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Matthews Asia is the brand for Matthews International Capital Management, LLC and its direct and indirect subsidiaries.

Fund Profile | Matthews China Small Companies Fund

FUND FACTS

Inception Date

Investor Class: 5/31/11
Institutional Class: 11/30/17

Ticker

Investor Class: MCSMX
Institutional Class: MICHX

Number of Holdings

40 to 60

Turnover Range

30% to 50%

Benchmark

MSCI China Small Cap Index

Investment Objective

Long-term capital appreciation

Approach

Invest in small companies located in China that are capable of sustainable growth based on the fundamental characteristics of those companies. China includes its administrative and other districts, such as Hong Kong.

Small Companies

Market capitalization no higher than the greater of US\$3 billion or the market capitalization of the largest company included in the Fund's benchmark.

Lead Manager



TIFFANY HSIAO, CFA

Co Manager



LYDIA SO, CFA

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Matthews China Small Companies Portfolio Team

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Matthews China Strategy

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- * Winnie Chwang
15 yrs. experience
- * Hardy Zhu
12 yrs. experience
- * Ryan Rutkowski
9 yrs. experience

Matthews China Dividend Strategy

- * Sherwood Zhang, CFA
16 yrs. Experience
- * Yu Zhang, CFA
14 yrs. experience
- * S. Joyce Li, CFA
13 yrs. experience
- * Yinyan Ibanez, CFA
10 yrs. experience

Asia Small Companies Strategy

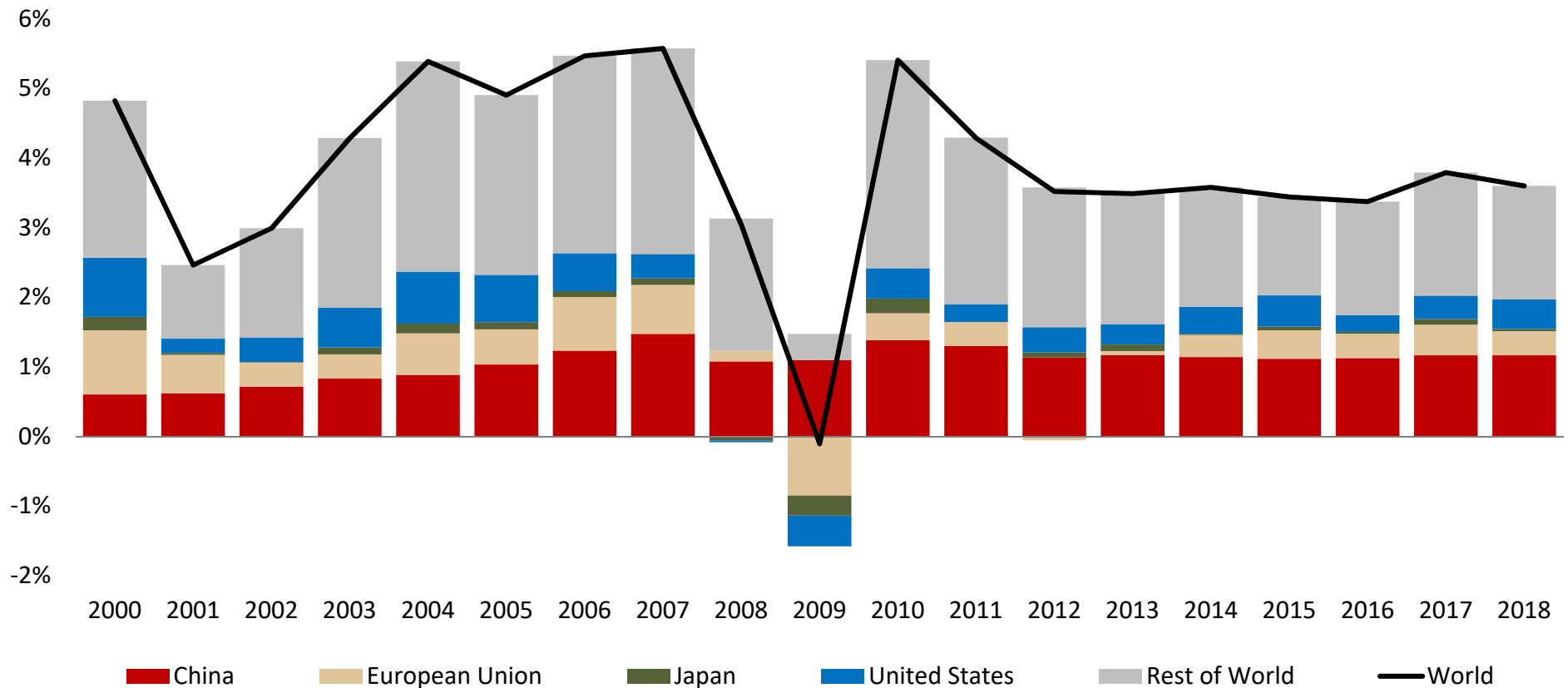
- * Lydia So, CFA
20 yrs. experience
- * Beini Zhou, CFA
14 yrs. experience
- * Tiffany Hsiao, CFA
18 yrs. experience
- * Yuanyuan Ji
10 yrs. experience

Figures indicate years of industry experience as of January 2019.

China Drives Global Growth

China accounts for about one-third of global economic growth, more than the *combined* share from the U.S., Europe & Japan

CONTRIBUTION TO GLOBAL GROWTH (PERCENTAGE POINTS)



Source: International Monetary Fund

Hong Kong In Turmoil



A Long History of Protests to Exercise Political Voice

2003:

Protests against Anti-Subversion legislation

2004:

Protests calling for Chief Executive's Resignation

2005:

Anti-WTO protests

2011:

Protests against "Moral & National Education" curriculum

2014:

"Umbrella Movement" for political reform

2016:

"Fishball Riot" over local culture/heritage & political reform

2019:

Protests against extradition bill and political reforms

Source: "City of Protest: A Recent History of Dissent in Hong Kong: Penguin Specials"

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Trade Truce?



