



Matthews International Capital Management, LLC

Four Embarcadero Center, Suite 550
San Francisco, CA 94111
Main Phone: (415) 788-7553

www.matthewsasiasia.com

B R O C H U R E (Form ADV Part 2A)

March 29, 2017

This brochure provides information about the qualifications and business practices of Matthews International Capital Management, LLC ("Matthews Asia"). If you have any questions about the contents of this brochure, please contact us at (888) 289-7988 and/or clientservices@matthewsasiasia.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about Matthews Asia also is available on the SEC's website at www.adviserinfo.sec.gov.

We may sometimes refer to ourselves as a registered investment advisor. This means that we are registered as an investment advisor under the Investment Advisers Act of 1940, as amended. However, registration does not imply a certain level of skill or training.

Item 2. - **Material Changes**

This Brochure dated March 29, 2017, serves as an update to the Brochure dated March 29, 2016. While there have been no material changes to the Brochure, we have made minor revisions in some sections.

Item 3. - Table of Contents

Item 1. - Cover Page	i
Item 2. - Material Changes	ii
Item 3. - Table of Contents	iii
Item 4. - Advisory Business	1
Item 5. - Fees and Compensation	1
Item 6. - Performance-Based Fees and Side-by-Side Management	2
Item 7. - Types of Clients	2
Item 8. - Methods of Analysis, Investment Strategies and Risk of Loss	3
Item 9. - Disciplinary History	13
Item 10. - Other Financial Industry Activities and Affiliations	13
Item 11. - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	14
Item 12. - Brokerage Practices	16
Item 13. - Review of Accounts	24
Item 14. - Client Referrals and Other Compensation	25
Item 15. - Custody	25
Item 16. - Investment Discretion	25
Item 17. - Voting Client Securities	26
Item 18. - Financial Information	28
Privacy	29

Item 4. - Advisory Business

Matthews Asia provides continuous investment management supervision to client portfolios based on their individual investment objectives, guidelines or restrictions, within the framework of our investment approach, which we describe below. Matthews Asia was founded in 1991 (and reorganized as a limited liability company in 1996) and has managed client portfolios since its founding. We manage portfolios of securities in the Asia Pacific region for institutional clients, including U.S. registered investment companies and similar non-U.S. funds (some of which are registered under the laws of the country where they are formed), pension and profit sharing plans, insurance companies, endowments and foundations and other clients worldwide.

Matthews Asia invests primarily in companies located in, and in securities issued by the governments of, the Asia Pacific region. The Asia Pacific region consists of all countries and markets in Asia plus all countries and markets in the Pacific region, including Australia and New Zealand.

Since our investment services focus on the Asia Pacific region, they may not constitute a complete or balanced investment program. They should represent only part of an investor's portfolio.

Ordinarily, Matthews Asia manages institutional client accounts on a fully discretionary basis. Before establishing a client relationship, we work with the prospective client to understand their particular needs and investment goals, and to establish guidelines or restrictions appropriate to the account. The client agreement may include guidelines and restrictions applicable to our management of the account, including any limits on our discretion to manage the account or limitations on investing in certain securities or types of securities.

Matthews Asia cannot guarantee or assure you that your investment objective(s) will be achieved. We do not guarantee the future performance of any client's account or any specific level of performance, the success of any investment decision or strategy that we may use, or the success of our overall management of any account. The investment decisions we make for client accounts are subject to various market, currency, economic, political and business risks, and the risk that investment decisions will not always be profitable. Many of these risks are discussed in Item 8 below, which you should review carefully before deciding to engage our services.

We also provide e-mail subscriptions for weekly, monthly, and quarterly information and commentary on Asia via the internet. These commentaries are not intended to constitute investment advice.

As of December 31, 2016, Matthews Asia had US \$ 24.6 billion in discretionary assets under management, and we did not advise any accounts or funds for which we do not have discretionary authority.

Item 5. - Fees and Compensation

Matthews Asia's current annual management fee rate for most institutional separate accounts is 0.75% of assets under management. Current annual management fee rates for accounts with specialized objectives, including, for example, accounts investing in smaller companies, begin at 1.00% of assets under management. Management fees may be negotiated. We may charge different fees for specific mandates, or may agree to different or lower fees in recognition of the specific services provided, the client type or location, the amount

of prospective assets in addition to assets to be managed, the relationship with other accounts we manage or other factors. We may amend our fee schedule at any time.

Matthews Asia charges varying fees to the Matthews International Funds d/b/a Matthews Asia Funds ("Matthews Asia Funds"), and similar non-U.S. funds. Each fund has its own prospectus or other offering document which, among other items, details applicable fees and the manner of payment.

Our agreement with you will state the specific manner for charging advisory fees. Generally, our advisory fees are calculated at an annual rate, and payable quarterly in arrears, based on the average month-end value of your portfolio. Fees may be prorated for periods of less than one quarter. Upon termination of any account, any earned, unpaid fees will be due and payable. Other advisory firms may charge different or lower fees for comparable services.

You may choose to be billed directly for fees, or may authorize Matthews Asia to directly deduct fees from your account. If we can deduct fees directly from your account, your custodian should send a quarterly statement directly to you, showing transactions in the account, including our fees. We will receive paper or electronic copies of the custodian's statements. We urge you to carefully review these statements, where applicable, and compare the official custodial records to any account statements we may send to you. Our statements may vary from your custodial statements based on reporting dates and differences in the timing and sources of valuation used by us and your custodian.

Besides our management fees, you will pay fees and expenses of other service providers, including custodial fees, sales charges, transfer taxes, foreign investment license fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions (including commissions). These charges, fees and commissions are in addition to Matthews' fee; they are paid to other parties, and we do not receive any portion of these amounts.

Item 12 below describes the factors that we consider when selecting broker-dealers and other counterparties for client transactions, including the use of client commissions to acquire research and brokerage services. Your account, and not Matthews Asia, will pay the commissions and other fees charged by broker-dealers and other counterparties.

Neither Matthews Asia nor our supervised persons receive or accept commissions or similar compensation for the sale of securities or other investment products.

Item 6. - Performance-Based Fees and Side-by-Side Management

Matthews Asia does not currently charge performance-based fees to any client. In other words, we do not charge fees based on a share of the capital gains of your assets, or based on the capital appreciation of the assets in your account. We do not manage accounts that charge performance-based fees side-by-side with accounts that charge asset-based fees.

Item 7. - Types of Clients

Matthews Asia manages portfolios for institutional clients, pension and profit sharing plans, insurance companies, endowments and foundations and other business entities around the world. Institutional clients include funds registered under the laws of Luxembourg, United Kingdom, Ireland and Canada.

Matthews Asia requires a minimum asset size of \$100 million to open an institutional account. The minimum may not apply to all funds that we manage, and we may change or

waive the minimum requirement. For example, we may not apply a minimum size requirement in consideration of the nature of a specific mandate, the specific services provided, the client type or location, and the amount of prospective assets in addition to assets to be managed, or where relationships exist with other accounts we manage.

Item 8. - Methods of Analysis, Investment Strategies and Risk of Loss

The foundation of Matthews Asia's investment philosophy is our long-term optimism for economic growth and development in Asia Pacific countries. Matthews Asia believes that the best way to capitalize on this anticipated growth is to develop expectations about the economic evolution of the region, and combine those expectations with a bottom-up focus on the businesses that we expect to benefit from that evolution. Matthews Asia draws on our extensive individual and collective experiences in Asia Pacific markets to find issuers that fit our philosophy and outlook.

We are an active manager. We believe that the current composition of the markets and indices may not be the best guide to the most successful industries and issuers of the future and that our security selection activities are value added. We further believe that a long-term approach is the most effective way to capitalize on the evolution of the Asia Pacific region. To support our buy-and-hold convictions, we conduct fundamental analysis of issuers, emphasizing on-the-ground research and meetings with local management. As long-term investors, we hold equity positions over an indefinite period and fixed income securities with a long-term investment horizon. We recommend that our clients also view investment in the securities of Asia Pacific issuers over longer periods (at least five years).

Our investment process has three key elements:

1. Finding Ideas

Matthews Asia draws on extensive experience in the Asia Pacific markets to find issuers that fit our philosophy. The team uncovers ideas from a wide range of sources:

- Issuer meetings and interviews.
- Observing and understanding regional and country trends.
- Independent and street research.
- Screening and internal analysis.

2. Issuer Research and Due Diligence

The entire team of research analysts and portfolio managers conducts research. The team meets with issuers in their Asia Pacific offices, as well as with representatives who visit our San Francisco office each year. The purpose of our due diligence is to understand the drivers of long-term future growth. We evaluate factors such as:

- Quality Business: the ability of an issuer to survive and generate sustainable earnings and cash flow through economic and market cycles.
- Quality Management: management with integrity; alignment of interest with minority shareholders; and the demonstrated ability to meet business targets and milestones.
- Valuation: the value of the business as a whole in the context of its expected future growth.

3. Making the Investment Decision

Our goal is to build and maintain a portfolio that offers the potential for long-term returns while balancing risks across a broad spectrum of investment opportunities. To determine whether an issuer merits a place in a portfolio, or deserves to remain, the lead portfolio manager reviews the research conclusions of the team, focusing on:

- Relative attractiveness: Does the issuer provide better long-term potential to meet a portfolio's objectives than an existing holding?
- Fit: How does the individual security impact the overall objectives, style and market-capitalization profile of the portfolio?
- Diversity: Does the issuer offer the ability to participate in an area not already well represented in the portfolio?

