

## PRODUCT KEY FACTS

### Matthews Asia Funds (the "Fund") China Small Companies Fund (the "Sub-Fund")



#### Issuer

Matthews International Capital Management, LLC

April 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 (if any) for distribution shares will be discretionary and 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 (" <b>NAV</b> ").
<b>Financial year end of the Sub-Fund:</b>	31 March
<b>Minimum investment:</b>	USD1,000 (or equivalent in other currencies) (initial) USD500 (or equivalent in other currencies) (additional)

#### What is this product?

China Small Companies 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 achieve long-term capital appreciation.

##### 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 equities of small companies located in China.<sup>1</sup>

<sup>1</sup> For the purpose of this Sub-Fund, "China" includes the People's Republic of China, its administrative and other districts, such as Hong Kong, as well as Taiwan.

On an ancillary basis, the Sub-Fund may invest in other permitted assets on a worldwide basis including equities (including equities of Large Companies), 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. However, the Sub-Fund may continue to hold equities of an investee company if such investee company grows into a Large Company after purchase. Notwithstanding this investment capacity, the Sub-Fund will not acquire equities of any Large Company, at any time when more than 20% of the Sub-Fund's assets are invested in equities of Large Companies. "Large Companies" refer to companies with a market capitalization which is higher than the greater of:

- US\$3 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.

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.

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.

A company is considered to be a "small company" based on the size of its revenues, number of employees, net assets, the size and depth of its product line, level of development, and other factors compared to other companies in its industry, sector or region. Larger portions of stocks of such small companies may be held by a small number of investors (including founders and management) in the companies than is typical of larger companies and the rights of minority owners of such small companies may be restricted or not fully respected in corporate governance or corporate actions. The primary benchmark index of the Sub-Fund is the MSCI China Small Cap Index. The Sub-Fund does not aim to replicate or track the primary benchmark.

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.

- **Risks of Investing in Companies Located in Mainland China**
  - Although the Sub-Fund does not invest (directly or indirectly) in the China A share market, the Sub-Fund primarily invests (by other means) in companies located in Mainland China e.g. via shares of such companies listed on other stock exchanges globally.

<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.

- Investments in such companies involve certain risks and special considerations not typically associated with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risk.
- The Mainland Chinese government exercises significant control over Mainland China's economy through the allocation of resources, by controlling payment of foreign currency-denominated obligations, by setting monetary policy and by providing preferential treatment to particular industries or companies.
- Companies located in Mainland China are required to follow Mainland Chinese accounting and auditing standards and practices, which only follow international accounting standards to a certain extent. In addition, the accounting, auditing and financial reporting standards and practices applicable to companies located in Mainland China may be less rigorous, and there may be significant differences between financial statements prepared in accordance with Mainland Chinese accounting standards and practice and those prepared in accordance with international accounting standards.
- The risks as mentioned above may have a negative impact on the value of the Sub-Fund's investments in companies located in Mainland China, and, hence, the NAV of the Sub-Fund.

- **Risks Associated with Smaller Companies**

The Sub-Fund invests in smaller companies in China 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.

- **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.

- **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.	
<ul style="list-style-type: none"> <li> <b>Concentration Risk</b>  The Sub-Fund's investments are concentrated in companies located in China. This may result in greater volatility than portfolios which comprise broader based global investments, which may have an impact on the NAV of the Sub-Fund. </li> <li> <b>Multi-currency Conversion Risk</b>  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. </li> <li> <b>Currency Repatriation Risk</b>  Currency controls in Mainland China 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. </li> </ul>	
<b>Is there any guarantee?</b> This Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.	
<b>What are the fees and charges?</b> <b>Charges which may be payable by you</b> 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 per share
<b>Redemption fee</b>	N/A
<b>Ongoing fees payable by the Sub-Fund</b> 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 % p.a. of the Sub-Fund's value)</b>
<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.	
	1.50% for Class A Shares (USD, Euro, GBP)
<b>Custodian Fee</b>	Up to 2% (excluding transaction costs)
<b>Performance Fee</b>	N/A
<b>Administration Fee</b> The Sub-Fund pays an administration fee to the Investment Advisor (the " <b>Administration Fee</b> "). The Fund Manager is entitled to a fee payable by	
	Up to 0.25%

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 6:00p.m. (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 (or if the Sub-Fund was launched less than 12 months ago, since its inception) 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.