Source: [express.co.uk](https://www.express.co.uk)

China Is Not Export-Led, So a Trade War Is Not Leverage

NET EXPORTS = 0.8% OF CHINA'S GDP



0.8%

NET EXPORTS = -8.6% OF CHINA'S GDP GROWTH



-8.6%

U.S. TOOK 19% OF TOTAL CHINESE EXPORTS LAST YEAR



19.0%

DOMESTIC CONSUMPTION = 76.2 % OF CHINA'S GDP GROWTH



76.2%

All data is for 2018.
Source: CEIC

External Stability: China's Economic Diplomacy

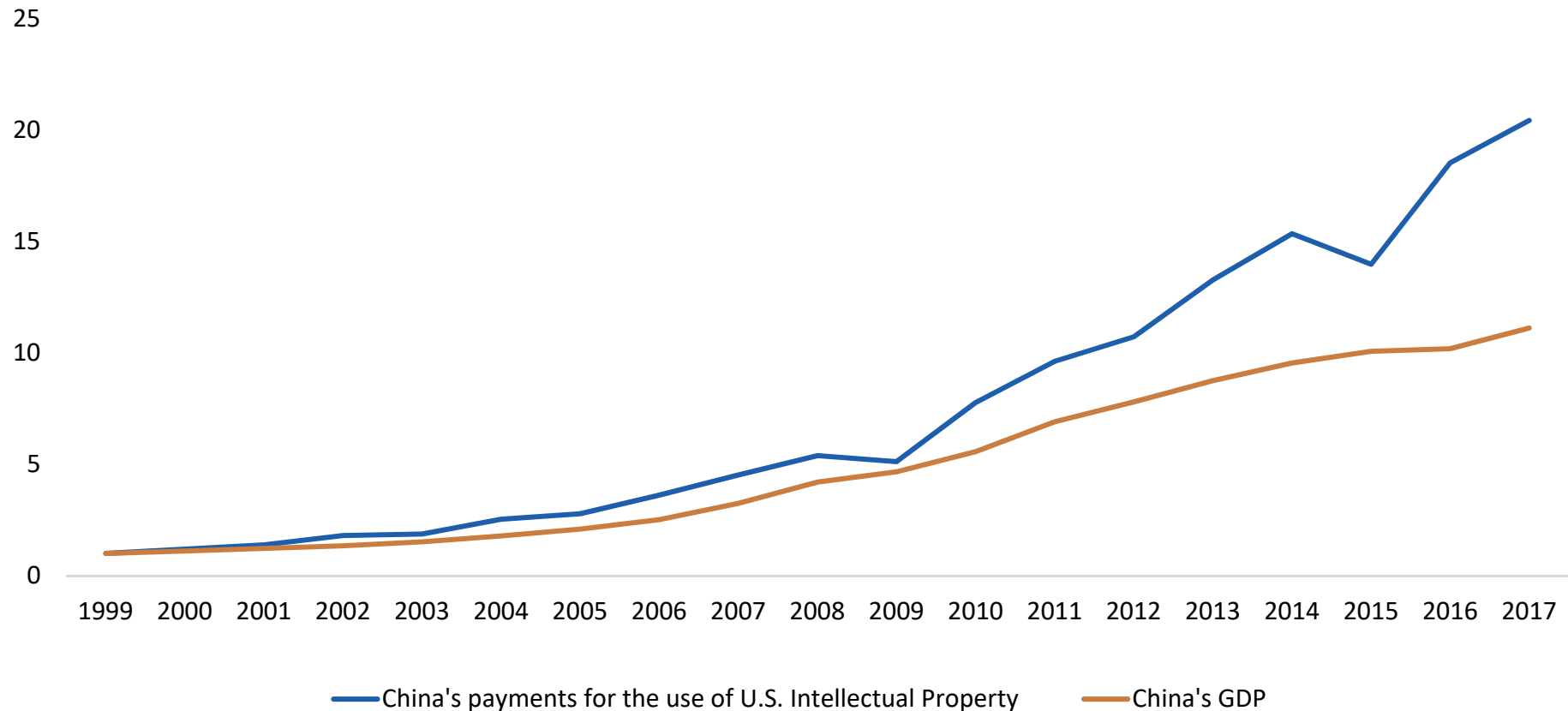


Source: Bloomberg

Intellectual Property Rights (IPR) Problem in Context

- ✧ China's Royalty Payments to the U.S. rose By more than 19x from 1999 to 2017
- ✧ Only 14% of U.S. firms say weak IPR protection a "serious hindrance" to business
- ✧ Only 4% of U.S. firms said ending forced tech transfer should be top trade talks objective