Our fixed income investment process has the following key elements:

Portfolio Targets. Matthews Asia typically sets portfolio targets across key parameters including currency, interest rate exposure, credit exposure, and asset type. Currency decisions are driven by the appreciation or depreciation potential of particular currencies. Duration decisions are made by comparing relative interest rates, the strategy employed to achieve that duration, and anticipated changes in relative interest rates. Credit allocation decisions are made by overweighting or underweighting exposures to different credit qualities. Finally, asset allocation decisions are made based on the relative attractiveness of various asset classes including sovereign, corporate, and convertible securities.

Idea Generation. After setting portfolio targets, Matthews Asia typically generates investment ideas internally through its focus on the fundamentals of securities, issuers and markets. Matthews Asia identifies a core investable universe consisting primarily of instruments issued by governments, quasi-governmental entities, supra-national institutions and companies in the Asian region. This universe may include instruments denominated in local currencies and other currencies (including U.S. dollars, euro, Chinese yuan, British pound and Japanese yen). Matthews Asia narrows this investable universe based on a fundamental analysis of the issuer. For corporate issuers, this includes a financial statement analysis of cash flows, profit margins, leverage and other factors. For governmental and quasi-governmental issuers, Matthews Asia's analysis includes debt sustainability factors, inflation and currency stability.

Issuer Selection. After narrowing the investable universe, Matthews Asia conducts a deeper review of issuers and securities to address the critical uncertainties that may surround an investment opportunity. For corporate bonds, Matthews Asia considers the sustainability of the issuer's capital structure in the context of its business model. The process typically involves an analysis of financial statements, meetings with management and stakeholders, and a review of the legal, regulatory and competitive environments in which the issuer operates and the security is issued. The analogous process for governmental, quasi-governmental and supra-national issues includes an analysis of fundamental factors, which may include consumption trends, investments, government spending, exports, imports, employment, credit growth, inflation, monetary policy, currency stability, debt sustainability, political development and stability, and legal, regulatory and market structures.

Security Selection. The primary driver of security selection is Matthews Asia's relative conviction along the key dimensions of credit, interest rate, and currency. For issuers of whom Matthews Asia has developed a favorable investment thesis along all three dimensions, Matthews may hold local-currency denominated and/or foreign-currency denominated bonds of the same underlying issuer. Matthews Asia seeks to identify securities of an issuer (whether

governmental, quasi-governmental or corporate) that will help Matthews Asia achieve each strategy's investment objective within the context of its overall portfolio construction. Relative value analysis is another critical component in security selection. Relative value analysis seeks to identify securities that are undervalued or overvalued: (i) compared to securities of similar issuers, (ii) compared to securities of the same issuer at different parts of the yield curve, and (iii) compared to securities of the same issuer in different parts of the issuer's capital structure.

Although we seek to develop the conviction to invest in issuers for the long term, many factors may result in selling a security. These factors include client needs for liquidity, economic, political or market events (e.g., changes in financial or credit conditions or military action), changes in relative valuation (to both an issuer's growth prospects and to other issuers) or management malfeasance or other unethical conduct. We constantly monitor valuations in the context of growth expectations and we typically will trim positions where valuations have risen significantly, rather than sell a holding outright. Generally, our long-term investment horizon leads to reduced portfolio turnover.

Matthews Asia is an active manager, and our investment process does not rely on passive or index strategies. For this reason, you should not expect that the composition of your portfolio would closely track the composition, weightings or performance of market indices or of the broader markets generally. As a result, you should expect that changes in the value of your portfolio (over short and longer periods) will vary from the performance of indices, of stock markets generally, and of broader markets.

Types of investments

Our investments for clients in the Asia Pacific region cover a range of different types of securities. In our equity strategies, we typically invest in common stock, preferred stock and other equity securities and convertible securities for our clients, but we may also purchase fixed income securities, including rated and unrated bonds and debentures, and high yield securities. In our fixed income strategies, we typically invest in debt and debt-related instruments including bonds, debentures, bills, notes, bank obligations, convertible debt securities, dividend paying equity and preferred securities, and derivative and structured instruments with fixed income characteristics. We may enter into foreign currency transaction in connection with the settlement of foreign securities. Matthews Asia generally conducts foreign currency exchange transactions either on a spot (i.e., cash) basis at the then-prevailing rate in the foreign currency exchange market, or through forward contracts or swaps to purchase or sell foreign currencies at a future date at a fixed rate. In addition, although we do not typically do so in our equity accounts, we may engage in foreign currency transactions to take on currency exposure or to hedge portfolios. Depending on the terms of your client agreement and any limits in that agreement, we may enter into any other type of investment transactions appropriate for your account.

Investing in securities involves risk of loss and you may lose money

We believe that investment in the Asia Pacific region should constitute only a portion of your overall investment portfolio, not all of it. We recommend that, to better manage volatility in the value of your portfolio, you invest in the region over longer terms (at least five years). Investing in regionally concentrated, single-country, sector or small company mandates may not be appropriate for all clients.

Before investing in the Asia Pacific region, you should be prepared to bear particular risks associated with investing in issuers from many of the countries in that region, as well as

risks associated with the different types of investments we may make. The specific risks associated with your portfolio will depend on your investment mandate. Many, but not all, of these risks are described below.

Risk Overview: The value of your portfolio may be adversely affected by political, economic, social and religious instability; inadequate investor protection; changes in laws or regulations of countries within the Asia Pacific region (including both in countries where you invest, as well as in the broader region) and globally; international relations with other nations; natural disasters; corruption; and military activity. It may be difficult to obtain or enforce judgments against issuers in Asia Pacific countries, or their management. Furthermore, the economies of many Asia Pacific countries differ from the economies of more developed countries in many respects, such as their rate of growth, inflation, capital reinvestment, resource self-sufficiency, financial system stability, the national balance of payments position and sensitivity to changes in global trade. The governments of certain countries have placed restrictions on the operational freedom of private enterprise, and have or may nationalize privately owned assets including issuers held by your account and direct or may direct industries and issuers for social, political or other reasons not related to the economic interests of shareholders. From time to time, a relatively small number of issuers and industries may represent a large portion of the total market in a particular country or region, and these issuers and industries may be especially sensitive to adverse social, political, economic or regulatory developments. Asia Pacific countries also have different accounting standards, corporate disclosure, governance and regulatory requirements than more developed countries. As a result, there may be less publicly available information about issuers in Asia Pacific countries. There is generally less governmental regulation of exchanges, markets, brokers, issuers, and settlement and clearance facilities than in more developed countries, which may result in less transparency with respect to an issuer's operations. The economies of many Asia Pacific countries are dependent on exports and global trade and some have limited natural resources (such as oil), resulting in dependence on foreign sources for certain raw materials, and vulnerability to global fluctuations in price or supply. Changes in the economies of the main trading partners of Asia Pacific countries, including developed countries, could negatively impact the growth prospects of Asia Pacific countries and markets. The securities markets of Asia Pacific countries may be correlated with the markets of other developed countries.

Global economies and financial markets are becoming increasingly interconnected. This increases the possibility that conditions in one country or region might adversely impact the issuers of securities in a different country or region. The economies of many Asia Pacific countries are dependent on the economies of the United States, Europe and other Asia Pacific countries, and, events in any of these economies could negatively impact the economies of Asia Pacific countries.

A decline in the markets of other countries could result in a significant decline in Asia Pacific markets. To the extent an account concentrates its investments in a single region of the world (or in a single country within that region) the account's performance may be more volatile than that of accounts that invest globally. If securities of Asia Pacific countries (or the securities of issuers from individual countries in the region) fall out of favor, it may cause your account to underperform accounts that do not concentrate in a single region or country.

Investing in any country in the Asia Pacific region also entails risks specific and unique to that country, and these risks can be significant and change rapidly. The Asia Pacific region comprises countries in all stages of economic development. Some Asia Pacific economies may experience overextension of credit, currency devaluations, rising unemployment, high inflation, underdeveloped financial services sectors, heavy reliance on international trade and prolonged

economic recessions. Currency fluctuations, devaluations and trading restrictions in any one country can have a significant effect on the entire Asia Pacific region.

Currency Exchange Rate Risk. When we conduct securities transactions for clients in an Asia Pacific market, the transaction is usually undertaken in the local currency rather than in U.S. dollars. To execute these transactions, an account must purchase or sell a specified amount of the local currency, which exposes the account to the risk that the value of the foreign currency will increase or decrease. Similarly, if your account receives income from Asia Pacific securities, the account receives local currency rather than U.S. dollars. As a result, the value of an account's portfolio as well as the income derived from these holdings may be impacted. Additionally, Asia Pacific countries may utilize formal or informal currency-exchange controls (or "capital controls") or apply additional taxes on investments held by foreign investors. Currency controls and such taxes may artificially affect the value of an account's portfolio. Currency controls may also restrict or prohibit our ability to repatriate both investment capital and income for your portfolio; this, in turn, may undermine the value of the portfolio and potentially place the account's assets at risk of total loss. We consider risks associated with currencies and foreign currency exchange in our investment process but do not generally actively manage such risk using hedging or other strategies.

