pacific economies are dependent on exports and are sensitive to disruptions to global trade and, as seen in the recent developments in global credit and equity markets, events in any of these economies could negatively impact the Asian economies which may have a corresponding negative impact on the NAV of the Sub-Fund, given its investment concentration in Asian economies.

- **Distribution Risks**

Distribution of dividends, if any, is not guaranteed. Only Shareholders whose names are entered on the relevant record date shall be entitled to the distribution declared in respect of

<sup>1</sup> For the purpose of this Sub-Fund, the "Asia Pacific region" comprises Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New-Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

<sup>2</sup> "Eligible Market" means 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.

the corresponding quarterly, interim or annual accounting period, as the case may be. The NAV of the Sub-Fund will be reduced by the amount of dividends paid.

Payment of distribution will be made in the base currency of the relevant classes by direct transfer into the bank account or by cheque at the risk of the Shareholders. Any distribution which is not claimed for six years will be forfeited and become part of the assets of the Sub-Fund.

- **Dividend-Paying Equities Risks**

There can be no guarantee that companies that the Sub-Fund invests in, and which have historically paid dividends, will continue to pay them or to pay them at the current rates in the future. A reduction or discontinuation of dividend payments may have a negative impact on the value of the Sub-Fund's holdings in these companies and, consequently, the NAV of the Sub-Fund.

- **Risks Relating to Dividends Paid out of Capital**

- In respect of the distribution shares of the Sub-Fund, the Directors of the Fund may, at their discretion, pay dividends, out of the capital of the Sub-Fund.
- Dividends paid out of capital of the Sub-Fund (if any) amounts to a return or withdrawal of part of the amount of an investor's original investment, or from any capital gains attributable to that original investment.
- Any distributions involving payment of dividends out of the Sub-Fund's capital may result in an immediate decrease in the NAV per distribution share of the Sub-Fund.
- The Directors of the Fund may, at any time, amend the dividend policy of the Sub-Fund, subject to the SFC's prior approval and one month's prior notice to the relevant Shareholders.

- **Equity Market Risk**

Investments in equity securities by the Sub-Fund involve substantial risks, and may involve significant volatility, which can cause the NAV of the Sub-Fund to increase or decrease. There is no guarantee that Shareholders will realize a profit on their investment. Instead, Shareholders may lose some or all of their investment due to the fluctuation of the equity markets.

- **Risks Associated with Smaller Companies**

The Sub-Fund may invest in smaller companies in the Asia Pacific region as those companies may offer substantial opportunities for capital growth. Larger portions of the stocks 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 than more widely held securities, and the securities of such companies generally are subject to more abrupt or erratic price movements than more widely held or larger, more established companies, or the market indices in general. This, in turn, may undermine the value of the Sub-Fund's assets.

- **Preferred Stocks Risks**

The Sub-Fund may invest in preferred stocks that normally pay dividends at a specified rate. However, in the event that a company is liquidated or declares bankruptcy, the claims of owners of bonds take precedence over the claims of those who own preferred stock. Preferred stock often has a stated dividend rate payable from the company's earnings. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the price of such stocks to decline which, in turn, may undermine the value of the Sub-Fund's assets.

- **Non-hedging Risk**

The Sub-Fund does not currently use hedging techniques to attempt to offset certain market risks. Hedging against a decline in the value of a portfolio position seeks to establish other positions which are designed to gain from the decline in the value of a portfolio position and, thus, moderate the values of, or prevent losses to, the Sub-Fund, if the value of its portfolio

position declines. Non-use of hedging techniques may expose the Sub-Fund to the risk of full losses resulting from the decline in the value of its portfolio positions, thereby subjecting its NAV to greater fluctuation than if such hedging techniques had been utilized.

- **Concentration Risk**

The Sub-Fund's investments are concentrated in the Asia Pacific region. This may result in greater volatility than portfolios which comprise broader based global investments, particularly in view of the preceding risk factors, all of which may have an impact on the NAV of the Sub-Fund.

- **Multi-currency Conversion Risk**

The Sub-Fund may hold investments which are denominated in currencies different to the base currency of the Sub-Fund, thereby exposing the Sub-Fund to adverse movements in the foreign currency rates.

- **Currency Repatriation Risk**

Currency controls in certain Asia Pacific economies may artificially affect the value of the Sub-Fund's holdings and may negatively impact the Sub-Fund's ability to calculate its NAV. Such controls may also restrict or prohibit the Sub-Fund's ability to repatriate both investment capital and income; this, in turn, may undermine the value of the Sub-Fund's holdings.

### 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.

Fee	What you pay
<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 per share
<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.

	Annual rate (as a % p.a. of the Sub-Fund's value)
<b>Management Fee</b> The Sub-Fund pays a management fee (the " <b>Management Fee</b> ") to Matthews Global Investors S.à r.l., (the " <b>Investment Advisor</b> "). The Fund Manager is entitled to a fee payable by the Investment Advisor out of the Management Fee.	1.25% for Class A shares (USD, Euro, GBP)

<b>Custodian Fee</b>	Up to 2% (excluding transaction costs)
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<b>Performance Fee</b>	N/A
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<b>Administration Fee</b>	
The Sub-Fund pays an administration fee to the	Up to 0.25%

Investment Advisor (the “**Administration Fee**”).  
The Fund Manager is entitled to a fee payable by the Investment Advisor out of the Administration Fee.

### **Other fees**

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

### **Additional information**

- 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.
- 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 on each Valuation Day which is also a Hong Kong Business Day.
- The composition of dividends (i.e. the relative amounts paid out of net distributable income and capital) (if any) paid on the distribution shares of the Sub-Fund for the preceding 12 months is available from the Fund upon request as well as on its website at [www.matthewsasiasia.com](http://www.matthewsasiasia.com).
- Investors may obtain information on the intermediaries by reference to the Fund Manager’s website which has not been reviewed by the SFC and may contain information of funds not authorized by the SFC and thus not available to retail investors in Hong Kong.

### **Important**

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.