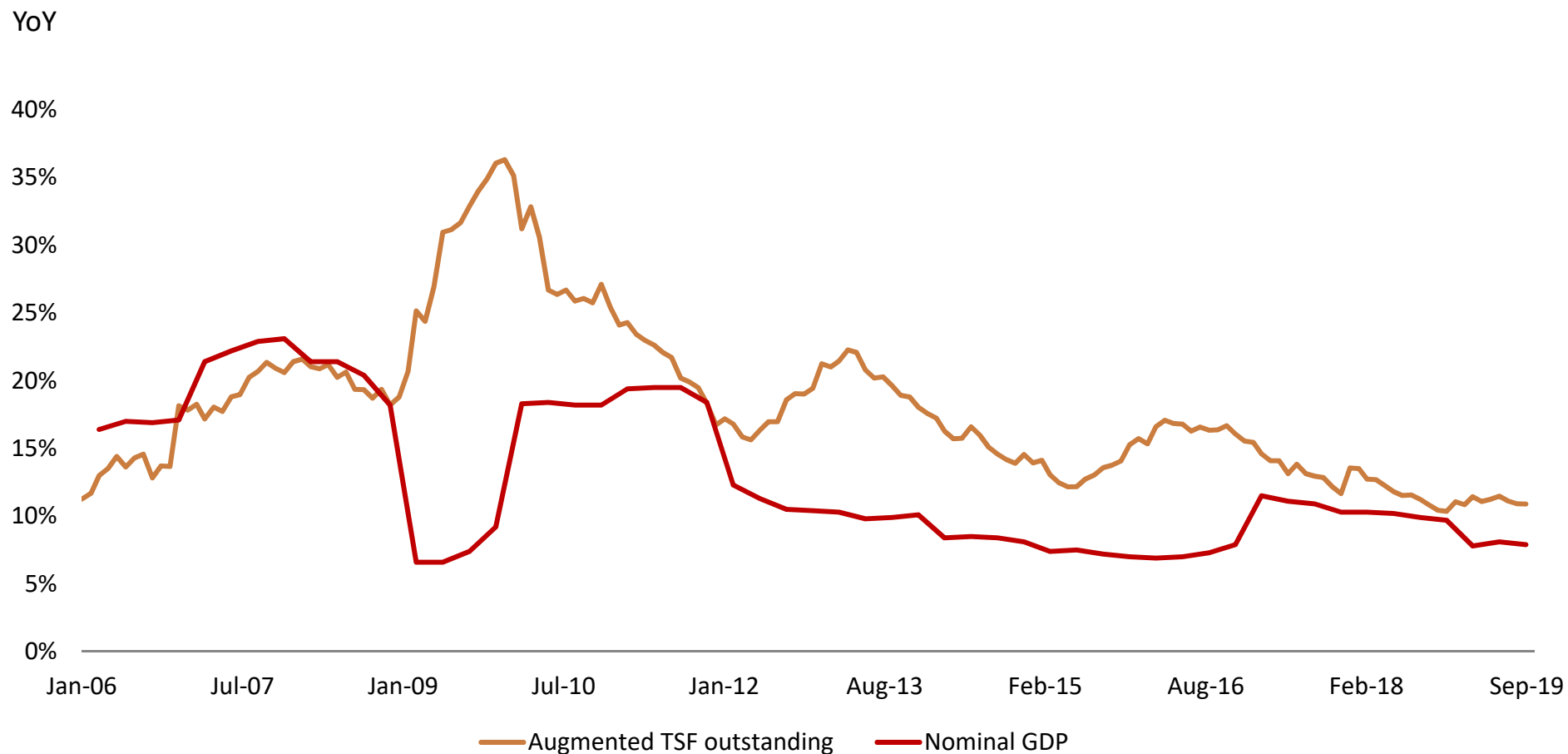
Year 1999=1



Sources: CEIC, Matthews Asia, World Intellectual Property Organization, American Chamber of Commerce in Shanghai

Very Modest Credit Stimulus in Response to Trump Tensions

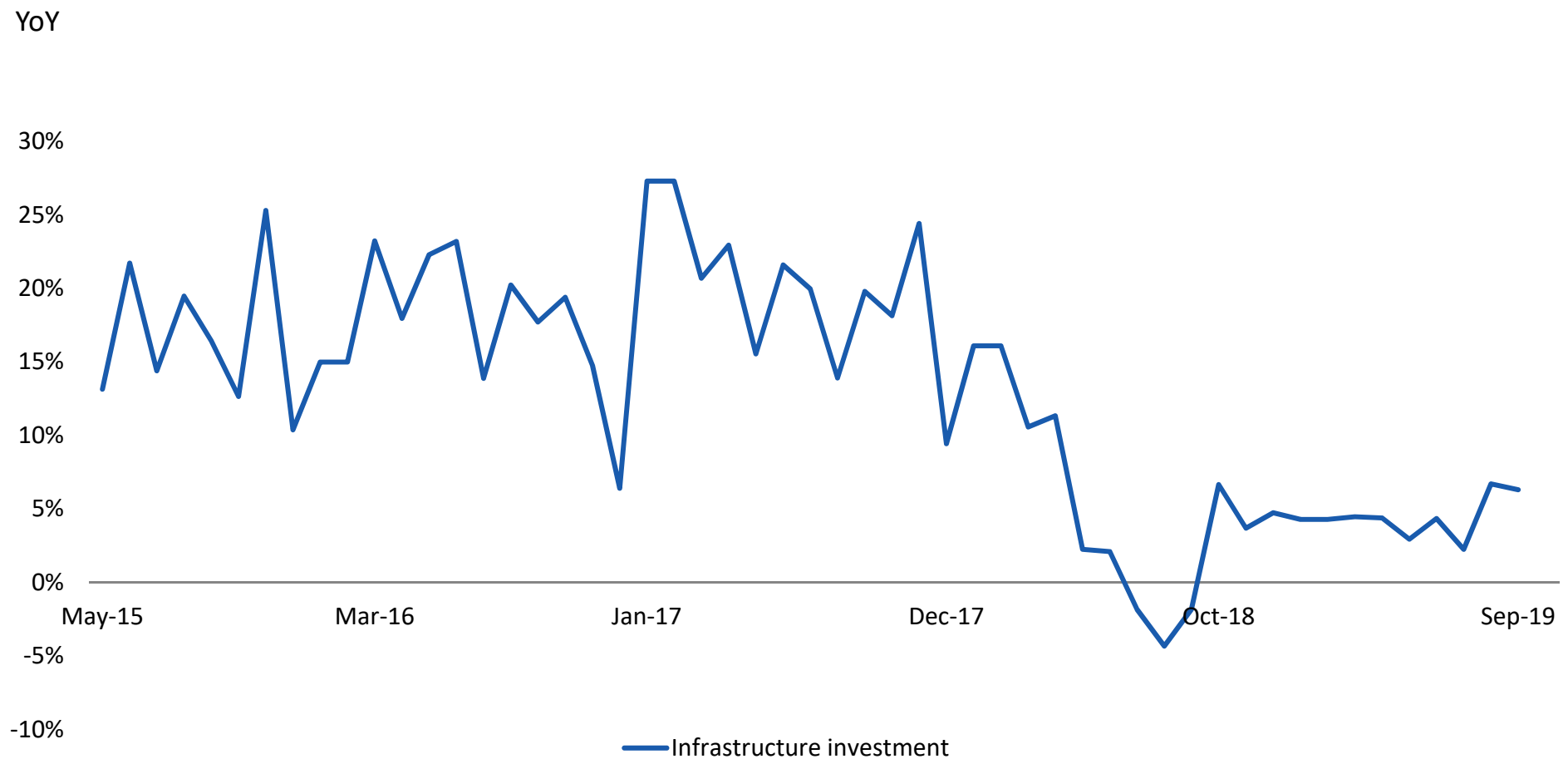
Enough to boost sentiment without adding much to China's debt burden



Augmented TSF outstanding = total social financing (TSF) outstanding - equity financing + muni bond outstanding