Emerging Market Risk. Many Asia Pacific countries are considered emerging markets. Investing in emerging markets involves the political, social, economic and currency risks described above, as well as different and greater risks than investing in more developed markets because, among other things, emerging markets are often less stable politically and economically, and their markets are smaller and less developed. Their exchanges, markets and brokerage industries do not have the level of government oversight as do those in more developed countries. Securities markets of these countries are substantially smaller, less liquid and more volatile than securities markets in more developed countries. Local regulation frequently imposes limits (collars) on intra-day changes in trading prices for securities, which may artificially constrain trading volume and distort market pricing mechanisms. Many markets also require the suspension of trading in securities at times, for periods, or for reasons that are unusual in developed markets (e.g., trading may be suspended prior to shareholder meetings or in connection with the distribution of dividends, stock splits or other corporate actions). Trading suspensions, which are much more common than in U.S. and other developed markets, may result in periodic or sustained periods of illiquidity. The absence of negotiated brokerage commissions in certain countries may result in higher brokerage and other fees. The procedures and rules governing foreign transactions and custody also may involve delays in payment, delivery or recovery of money or investments. In addition, standards related to corporate governance may be weaker, and transactions with or among management may be less transparent. As a result, the account's rights, and those of other independent shareholders, may be adversely impacted in corporate actions. Brokerage commissions, custodian services fees, withholding taxes and other costs relating to investment in emerging markets are generally higher than in developed markets.

Emerging markets involve particular risks as well, including the following risks:

The securities markets of some countries lack the liquidity, efficiency, regulatory and supervisory controls of more developed markets. Lack of liquidity may adversely affect the value or ease of disposal of assets. The share register may not be properly maintained and ownership interests may not be, or remain, fully protected. Registration of securities may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.

The legal environment in emerging markets may provide less certainty than in more developed markets. The interpretation and application of decrees and legislative acts can be often contradictory and uncertain, particularly for matters relating to taxation and creditors rights. Legislation could be imposed retrospectively, or may be issued in the form of internal regulations unknown to the public. State bodies and judges may not adhere to the requirements of the law and the relevant contract, and judicial independence and political neutrality should not be assumed. There is no certainty that investors will be compensated in full or in part for any damages or losses suffered as a result of legislation imposed or decisions of state bodies or judges. Some markets (such as China) are only beginning to develop the concept of legal/formal ownership and of beneficial ownership, and consequently the courts in these markets may consider that any nominee or local custodian as registered holder of securities would have full ownership of a holding, and that a beneficial owner may have no rights whatsoever.

Risk Related to North Korea. The development of Asia Pacific economies, and particularly those of China, Japan and South Korea, may also be affected by political, military, economic and other factors related to North Korea. The situation remains a source of tension and is currently volatile, particularly as North Korea appears to continue to develop nuclear capabilities, and tactical and strategic missile systems. Negotiations to ease tensions and resolve the political division of the Korean peninsula have been carried on from time to time producing sporadic and inconsistent results. Recently, there have also been efforts to increase economic, cultural and humanitarian contacts among North Korea, South Korea, Japan and other nations; however these negotiations or efforts may not continue and may not ease tensions in the region. Military action or the risk of military action or strains on the economy of North Korea could have a materially adverse effect on all countries in the region, particularly China, Japan and South Korea. Lack of available information regarding North Korea is also a significant risk factor.

Risks Associated with China, Hong Kong and Taiwan. The Chinese government exercises significant control over China's economy through its industrial policies (e.g., allocation of resources, credit 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. If China were to exert its authority so as to alter the economic, political or legal structures or the existing social policy of Hong Kong, investor and business confidence in Hong Kong could be negatively affected, which in turn could negatively affect markets and business performance and have an adverse effect on the Fund's investments. Although the relationship between China and Taiwan has been improving, there is the potential for future political or economic disturbances that may have an adverse impact on the values of investments in either China or Taiwan, or make investments in China and Taiwan impractical or impossible.

Local Taxes, Fees and Duties. The proceeds from the sale of securities in some markets or the receipt of any dividends or other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries is not clearly established. It is possible therefore that the current interpretation of the law or understanding of practice might change, or that the law might be interpreted, clarified or changed with retroactive effect. It is therefore possible that an account could become subject to additional taxation, or

other restrictive regulation, that is not currently anticipated. In addition, some countries may permit tax reclaims for certain taxes withheld from your account. Tax rules in these countries and in the U.S. relating to reclaiming these amounts may be unclear, and the cost, difficulty or other considerations may make collecting these reclaims impossible or impractical for some investors. The imposition of such additional taxes, withholding practices, impossibility or impracticality of reclaims, or the unavailability of tax credits may increase the costs of investing in such countries or adversely impact returns on your portfolio.

The smaller size and lower levels of liquidity in the markets of emerging markets countries, as well as other factors, may result in changes in the prices of Asia Pacific securities that are more dramatic, or volatile, than those of issuers in more developed regions. This volatility can cause the value of your portfolio to go up or down dramatically. Partially because of this volatility, we recommend that clients invest over longer periods (at least five years).

The types of instruments purchased for client portfolios also entail special risks, which include:

Equity Securities. The values of equity securities held in client portfolios are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other forms of investment.

Equity securities of issuers from the Asia Pacific region typically are listed on their respective stock exchanges, but may also be traded on other markets within or outside of the Asia Pacific region. Asia Pacific securities may also trade in the form of depositary receipts, including American, European and Global Depositary Receipts. Although depositary receipts have risks similar to the securities that they represent, they may also involve higher expenses, and may lack fungibility. For these and other reasons, depositary receipts may trade at a discount to the underlying security. In addition, depositary receipts may provide less disclosure, may not pass through voting and other shareholder rights and may be less liquid than the underlying securities listed on an exchange.

Preferred Stocks. We may purchase preferred stock for your portfolio. Preferred stock represents an equity or ownership interest in a company, and normally pays dividends at a specified rate from an issuer's earnings. Preferred stock may have limited participation in a company's growth. On the other hand, preferred stocks typically have precedence over common stock in the event the issuer liquidates or declares bankruptcy. However, in those circumstances, the claims of bond owners take precedence over the claims of owners of preferred and common stock. Preferred stock dividends may be cumulative or non-cumulative, participating, or auction rate. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing the price of these stocks to decline. Preferred stock may have mandatory sinking fund provisions, as well as provisions allowing the company to call or redeem the stock, which can limit the benefit of declining interest rates, since the security would need to be replaced with a security earning less interest. Many of the risks associated with purchasing common stock and debt securities apply to preferred stock.

Dividend Paying Stocks. We may purchase dividend paying-equity securities for clients. We cannot guarantee that companies that have historically paid dividends will continue to pay them or pay them at the current rates in the future. Dividend-paying equity securities, in particular those whose market price relates closely to their yield, may exhibit greater sensitivity to interest rate changes. During periods of rising interest rates, these securities may decline in value. Investment in these securities may also limit the potential for appreciation during a broad market advance. The prices of dividend-paying equity securities (and particularly of those issued by Asia Pacific companies) can be highly volatile. You should not assume that

investments in these securities will necessarily reduce the volatility of your portfolio or provide “protection,” compared to other types of equity securities, when markets perform poorly.

Convertible Securities. We may purchase convertible preferred stocks, and convertible bonds and debentures for your portfolio. The risks of convertible bonds and debentures include repayment risk and interest rate risk. Repayment risk is the risk that a borrower does not repay the amount of money that was borrowed (or the “principal”) when the bond was issued. This is referred to as a “default,” and would result in the loss of the investment. Interest rate risk is described below. Investing in a convertible security denominated in a different currency from that of the underlying security exposes your portfolio to currency risk as well as risks associated with the level and volatility of the foreign exchange rate between the security’s currency and the underlying stock’s currency. Convertible securities may trade less frequently and in lower volumes, or have periods of less frequent trading. Lower trading volume may also make valuations more difficult.

Passive Foreign Investment Companies (PFICs). We may invest in securities of issuers that are treated as PFICs under U.S. federal income tax law. Investments in PFICs may subject the accounts to taxes and interest charges that cannot be avoided, or that can be avoided only through complex methods that may have the effect of imposing a less favorable tax rate or accelerating the recognition of gains and payment of taxes.

Fixed Income Securities. We may purchase fixed income securities, like bonds, for clients. Fixed income securities are subject to a variety of risks, including credit, currency and interest rate risks: “Credit risk” refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment and rating agencies often review and sometimes downgrade securities. “Currency risk” refers to the risk of appreciation or depreciation of the currency of denomination of a security when translated back to the base currency of the portfolio. Typically when a security’s currency of denomination depreciates relative to the U.S. dollar, the value of that security falls by the same proportion. “Interest rate risk” refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of adjustable rate instruments). Generally, rising interest rates will negatively impact the price of a fixed rate debt instrument while falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner, although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including, without limitation, the index chosen, frequency of reset and reset caps or floors). Instruments with uncertain payment or prepayment schedules generally have more pronounced and less predictable interest rate sensitivity. Fixed income securities are not typically traded on exchanges but on the over-the-counter market. Over-the-counter markets typically trade in a range between the bid price and the offer. The bid is the price that a buyer is willing to pay, and the ask price (or offer) is the price at which a seller is willing to sell. The difference between the bid and offer is referred to as a spread. Participants in these markets make profits by buying at the bid and selling at the offer. In addition, in some Asia Pacific markets a dealer may charge a commission in addition to or in lieu of the spread. Such securities may not be actively traded, and there may be times when no counterparty is actively purchasing or selling certain securities. Like other securities, fixed income securities may also be thinly traded or be illiquid.