Sources: CEIC, Matthews Asia estimates

Beijing Also Refrained From an Infrastructure Stimulus

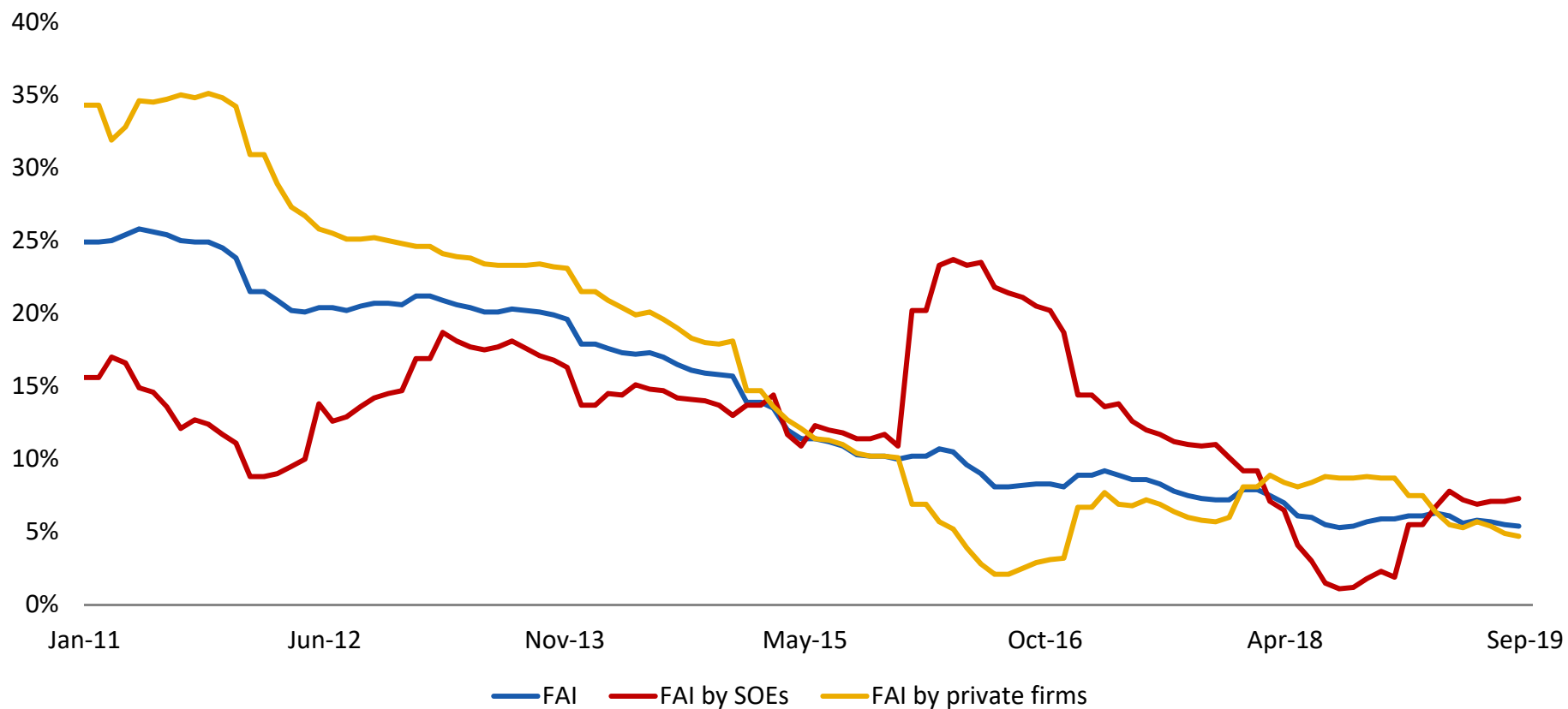


Source: CEIC

Fixed Asset Investment by Private Firms Has Yet to Recover

Private sector confidence still dampened by U.S.-China tensions

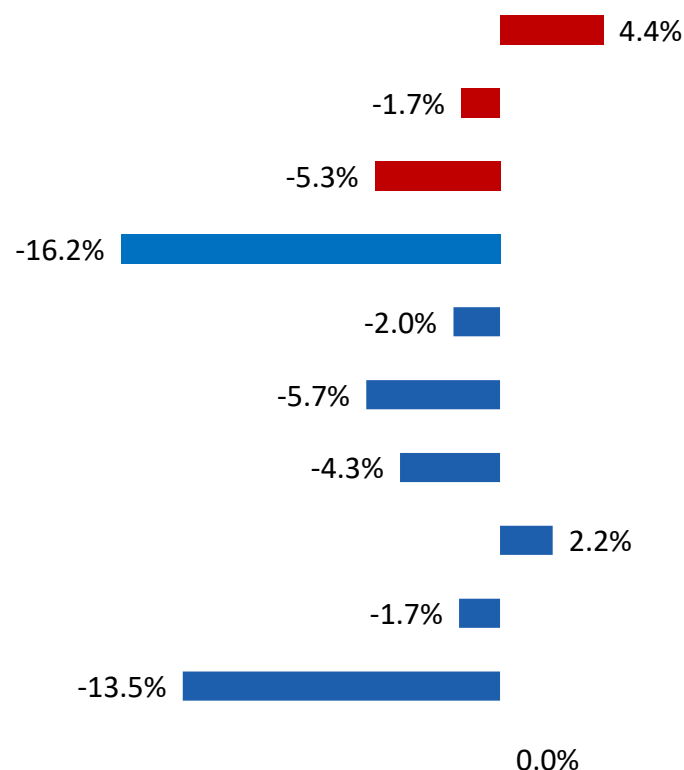
YTD, YoY



Source: CEIC

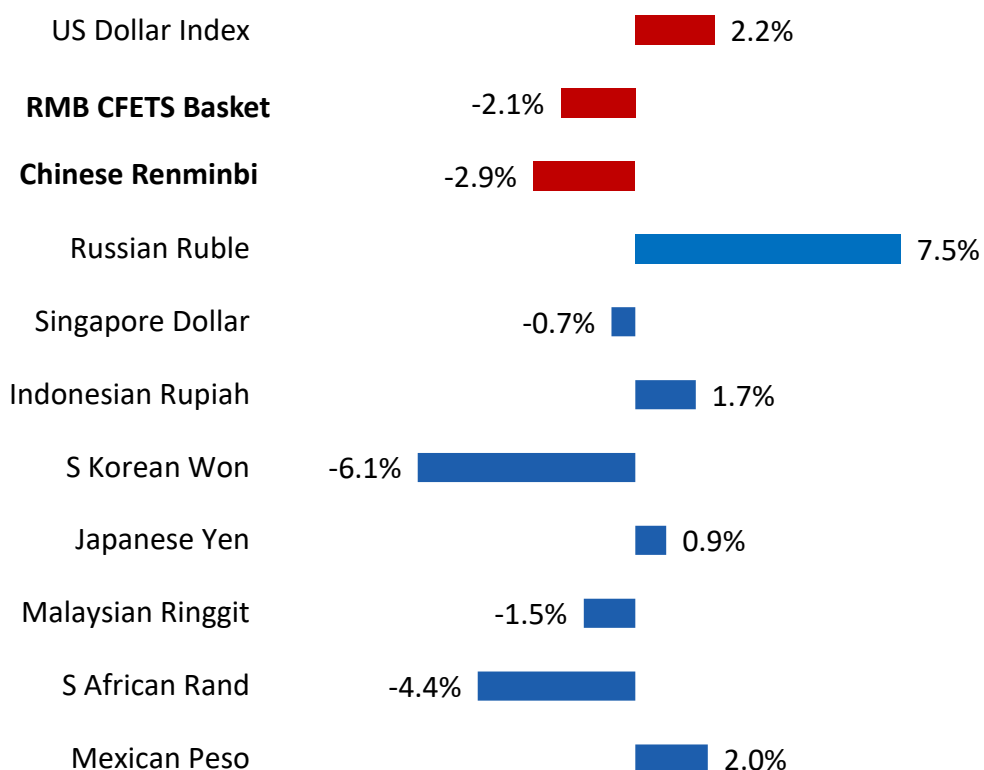
IMF: RMB in 2018 “was broadly in line with the medium-term fundamentals and desirable policies. . . not overvalued nor undervalued.”