To the extent permitted by an account we may invest in governmental, or sovereign, debt, which can involve a higher degree of risk than Asia Pacific corporate fixed income

securities. Legal protections available with respect to corporate issuers (e.g., bankruptcy, liquidation and reorganization laws) do not generally apply to governmental entities or sovereign debt. Accordingly, creditor seniority rights, claims to collateral and similar rights may provide limited protection and may be unenforceable. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A government entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy toward the International Monetary Fund, and the political constraints to which a governmental entity may be subject. There may be limited recourse to compel payment in the event of a default.

We may purchase securities rated lower than Baa by Moody's, or equivalently rated by S&P or Fitch, and unrated securities of similar credit quality for client portfolios. These securities are referred to as "high-yield securities" or "junk bonds." Investing in these securities involves special risks in addition to the risks associated with investments in higher-rated fixed income securities. While offering a greater potential opportunity for capital appreciation and higher yields, high-yield securities typically entail greater potential price volatility, entail greater levels of credit and repayment risks, and may be less liquid than higher-rated securities. High-yield securities are considered predominantly speculative with respect to the issuer's continuing ability to meet principal and interest payments. They may also be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities. An economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce our ability to sell these securities (liquidity risk). Issuers of securities in default may fail to resume principal and interest payments, in which case you may lose your entire investment in the security. Investments in junk bonds may be subject to greater levels of credit and liquidity risk.

Many Asia Pacific convertible securities are not rated by rating agencies like Moody's, S&P or Fitch, or, if they are rated, they may be rated below investment grade ("junk bonds"), which have a greater risk of default. We may attempt to evaluate unrated bonds or may choose to treat them as junk bonds for purpose of compliance with any applicable guidelines or restrictions.

Where consistent with a client's investment mandate, we may enter into derivatives transactions including options, futures and swaps. Derivatives are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Derivatives are speculative and subject to leverage risk whereby relatively small movements in the underlying instrument may result in large changes in the value of the derivative. Investments that involve leverage can result in losses that greatly exceed the amount originally invested.

To the extent that an account's investment policy permits, we may enter into structured investments such as credit-linked notes. Generally, structured instruments combine characteristics of two or more different types of financial instruments. The terms of these investments may be contractually "structured" by the purchaser and the issuer of the instrument. Structured investments may have certain features of equity and debt securities, but may also have features of derivative instruments. Structured investments typically change or replicate the risk or return of an underlying asset. The value of a structured investment will normally rise or fall in response to the changes in the performance of the underlying asset. Structured

investments are subject to the risks of the underlying asset and to the derivative risks referenced above, including leverage risk.

Risks of Smaller Companies. Where consistent with a client's investment mandate, we may purchase securities of smaller companies. Smaller companies may offer substantial opportunities for capital growth. However, they also involve substantial risks, and investments in smaller companies may be considered speculative. Smaller companies often have limited product lines, markets or financial resources. Smaller companies may be more dependent on one or a few key persons and may lack management depth. Larger portions of their stock may be held by a small number of investors (including founders and management) than is typical of larger companies. Smaller companies sometimes have more difficulty obtaining credit (and on less advantageous terms) than larger companies. As a result, creditors (and the impact of financial or operating restrictions associated with debt financing) may have more influence than for larger or more established companies. These factors may dilute the holdings, or otherwise adversely impact rights of investors in corporate governance or corporate actions. Smaller companies may also be unable to generate funds for growth or developments, or be developing or marketing new products or services for which markets are not yet established and may never become established. We may have more difficulty obtaining information about smaller companies, making it more difficult to evaluate the impact of market, economic, regulatory and other factors. Informational difficulties may also make valuing or disposing of smaller company securities more difficult than for larger companies. Securities of smaller companies may trade less frequently and in lesser volume than more widely held securities and the securities of these companies generally have more abrupt or erratic price movements than more widely held or larger, more established companies, or market indices in general. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the markets for these securities, and the greater sensitivity of smaller companies to changing economic conditions. The value of securities of smaller companies may react differently to political, market and economic developments than the markets as a whole or than other types of stocks.

Initial Public Offerings. We may also invest in a company in its initial public offering or purchase a bond in its primary issuance. When available, and if appropriate for particular clients, we may purchase securities for clients in a company's initial public offering or "IPO." IPOs of securities issued by unseasoned companies with little or no operating history are risky and prices may be highly volatile. Attractive IPOs are often oversubscribed and may not be available to all clients, or only in very limited quantities. If a client invests in an IPO, and the client's portfolio is smaller, any gains or losses from the IPO may exaggerate the portfolio's performance and volatility compared to a larger portfolio. As a U.S. investor it may not be possible to participate in Asia Pacific IPOs as a result of applicable U.S. and local laws. Even where U.S. investors are able to participate, they may not be able to purchase meaningful positions in Asia Pacific IPOs and may have difficulty selling such holdings. In addition, some investors may seek to quickly resell or "flip" an IPO for a short term gain, which may add price volatility to the IPO. We cannot assure you of favorable IPO investment opportunities in the future, or that an investment in IPOs will have a positive impact on the performance of your portfolio. See Item 12 below for more information about our policies regarding allocation of IPO opportunities.

Focused Investment Risk. Focused accounts typically hold a smaller number of positions, may invest a larger portion of their assets in the securities of individual issuers compared to a more diversified account. Focusing investments in a smaller number of companies may subject an account to greater portfolio value volatility and therefore a greater

risk of loss because a single security's increase or decrease in value may have a greater impact on the account's value and total return.

Responsible Investing Risk. An account's consideration of environment, social and governance ("ESG") standards in making its investment decisions may affect that account's exposure to certain issuers, industries, sectors, regions or countries and may impact the account's relative investment performance – positively or negatively – depending on whether such investments are in or out of favor in the market.

Concentration Risk. To the extent that an account concentrates its investments in an industry, it will be subject to greater risks of adverse developments and price movements in that industry than an account that invests more broadly. An account that concentrates its investments in an industry will also carry the risk that it may perform poorly during a slump in demand for securities, or goods or services, of companies in that industry.

Item 9. - Disciplinary History

This item requires us to disclose any legal or disciplinary events material to a client's or prospective client's evaluation of our business or the integrity of our management. We have no events to report for this item.

Item 10. - Other Financial Industry Activities and Affiliations

RBC USA Holdco Corporation ("RBC"), which is a direct, wholly owned subsidiary of the publicly traded Royal Bank of Canada, has an ownership interest of less than 25% in Matthews Asia. Funds managed by a subsidiary of Lovell Minnick Partners LLC ("Lovell"), a private equity firm and registered investment advisor, also have a beneficial ownership interest (through direct owners) of less than 25% in Matthews Asia. Mizuho Bank, Ltd. ("Mizuho"), which is a direct, wholly owned subsidiary of the publicly traded Mizuho Financial Group, Inc. has an ownership interest of less than 25% in Matthews Asia. Each of RBC, Lovell (through direct owners) and Mizuho has the right to appoint a Director to our Board of Directors, but does not otherwise control the day-to-day business or operations of Matthews Asia.

We have relationships with various entities in the financial industry, some of which result from our relationships with RBC, Lovell and Mizuho. However, we are not controlled by RBC, Lovell or Mizuho, and we operate independently from RBC, Lovell and Mizuho, and any party affiliated with them. Thus, we do not believe that these relationships create a material conflict of interest for our clients.

Investment Companies. We serve as investment advisor to the Matthews Asia Funds. Some of our officers and employees also serve as officers to the Matthews Asia Funds, and two of our officers serve as interested Trustees of the Matthews Asia Funds. We also serve as investment advisor to, and our officers and employees also serve as directors and officers of: (1) Matthews Asian Selections Fund PLC, an open-end umbrella investment company organized under the laws of Ireland, and (2) Matthews Asia Funds Société d'investissement à capital variable, organized under the laws of Luxembourg and conducting business under the European Union's directive for Undertakings for Collective Investment in Transferable Securities ("UCITS").

Broker-Dealers. Matthews Global Investors (Hong Kong) Limited, a Hong Kong registered broker-dealer, and Matthews Global Investors (UK) Limited, a UK registered broker-dealer, are wholly owned subsidiaries of Matthews Asia that are engaged in marketing investment products to non-U.S. investors. However, we do not execute any client brokerage

with or through Matthews Global Investors (Hong Kong) Limited or Matthews Global Investors (UK) Limited.

Some of our employees or management personnel are registered representatives of an unaffiliated broker-dealer firm, Foreside Funds Distributors LLC ("Foreside"). These individuals are supervised by Foreside in connection with their activities related to the sales of shares of the mutual funds or of other investment vehicles that we may manage. Foreside is the principal underwriter in the United States for Matthews Asia Funds. Matthews Asia has no other relationship with Foreside.

Item 11. - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our Code of Ethics:

We have adopted a Code of Ethics (the "Code") in order to mitigate and manage conflicts of interest that may exist or arise in connection with personal securities transactions by us or our officers and employees. Below is a brief summary of the Code. We will provide a copy of the Code to any client or prospective client upon request.