2018



Note: Changes in currency exchange rates year-to-date through December 31, 2018.

JANUARY 1 THROUGH OCTOBER 15 , 2019



Note: Changes in RMB CFETS basket year-to-date through Oct 11, 2019; and changes in other currency exchange rates year-to-date through Oct 15, 2019,

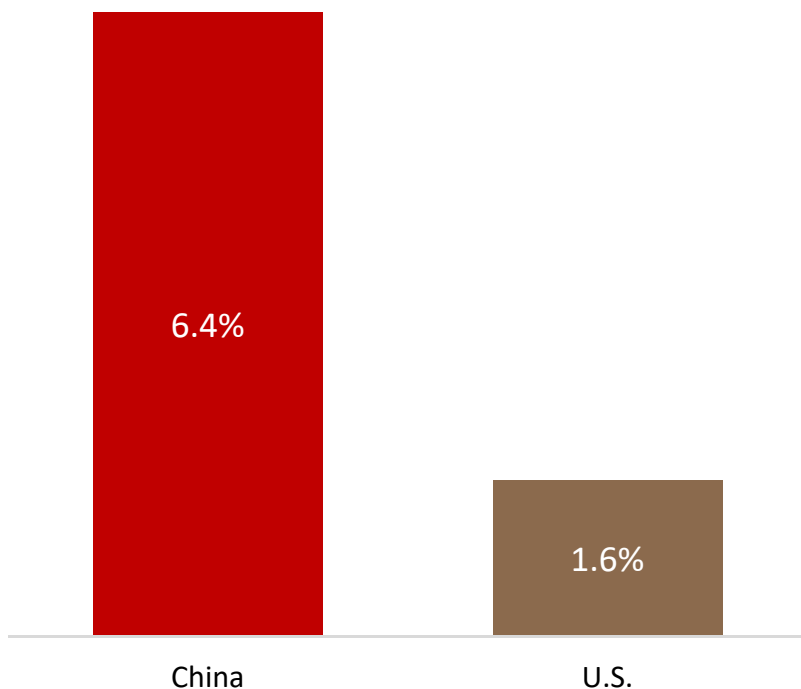
Sources: Bloomberg, CFETS

We Shouldn't Start a Trade War Based on the Mistaken Belief We Face an Economically Weak Opponent

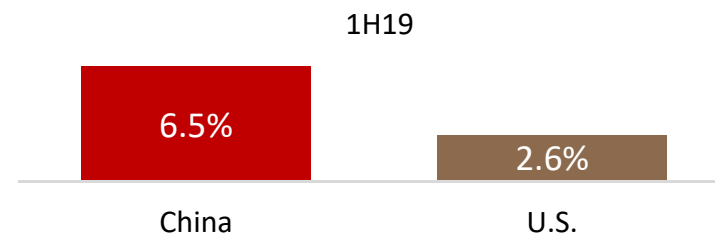
Larry Kudlow: *"The Chinese economy is crumbling."* — August 6, 2019

President Trump: *"China has had the worst year they've had in 27 years."* — August 20, 2019

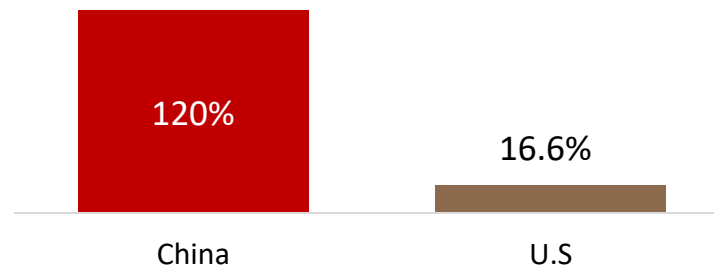
REAL RETAIL SALES DURING THE FIRST THREE QUARTERS OF 2019



REAL GROWTH RATE OF PER CAPITA DISPOSABLE INCOME



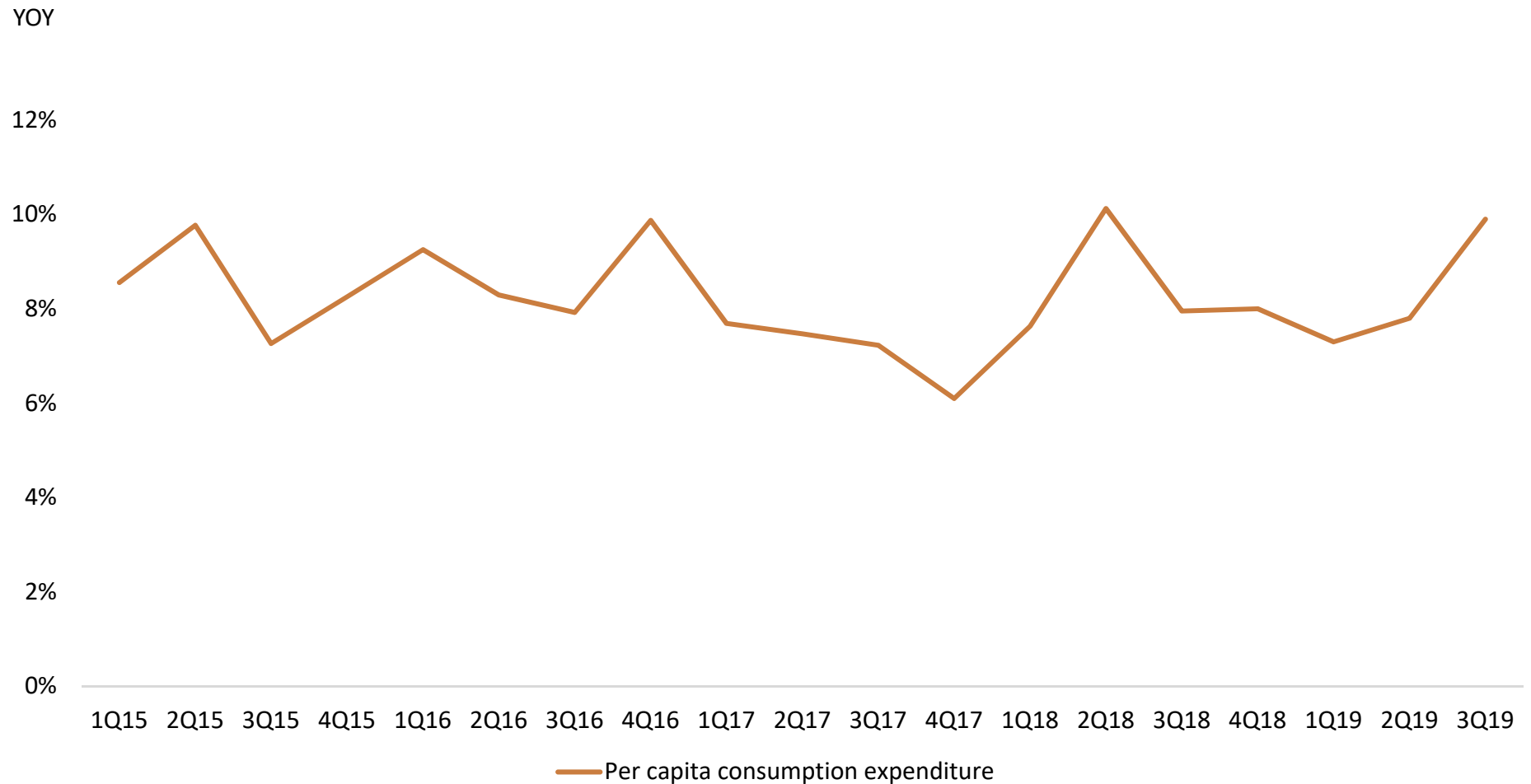
Over the last 10 years (2008 – 2018)