The Code contains restrictions on personal securities transactions applicable to all our officers and employees. The Code includes a standard of business conduct requiring officers and employees who are Access Persons:

- To comply with applicable laws.
- To report their personal securities transactions to our compliance department.
- To acknowledge their receipt of, and agreement to observe, the requirements of the Code.
- To report any violations of the Code to our Chief Compliance Officer ("CCO").

To reduce potential conflicts of interest, the Code prohibits all officers and employees from investing in the securities of Asia Pacific companies. Matthews Asia's CCO, with the concurrence of its Enterprise Risk and Compliance Committee, may permit an employee to continue holding such securities if they were held prior to joining Matthews Asia and in other limited circumstances. For purposes of the Code, an Asia Pacific Security is any security: (1) issued or guaranteed by a company that is organized under the laws of an Asia Pacific Country (which are the same countries listed in Item 4 above); or (2) of a company primarily traded in any market in an Asia Pacific Country, or (3) issued or guaranteed by a governmental entity or an agency or instrumentality or political subdivision of an Asia Pacific Country. Asia Pacific Securities include warrants, options or futures on or related to Asia Pacific Securities, but do not include the shares of open-end investment company registered under the 1940 Act and similarly structured foreign funds.

To further reduce the potential for conflicts of interest between clients and us, the Code requires that all officers and employees who are Access Persons: (1) obtain approval prior to making certain trades (including Matthews Asia Funds) in their personal accounts; (2) submit regular reports of personal transactions made in personal accounts; and (3) provide an annual report of all personal account holdings. These approvals and reports apply to accounts directly or beneficially held by our officers and employees (as well as certain persons closely related to them).

We have also adopted a Gifts and Entertainment Policy to minimize and manage potential conflicts of interest in connection with our employees receiving gifts and entertainment in connection with their professional duties.

Our compliance department monitors and enforces the Code and the Gifts and Entertainment Policy.

Other Conflicts of Interest Related to Personal Trading and the Professional Activities of our Officers and Employees:

Since we primarily invest in Asia Pacific companies for clients, the prohibitions under the Code significantly reduce, but do not eliminate, conflicts between the personal trading of our officers' and employees' who are Access Persons and trading for our clients. Nevertheless, our and our officers' and employees' trading and professional activities may give rise to other potential conflicts of interest. These are described below, along with descriptions of how we manage those potential conflicts of interest.

We act as investment manager to various investment companies and other accounts. We may give advice and take action with respect to any funds or accounts, or for our own account, that may differ from action taken on behalf of other funds or accounts. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling, any security that we or our officers and employees may buy or sell for our or their own account or for the accounts of any other client. While we are not obligated to refrain from investing in securities held by funds or accounts that we manage, we do not ordinarily invest for our own account in Asia Pacific securities. We do sometimes invest for our own account in money market and short-term domestic fixed income securities to manage corporate cash, as opposed to long-term investments. Matthews Asia may also provide seed capital to investment companies and similar funds that we sponsor or manage. We manage conflicts with investing for our own account or our officers and employees investing for their accounts by requiring that any transaction be made in compliance with the Code, as discussed above.

Because we manage more than one account, potential conflicts of interest may arise related to the amount of time individuals devote to managing particular accounts. We may also have an incentive to favor accounts in the allocation of investment opportunities or otherwise treat preferentially those accounts that pay us a higher fee level or greater fees overall. However, we do not charge performance-based fees to any client accounts, limiting our incentive to favor certain groups of accounts over others. Moreover, we have adopted procedures for allocation of portfolio transactions and investment opportunities across multiple client accounts on a fair and equitable basis over time. See "Allocating Transactions and Opportunities" in Item 12 below.

Potential conflicts of interest may also arise in connection with an employee's knowledge and the timing of transactions, investment opportunities, broker selection, portfolio holdings and investments, and the valuation of holdings or potential holdings. Some employees who have access to the size and timing of transactions may have information concerning the market impact of transactions, including transactions for the Matthews Asia Funds. Employees may be in a position to use this information to their possible advantage or to the possible detriment of client accounts. An investment opportunity may also be suitable for multiple accounts we manage, but not in sufficient quantities for all accounts to participate fully. Similarly, the opportunity to sell an investment held by multiple accounts may be limited. We manage these potential conflicts with employee transactions by requiring that any transaction be made in compliance with the Code, and potential conflicts between client accounts through our procedures for allocating portfolio transactions and investment opportunities discussed under "Allocating Transactions and Opportunities" in Item 12 below.

Employees (including their immediate family members) who invest in one of the funds managed by Matthews Asia, including the Matthews Asia Funds, may have a conflict of interest in that they may have an incentive to treat that fund preferentially as compared to other

accounts we manage. However, all portfolio management employees work as a team and share research relevant to other investment mandates and client accounts. With certain exceptions, all accounts have equal access to investment opportunities. As noted in Item 12 below, these exceptions may provide priority access to limited investment opportunities for accounts that (1) investment in securities of small companies if no account we manage has previously invested in those securities; and (2) certain accounts that focus on a specific country or sector. Some of the accounts that receive priorities may pay us higher fees than accounts that do not have a priority. Our investment team regularly reviews each account (for material dispersion of performance or other indicative factors), as noted in Item 13 below. These practices help us detect and manage potential conflicts.

Item 12. - **Brokerage Practices**

Matthews Asia generally has discretion over the selection and amount of securities to buy or sell for a client without obtaining specific client consent to a transaction. We also generally have discretion to select the broker, dealer or other counterparty to effect a particular transaction and, where negotiable, the commission rates or other compensation you pay. To help manage the selection of counterparties and individual transactions, Matthews Asia has adopted a Brokerage and Trading Policy (the "Trading Policies"). The Trading Policies govern our trading activities for our clients, and help us address potential conflicts of interest raised by brokerage practices.

Oversight. The Trade Management Oversight Committee ("TMOC") oversees Matthews Asia's Trading Policies. TMOC develops, implements, and supervises the Trading Policies, and is composed of senior executives and portfolio managers. The Head Trader, CCO and other employees assist TMOC, as necessary or appropriate. Pursuant to the Trading Policies, TMOC supervises all aspects of our trading activities, including the following:

- Counterparty approval and selection
- Seeking best execution
- Soft dollars usage
- Trade aggregation and allocation
- Directed brokerage
- Trade error resolution
- Identification of and use of affiliates (if any) to effect client transactions
- Identification and management of conflicts of interest

In addition, under the supervision of TMOC, the compliance department interprets and monitors the adherence to the Trading Policies. We discuss many aspects of our trading activities below.

Counterparty Selection and Best Execution. We recognize that brokerage commissions are client assets. We manage these assets consistent with applicable law and our duty to seek best execution, and we seek to maximize the value of these assets wherever possible.

Best execution involves both quantitative and qualitative aspects, and best execution does not always mean the lowest available commission rates for a transaction. From a quantitative perspective, best execution involves seeking the best available price and lowest transaction costs so that a client's total cost or proceeds are the most favorable under the circumstances. Cost includes transactions fees and expenses as well as other less quantifiable costs, such as market impact, opportunity cost and market effects. These other costs, although harder to quantify, can significantly impact the total cost of a transaction. From a qualitative

perspective, best execution involves considering a number of factors, including some or all of the following (some of which apply only to equity or only to fixed income transactions):

- Our actual experience with the counterparty
- The reputation of the counterparty
- The counterparty's financial strength and stability (e.g., credit risk)
- Efficiency of execution
- Promptness of execution
- Ability and willingness to maintain confidentiality and anonymity
- Frequency and manner of error resolution
- Special execution capabilities
- Block trading and block positioning capabilities
- Capability of the counterparty to execute related or unrelated difficult transactions in the future
- The counterparty's coverage of one or more markets
- Expertise
- Applicable limitations (for example, market, sector, and capitalization range)
- Commission rates and dealer spreads
- Technological capabilities and infrastructure, including back office processing capabilities
- Willingness of the counterparty to commit capital
- Clearance and settlement efficiency
- Ability and willingness to accommodate any special needs (for example, step-outs)
- Provision of lawful and appropriate research and brokerage services (see "Soft Dollars and Other Client Commission Arrangements" below)

In selecting a counterparty for any transaction or series of transactions, we do not adhere to any rigid formula. Rather, we weigh a combination of factors, like those listed above, depending on the circumstances. Relevant factors will vary for each transaction. While we generally seek reasonably competitive commission rates, we do not necessarily pay the lowest commission available. In our experience, neither the lowest commission rate nor the most expeditious execution necessarily correlates to the best trade for a client. Similarly, while we seek the most competitive prices in fixed income and other over-the-counter markets, we do not believe that the narrowest spread necessarily correlates to the best trade for a client.

In foreign markets, including those where we regularly purchase and sell securities for clients, commissions and other transaction costs are often higher than those charged in the United States. In addition, we do not have the ability to negotiate commissions in some of these markets. You should also note that services associated with foreign investing, including custody and administration, generally are more expensive than in the United States.

We review and analyze trading costs internally and using independent third-parties that utilize account and market data. Many Asia Pacific markets are less transparent than U.S. markets and provide less trading data. Accordingly, our processes for both internal and third-party trade cost analyses currently provide less analytical capability than for trading in the United States and other more developed markets.