Sources: CEIC, Federal Reserve Bank of St. Louis

Household Consumption Rose 9.9% in 3Q19 vs. 7.3 in 1Q19

Includes a wider range of services compared to retail sales; services now 49.4% of household consumption

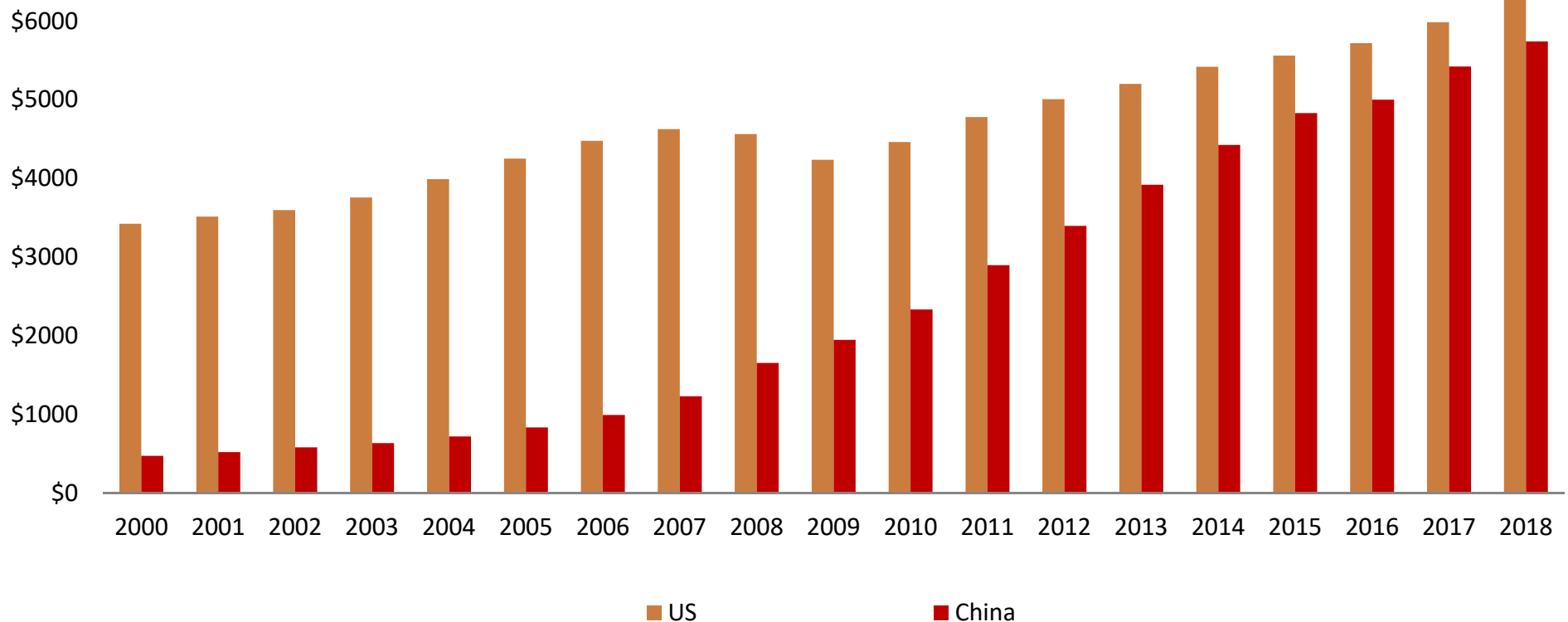


Sources: CEIC, NBS

The World's Best Consumer Story

- * Chinese retail sales = 91% of U.S. retail sales in USD terms in 2018; up from 36% a decade ago
- * Real retail sales rose 6.9% YoY in China last year, vs. 2.4% in the U.S.