As part of our efforts to seek best execution, we have established a list of approved counterparties for client transactions in equity and fixed income trading (the "Broker-Dealer List"). We review our Broker-Dealer List periodically, and add to or delete from it from time to time. If a counterparty appears on our Broker-Dealer List, that does not mean we have to use the counterparty for a particular transaction, or at all, and we may modify, amend, limit or

expand the use of any counterparty over time. Except where the Broker-Dealer List contains a limitation, the Trading Department may use any counterparty on the Broker-Dealer List to effect any trade, so long as the Trading Department believes that the selected counterparty can achieve best execution in the context of a particular transaction.

In appropriate circumstances, subject to our duty to seek best execution, and subject to any limitation we deem reasonable in the circumstances, we may also use counterparties not on our Broker-Dealer List (for example, where the syndicate manager for a public offering is not on our Broker-Dealer List at the time).

When selecting broker-dealers to execute client transactions, we do not consider whether the broker-dealer refers clients to us. We also do not pay for distribution of mutual fund shares with brokerage commissions.

Soft Dollars and Other Client Commission Arrangements. When appropriate under our discretionary authority, and consistent with our duty to seek best execution, we may select broker-dealers to execute client transactions who provide us with research and brokerage products and services. By doing so, we attempt to allocate transactions in a manner that we believe maximizes the overall value of brokerage as a client asset. The brokerage commissions used to acquire research or brokerage services in these arrangements are known as “soft dollars,” or sometimes as “soft commissions.”

Broker-dealers typically provide a bundle of services that include both execution of transactions, and research and brokerage services. The services can be either proprietary (meaning the broker-dealer creates and provides them to us) or third-party (meaning a third party creates them, but a broker-dealer provides them to us). Proprietary services include tangible products as well as access to analysts and traders, as discussed below. Special execution services or proprietary services rarely have a fixed dollar value. Broker-dealers we select may receive commissions higher than other broker-dealers would have charged for effecting similar transactions if we determine in good faith that the commission amount is reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers. We view this assessment either in terms of a particular transaction or our overall duty to our discretionary clients. We may use soft dollars to acquire both proprietary and third-party services.

Receiving research and brokerage services in exchange for soft dollars creates potential conflicts of interest for us, since we would otherwise have to produce the services, or pay for them from our own resources, allowing us to potentially reduce our costs. We may have an incentive to direct client trades to broker-dealers who provide these services to us. Sometimes, broker-dealers require a specific level of client commissions to provide research or brokerage services that we want, and we may have an incentive to execute more trades through them, rather than through other broker-dealers that do not provide the services but who would otherwise provide comparable execution for a given trade. The services benefit us by allowing us, at no additional cost to us, (1) to supplement our own research, analysis and execution activities, (2) to receive the views and information of individuals and research staffs of other securities firms; (3) to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors; and (4) to gain access to order routing software, and software used in algorithmic trading strategies and in connection with direct market access systems. We describe below our policies concerning the use of soft dollars, what we receive with soft dollars, and how we manage these conflicts.

Section 28 (e) under the Securities Exchange Act of 1934 (“Exchange Act”) permits an investment advisor to cause clients to pay more than the lowest available commission rate in order to acquire certain research and brokerage services with the soft dollars generated by its

client account transactions. This provision is commonly referred to as a “safe harbor.” As a matter of policy, any product and service we receive with soft dollars must fall within the safe harbor and other applicable law. Senior management and our compliance department must approve all products and services acquired with soft dollars.

The safe harbor encompasses both eligible “research” and eligible “brokerage.” Eligible research services under the safe harbor include:

- Advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; and
- Analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts.

Besides meeting these criteria, we also evaluate whether a particular research product or service reflects substantive content. By substantive content, we mean the expression of reasoning or knowledge. We do not acquire research products or services using soft dollars unless they reflect substantive content that relates to the subjects described above and provides lawful and appropriate assistance to us in our investment decision-making process.

Eligible brokerage services, under the safe harbor and our policies, include products and services that provide lawful and appropriate assistance to us:

- In effecting securities transactions (including order routing software, and software used in algorithmic trading strategies and in connection with direct market access systems);
- In performing functions incidental to the execution of transactions (such as clearance, settlement and custody); and
- In performing functions required in connection with transactions by rules of the SEC or a self-regulatory organization.

Examples of eligible brokerage services include post-trade matching of trade information; other exchanges of information among broker-dealers, custodians and institutions related to a trade (including connectivity services such as dedicated lines and messaging services); electronic communication of allocation instructions between institutions and broker-dealers; and routing settlement instructions to custodian banks and clearing agents. Electronic confirmation and affirmation of institutional trades is required in connection with settlement processing and short-term custody related to effecting particular transactions in relation to clearance and settlement of the trade. To determine whether a service or product qualifies as eligible brokerage, we evaluate whether the service or product provides lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities.

Besides evaluating the particular service or product acquired with soft dollars, we evaluate the reasonableness of the brokerage commissions our clients pay to allow us to acquire the service or product. We base this evaluation primarily on the professional judgment of the individuals responsible for the placement and review of portfolio transactions (our traders), as well as those who use the relevant product or service (our investment team). We base our opinions on, among other things, the experience of these individuals in the securities industry and information generally available to them concerning the level of commissions paid by other investors of comparable size and type.

This evaluation, conducted at least annually, reviews the nature and quality of services available through brokerage relationships, as well as whether these services are and remain reasonable in relation to the value of the commissions used to acquire them, viewed in terms of either a particular transaction or our overall responsibilities to our discretionary clients. Among other matters, we consider the services we receive, including:

- A counterparty's ability to provide onsite access to issuers (overseas) and management
- A counterparty's ability to provide local access to issuer management (office visits/conference calls)
- Conferences and special events provided by a counterparty
- Written research reports
- Access to analysts (conference calls and onsite visits)
- Customized research services
- Access to IPOs or primary issuances of bonds
- Access to market information

Portfolio Managers and other members of Investment Team identify the capabilities of broker-dealers who provide proprietary research and propose a budget for their use. This budget indicates the anticipated use, if any, necessary to maximize the benefits received by our clients from each counterparty on the Broker-Dealer List. TMOC reviews the proposed usage budget and makes any appropriate adjustments. Actual use of individual counterparties will differ from the budget, and may be less than or more than anticipated depending on factors including market conditions, actual capability in particular transactions, portfolio turnover rates, and perceived effectiveness in providing bundled and other services. We periodically evaluate the use of these broker-dealers as research providers, and may adjust the budget as appropriate.

Our records may designate products or services by category (for example, conferences and access to market information) or by their specific type (for example, customized research reports), as appropriate. Where we can reasonably estimate the cost of any specific product or service, we assess the reasonableness of the amount of commissions paid to the estimated value of the product or service in the manner used for any other product or service acquired with soft dollars. However, where we cannot establish or reasonably estimate the cost of a specific product or service, we assess the reasonableness of the aggregate amount of commissions paid to a broker-dealer in relation to the value of the product or service received from that broker-dealer in the aggregate. As noted above, in developing our Broker-Dealer List, portfolio managers, research analysts and others with investment responsibilities for an account or a group of accounts identify the capabilities of broker-dealers and propose anticipated usage (if any) of each relevant broker-dealer on the Broker-Dealer List. As part of that effort, Portfolio managers, research analysts and others with investment responsibilities for an account or a group of accounts consider the nature and quality of services available through relationships with broker-dealers, and whether these services are reasonable in relation to the value of the brokerage and research services provided by that broker-dealer. Our senior management and our compliance department oversee and approve these valuations.

Generally, we use research and brokerage services to service all of our clients. However, we may not use each and every research or brokerage service for the benefit of each and every account. In addition, the research or brokerage service may not always benefit the specific account or client that generated the soft dollars, or the service may not benefit all accounts equally. We do not attempt to allocate the relative costs or benefits of research among client accounts because we believe that, in the aggregate, the research we receive benefits clients and assists us in fulfilling our overall duty to clients.

Our Trading Policies prevent us from obligating ourselves from making any payment in consideration of the receipt of any such product or service. However, broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. These arrangements change over time but, as noted above, may incentivize us to allocate brokerage to broker-dealers to meet these targets. Besides limiting

what we acquire with soft dollars, we monitor our discretionary brokerage allocation for consistency with our Trading Policies, including best execution, trade allocation and receipt of quality research and investment information.

Ancillary benefits of brokerage include services provided to clients at the request of the client in exchange for an agreed-upon level of fees or volume of transactions which may or may not be within the safe harbor. For some clients, including the Matthews Asia Funds and accounts subject to ERISA, we are not permitted to direct brokerage in exchange for products or services outside the safe harbor. For more on our directed brokerage policies, see “Directed Brokerage” below.

Sometimes, we receive eligible research or brokerage but we use it in part in a manner or for a purpose that may not provide lawful and appropriate assistance to our investment decision-making duties (these are sometimes known as a “mixed-use” product or service). In these cases, we make a good faith determination of the portion of the product that qualifies as research or brokerage under the safe harbor, and acquire only the eligible portion of the cost of the product or service with soft dollars. We acquire the remaining portion of the product or service with our own assets. We make a good faith effort to allocate these items reasonably, in light of the inherent imprecision in allocating between soft dollars and cash.