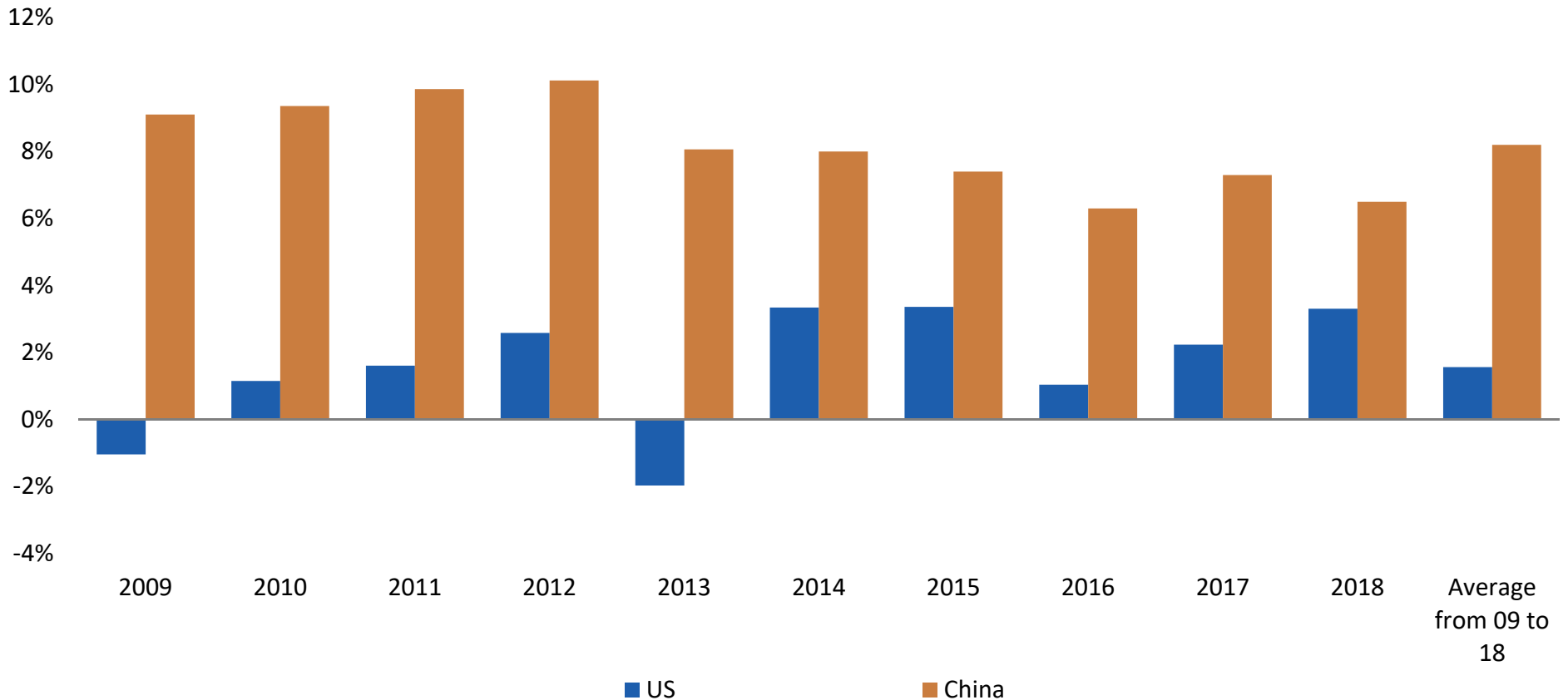
RETAIL SALES IN CHINA AND THE U.S. (US\$ BN)



Source: CEIC

Strong Income Growth Drives the World's Best Consumption Story

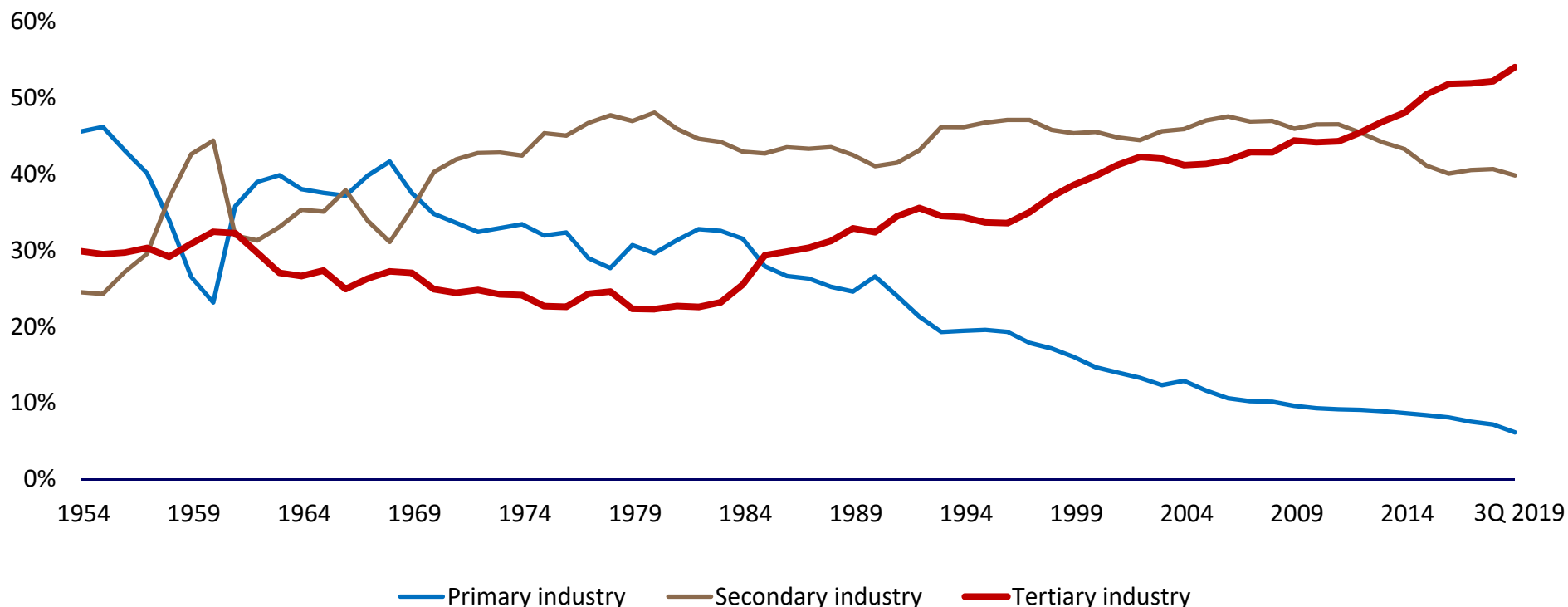
Average real income growth over the last decade of 8.2% in China vs. 1.6% in the U.S.



A Consumer-Driven Economy . . .

Services & consumption bigger than manufacturing & construction for the eighth consecutive year in 2019