Generally, broker-dealers do not separately price the proprietary services they provide for soft dollars, and many cannot be unbundled (or it would be uneconomic to do so). In addition, broker-dealers may only provide certain services in recognition of transactions actually executed with them on behalf of our clients (measured by volume, total value, or on another basis), while other broker-dealers may provide services regardless of whether we have executed any transactions with a particular broker-dealer. We believe that, to the extent that we have not caused any account to pay a broker-dealer a commission for effecting a securities transaction in excess of the amount of commission another broker-dealer would have charged for effecting that transaction, our receipt of services from that broker-dealer does not constitute a breach of fiduciary duty, does not require the safe harbor, and is consistent with our policies.

Nonetheless, because of the difficulties, in certain circumstances, in determining whether an account has paid a broker-dealer a commission for effecting a securities transaction in excess of the amount of commission another broker-dealer would have charged for effecting that transaction, we maintain records of proprietary services we receive, to the extent possible, as if they were subject to the procedural requirements of the safe harbor.

Aggregating Transactions. Matthews Asia may aggregate trade orders for securities for a client with similar orders of one or more other clients, if:

- The orders are initiated contemporaneously;
- We otherwise deem it appropriate; and
- Aggregation is consistent both with our duty to seek best execution for our clients, with the terms of our client agreements, and any applicable legal standards.

Generally, the markets where we trade are closed during regular U.S. business hours. Therefore, we treat orders initiated throughout the U.S. business day, before a particular Asia Pacific market opens, as having been initiated contemporaneously. We will not receive additional compensation or other remuneration as a result of proposed or actual aggregation of orders, and we will not knowingly favor one client over another when considering whether to aggregate particular orders. We reserve the right not to aggregate transactions if to do so:

- Would be unfair or inequitable in the circumstances;
- Is impractical;

- Would violate the laws, regulations or market customs of the jurisdiction in which the transaction is placed;
- Would, in our judgment, minimize the market impact of a large trade; or
- Is otherwise inappropriate in the circumstances.

Seeking to place separate, non-simultaneous transactions in the same security for multiple clients may negatively affect market price, transaction commissions, and/or trade execution. In other words, clients may pay more or otherwise receive less favorable execution terms when we do not aggregate trades.

Allocating Transactions and Opportunities. Matthews Asia will allocate aggregated trades (and trades in limited supply) using procedures that are designed to allocate trades fairly and to minimize the risk that any particular client would be inappropriately disadvantaged by the allocation and to promote fairness and equity among clients over time. Generally, we allocate aggregated trades *pro rata* based on each participating account's share of the aggregated transaction as indicated on the trade order. For this purpose, a *pro rata* allocation means, to the extent practicable and subject to rounding for odd-lot amounts, an allocation of the trade among applicable clients proportionate to the order size initiated by the portfolio manager on the trade order.

All accounts participating in the allocation of an aggregated order receive the same average price on the transaction. To the extent that an account participates in the allocation of an aggregated order, it will pay a *pro rata* share of any associated commission and transaction costs or fees.

For partial fills, where a *pro rata* allocation of shares is not practicable, we may make allocations to participating accounts on a random, rotational or other basis (for example, smallest first or first-in-time) that in our judgment will produce an equitable result. Orders for certain small capitalization stocks and other limited availability securities sometimes result in partial fills. In these cases, *pro rata* allocation may result in an allocation that is less than appropriate. At the end of the quarter, we will review all accounts that participated or were left out of orders in these cases. Any account that we determine may not have received an appropriate allocation of securities overall during that quarter will have priority for allocations in the next quarter.

Special issues and conflicts arise in connection with the allocation of limited opportunities for our clients, including initial and secondary public offerings (collectively, an "IPO"), primary issuances of bonds and private placements, and other limited opportunities. We may have an incentive to allocate IPOs and other limited opportunities to clients and accounts that pay us higher or greater, fees. (As noted in Item 6, however, we do not charge performance-based fees to any account.) We monitor allocations of these opportunities, as discussed below, in an effort to provide an equitable allocation of opportunities for all clients, over time. Some clients may receive priority for certain opportunities, as discussed below.

We may determine for one or more of our clients to participate in an IPO, a primary issuance of a bond or in a private placement of a security. Special considerations apply to both selecting accounts for possible participation in an IPO, a primary issuance of a bond or private placement, and to any allocation of shares we receive on behalf of our clients. IPOs, primary issuances of bonds and private placements are usually available in limited supply and in amounts too small to permit all interested accounts to participate. An investment in securities subject to an IPO also frequently entails greater risk than investments in more established publicly-traded issuers. Please see the discussion of risks associated with IPOs in Item 8 above.

Laws or rules, including FINRA Rules 5130 and 5131, may prevent certain clients from participating in an IPO. Because of these and other factors, we determine which accounts will initiate an order to participate in an IPO based on any limitations imposed by the client, and on the appropriateness of the IPO to the client's investment objectives and strategies. Country- or sector-specific accounts may have a greater interest in participating in IPOs associated with that country or sector, and limited opportunity to participate in IPOs more generally. Thus, when determining the suitability of IPOs for particular accounts, we will give greater consideration to accounts whose investments are limited to an applicable region, country, sector, investment style or market capitalization, and will also consider, among other things, the following factors:

- Consistency of participation with the client portfolio's investment objective, policies and strategy;
- The appropriateness of the investment for each client portfolio's investment objectives, time horizon and risk management objectives; and
- Whether the client's liquidity position after the desired purchase will continue to maintain an adequate level.

We generally allocate shares received in an IPO on a *pro rata* basis among participating accounts. However, where we believe that a *pro rata* allocation of shares is not practicable, or would lead to an inequitable or unfair allocations, we may allocate the transaction on any basis that we believe is fair and equitable (including a rotational method) among participating accounts.

At the end of each quarter, we will review and calculate the participation in IPOs by each account able to participate in IPOs. Any account that we determine may not have received an appropriate allocation of IPO shares overall during that quarter will have priority for IPO allocations in subsequent quarters.

We may face conflicts of interest related to the sharing of research and investment ideas by research analysts and portfolio managers, and to allocating investment opportunities among clients who are eligible to acquire these securities. Because certain investment ideas may not be available over a reasonable period of time or in sufficient quantity, research analysts and portfolio managers have a conflict of interest in that they may have an incentive to treat the fund or account they manage preferentially as compared to other accounts we manage. Our investment team regularly reviews each account for, among other things, material dispersion of performance or other indicative factors to help us detect and manage potential conflicts.

To manage these conflicts, our Trading Policies address the allocation of investment opportunities (for example, investment ideas). We make all research conducted by any member of our investment team generally available to every other member on an equitable basis. However, our portfolio managers make decisions for their accounts individually, and may act (or not act) upon applicable research at any time.

No account or investment mandate (*i.e.*, a group of accounts with similar investment objectives) has priority access to research. Nevertheless, we may establish priorities to an investment opportunity because of its limited availability, the difficulty of execution, or other factors. We may establish a priority for newly established investment mandates, where appropriate. Currently, we may provide priority to opportunities for:

- Investments in securities of small companies to certain accounts, if no account we manage has previously invested in those securities; and
- Accounts that focus on a specific country or sector and intend to invest in IPOs, primary issuances of bonds and private placements, which may be given priority in such opportunities to the extent they are associated with securities from a country or in a

sector in which the account invests (for example, the Matthews China Fund may have priority for Chinese IPOs, or the Matthews China Fund and the Matthews Innovators Fund may have shared priority for IPOs of Chinese technology companies).

Directed Brokerage. We do not engage in directed brokerage arrangements on behalf of clients with third parties. We do not pay for distribution of mutual fund shares with brokerage commissions. In addition, our client agreements do not generally provide clients the option to direct us to use a particular broker-dealer to effect their transactions. However, from time to time, and if the CCO has approved the arrangement, a client may direct us to use a specific broker or dealer to execute transactions for its own account. If you direct us to use a particular broker or dealer, we may not be able to obtain best price or best execution for the transaction. As a result, a directed brokerage arrangement may result in you paying more money through higher transaction costs or receiving poorer quality execution than other clients, and your trade may receive less favorable prices. For example, we may not be able to aggregate trades with other clients to obtain volume discounts or reduce transactions costs.

Resolution of Trade Errors. Errors can and do occur, and we have adopted procedures for error identification and correction. Our Trading Policies expect our employees to exercise care when acting on behalf of client accounts to minimize the impact of any errors that may occur. These procedures require the correction of trading errors as soon after discovery as reasonably practical, consistent with the orderly sale or purchase of the securities in question under prevailing market conditions. We may correct trading errors by canceling the trade prior to settlement, so long as the broker-dealer does not assume any client losses. We may also reallocate the trade to one or more other accounts prior to the end of the trade date, so long as there is a legitimate investment decision for the other account(s) to buy and sell the security.

If an action or omission by us that violates an applicable standard of care causes the trade error and results in a measurable loss to you (other than a *de minimis* loss), we will compensate your account. However, we do not compensate clients for lost investment opportunities, opportunity costs, consequential or similar damages. We may net gains and losses related to trade errors within a single account when: (i) consistent with applicable law, and (ii) the gain or loss results from a single trading decision or represents a single and consistent application of a guideline or restriction. We will not net the gains and losses of separate clients and will not net the gains and losses of a single client that resulted from multiple errors (for example, trade errors resulting from more than one investment decision for the same client).

Item 13. - **Review of Accounts**

Our investment team, which includes our Chief Investment Officer and each portfolio manager, research analyst and trader (currently, approximately 42 individuals), performs investment reviews of all client accounts. Portfolio managers, research analysts and others with investment responsibilities for an account or a group of accounts meet and review each of their accounts on an on-going basis. Separately, portfolio managers meet as a group at least monthly and review the performance and holdings of every client account. At these meetings, the portfolio managers also review other information, including trading history, turnover ratio, dispersion in holdings and performance.

Our investment team also meets on a weekly basis to consider broader investment-related factors, including future prospects of issuers, valuations of holdings and potential holdings, changes in industry, sector, national or regional outlook, and micro and macro economic factors impacting investment decisions. These broader weekly discussions may not

relate to specific client accounts. Our compliance department periodically meets with the investment team and provides information concerning industry, country and security concentrations and similar matters.

Clients may receive the following written reports for their accounts from Matthews Asia as well as, in certain cases from your custodian, administrator or other agents:

- Transaction Statements: On a monthly, quarterly or other basis, clients may receive a report of purchases and sales of portfolio securities for their account.
- Appraisals: On a monthly or quarterly basis, clients may receive a report of portfolio holdings, including cost basis, and market values.
- Investment Reports: On a quarterly basis, clients may receive a report on market conditions affecting portfolio holdings.

Item 14. - Client Referrals and Other Compensation

Under certain circumstances, we may pay referral fees to third parties that solicit clients on our behalf or we may compensate certain agents who introduce their clients to us, only to the extent that such arrangements are in compliance with Rule 206(4) -3 under the Advisers Act.

Except described above and, except in connection with soft dollar arrangements, Matthews Asia does not receive an economic benefit from anyone who is not a client for providing investment advice or advisory services to our clients (for example, we do not receive sales awards or other prizes). Conflicts of interest concerning, as well as our policies and procedures related to, soft dollar arrangements are described under Item 12 above.

Item 15. - Custody

Matthews Asia may have custody of some clients' accounts because the client authorizes us to deduct our fees directly from its accounts otherwise held by a qualified custodian. We do not take physical possession of client funds or securities. Clients who request or permit the direct deduction of our fees from their accounts should receive statements, at least quarterly, directly from the broker-dealer, bank or other qualified custodian that holds or maintains the client's investment assets. In these cases, we urge you to carefully review those statements, where applicable, and compare those official custodial records to the account statements we may send to you. Our statements may vary from custodial statements based on reporting dates and differences in the timing and sources of valuation used by us and your custodian.

Other than for any client that authorizes us to deduct our fees directly from their accounts, we do not have custody of client funds or securities. Further, we do not currently serve as the general partner of a limited partnership that itself has custody of client funds or securities, or hold a comparable position with any other pooled investment vehicles.

Item 16. - Investment Discretion

Ordinarily, Matthews Asia manages institutional client accounts on a fully discretionary basis, as set forth in your client agreement. We also have full discretion to manage the Matthews Asia Funds and the non-U.S. funds we manage. Clients may limit our discretion to invest in particular securities, or establish other limitations on the types of investments we make (for example, some clients desire limits restricting the use of leverage). Any guidelines and

restrictions applicable to our management of the account will be set forth in the client agreement. Any limitations applicable to a Matthews Asia Fund or a non-U.S. fund we manage will be set forth in the fund's prospectus or other offering document. Before we exercise discretionary authority or invest for your account, you must agree to and enter into a written client agreement with us. See also Item 4 above.

Item 17. - Voting Client Securities

You may decide whether to delegate to us authority to vote proxies for securities in your account, and we currently have this authority for all of our clients.

For clients who delegate authority to us to vote proxies on their behalf, we have adopted written Proxy Voting Policies and Procedures ("Proxy Policies") to assist us in exercising shareholder voting rights and evaluating shareholder proposals in light of the best interests of our clients. We have also retained the services of an independent proxy consultant, Institutional Shareholder Services Inc. ("ISS"), a wholly owned subsidiary of Vestar Capital Partners, to receive and evaluate shareholder proposals, apply our Proxy Policies, effect proxy votes and maintain appropriate records. We may also receive research related to proxy voting from other services; however, clients may not direct us to use specific proxy voting services.

In addition to providing research and other proxy voting services, ISS offers issuers advisory and analytical services, self-assessment tools and publications. ISS has represented that those employees are not involved in ISS's analysis of filed proxy proposals or preparation of vote recommendations. Nonetheless, ISS has adopted policies and procedures to guard against and to resolve any conflicts of interest that may arise in connection with its provision of research analyses, vote recommendations and voting services to us.

For significant corporate matters, including establishing pension or profit sharing plans, proposed mergers and acquisitions, and sales of assets, our Proxy Policies establish guidelines for evaluating the facts and circumstances of the particular proposal. In these circumstances, we evaluate the proposal in light of the best interests of our clients and vote accordingly.

For other, more routine, matters, our Proxy Policies may establish certain standards that, if satisfied, will result in a vote for or against a proposal. Routine matters include, among other matters:

- Election of directors;
- Approval of auditors;
- Approval of dividends and distributions;
- Confidential voting; and
- Limitation on charitable contributions or fees paid to professional advisors.

Even in these circumstances, we reserve the right to evaluate each proposal in light of the best interests of our clients and to vote other than as indicated by our Proxy Policies. For example, while we generally vote in favor of management's nominees for a board of directors, we may vote against management nominees (individually or as a slate) if we believe that the board was entrenched or otherwise not acting in the best interests of shareholders. In evaluating proxy materials, we also take into account the objectives of individual clients. As a result, we may vote in favor of a proposal for certain clients, while at the same time voting against the same proposal for other clients. We also reserve the right to revise, alter or supplement our Proxy Policies from time to time, which may result in different votes on similar issues.

In some cases, refraining from voting on a matter submitted to shareholders is, in our view, in the best interests of our clients. For example, the cost of voting the proxy may exceed the expected benefit to the client. Similarly, voting on shareholder matters in foreign countries, particularly in emerging markets, may be subject to restrictions (including registration procedures that result in a holding becoming illiquid for a period of time) and limitations that impede or make the exercise of shareholder rights impractical. These limitations may include:

- Untimely or inadequate notice of shareholder meetings;
- Restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes;
- In-person voting requirements;
- Restrictions on the sale of securities for periods surrounding the shareholder meeting ("share blocking");
- The need to grant local agents powers of attorney to facilitate voting instructions;
- Proxy materials or ballots not being readily available; and
- Proxy materials or ballots not being available in English.

In addition, for clients participating in securities lending programs, security recall provisions may interfere with, or prohibit, our ability to vote on shareholder matters. In these and similar circumstances, we may not, or may be unable to, act on specific proxy matters.

We will vote on proxy matters in accordance with your specific request even if that vote would be inconsistent with our Proxy Policies or our vote for other clients. You must make your request in writing and submit it in a timely manner. For all proxy matters, contact the Proxy Committee at the address listed below.

In some case, we have (or may be perceived to have) a conflict or potential conflict of interest in voting on particular matters. For example, Matthews Asia, a member of senior management, a portfolio manager or a portfolio analyst may do business with a particular proxy issuer or closely affiliated entity. This relationship would appear to create a material conflict with the interests of clients in how to vote proxies of that issuer. A material conflict of interest might also exist in unusual circumstances when we have actual knowledge of a material business arrangement between a particular proxy issuer and an affiliate.

Our Proxy Policies attempt to manage conflicts of interest and potential conflicts of interest by using an independent consultant to monitor and apply our Proxy Policies. Also, we monitor for conflicts and potential conflicts of interest circumstances. When we identify a material conflict of interest, we will take one of the following steps and vote client securities:

- In accordance with a pre-determined policy;
- Based upon the recommendations of an independent third party;
- Advise affected clients of the circumstances, seek their direction, and vote accordingly; or
- Take other action as may be appropriate in the particular circumstances.

Where one of our employees has a personal conflict in relation to an issuer, that employee will not make any recommendation with respect to voting on that issuer, or be involved in the recommendation process.

The above only summarizes our Proxy Policies. If you have questions concerning specific proxy matters or proxy voting processes, submit them to our Proxy Voting Committee at the address below. You may obtain our Proxy Policies, as well as information on how securities held in your account were voted, by submitting a written request to:

Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
San Francisco, CA 94111
Attention: Proxy Committee

We will respond to your request in writing within 30 days.

Please note that participating in class action litigation, bankruptcy proceedings and other litigation relating to portfolio holdings involves the consideration of cost and other factors unique to individual accounts and unrelated to portfolio management. Accordingly, while we will attempt to assist clients who wish to participate in these matters, we do not prepare filings or otherwise act as your agent in connection with these matters. If you are interested in participating in these matters, consult your own legal, accounting and other advisors.

Item 18. - Financial Information

We do not require or solicit prepayment of any fees in advance. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy petition in the past.

Privacy

Matthews Asia is committed to protecting its clients' personal information. Matthews Asia may collect nonpublic information about our clients, which may include, but is not limited to, information we receive from our clients on contracts and/or applications, such as name, address, social security number, assets and income. Matthews Asia does not disclose any nonpublic information about current or former clients to anyone, except as appropriate for processing or servicing their account, or as permitted by law. Matthews Asia shall maintain the strictest confidence regarding the affairs of our clients, except for disclosure that may be required by applicable law. Matthews Asia maintains physical, electronic and procedural safeguards to guard our clients' nonpublic personal information.