SHARE OF GDP BY PRODUCTION APPROACH

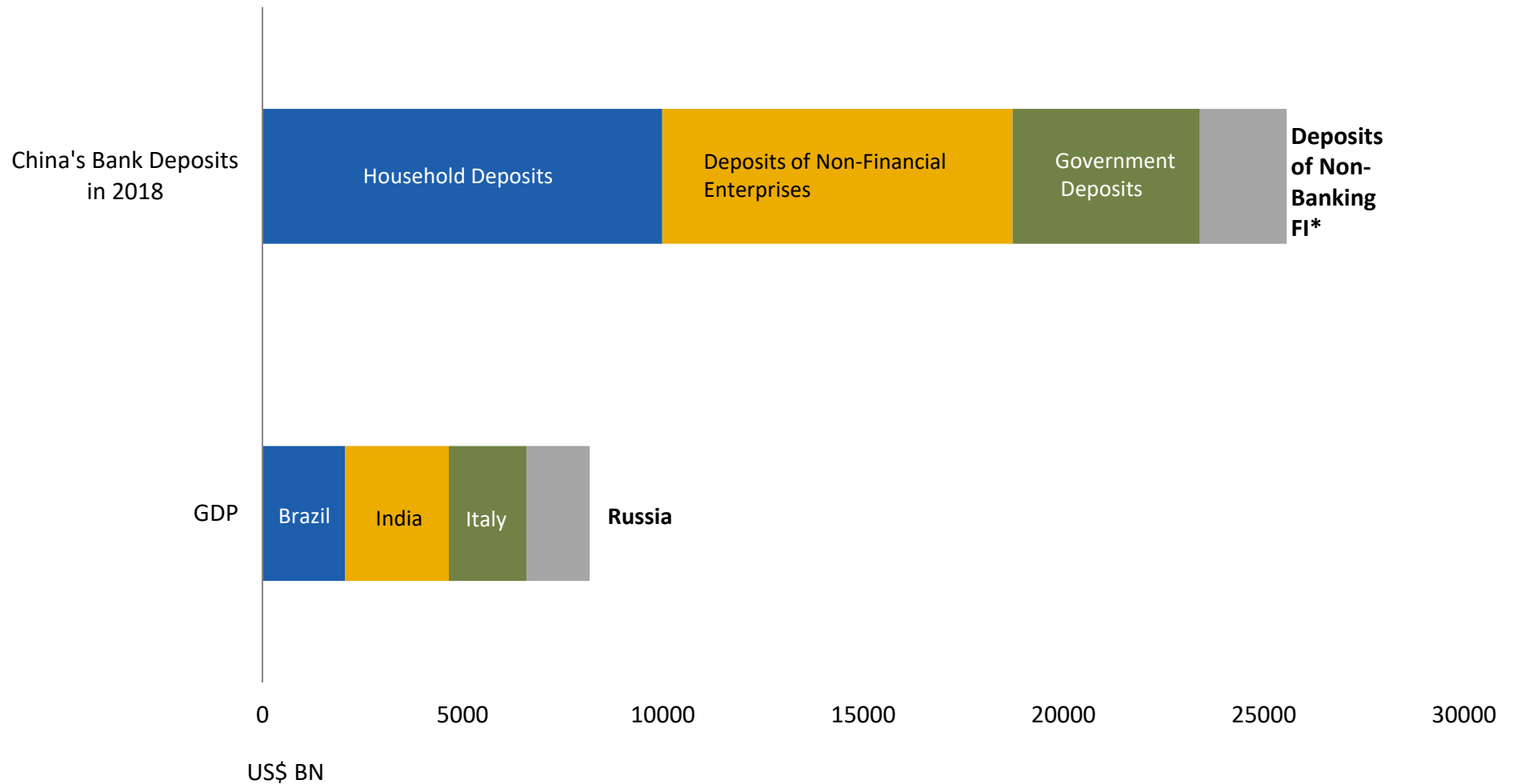


- Primary industry** refers to agriculture, forestry, animal husbandry and fishery and services in support of these industries
- Secondary industry** refers to mining and quarrying, manufacturing, production and supply of electricity, water and gas, and construction
- Tertiary industry** refers to all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

Source: CEIC

A Sustainable Story: High Savings Rate (and a Liquid Banking System)

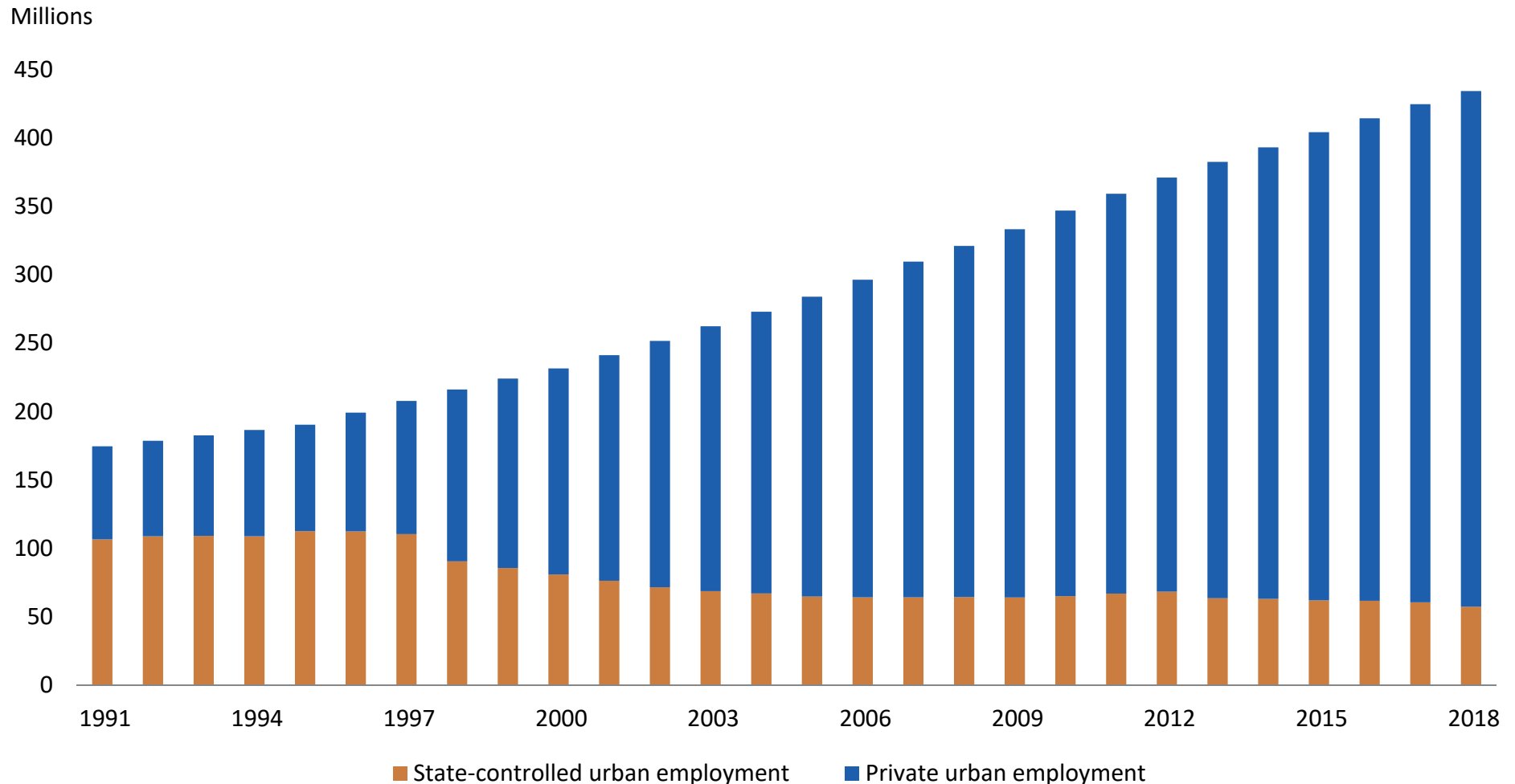
Household savings more than combined GDP of Brazil, India, Russia and Italy



*FI=Financial Institutions
Sources: CEIC, World Bank

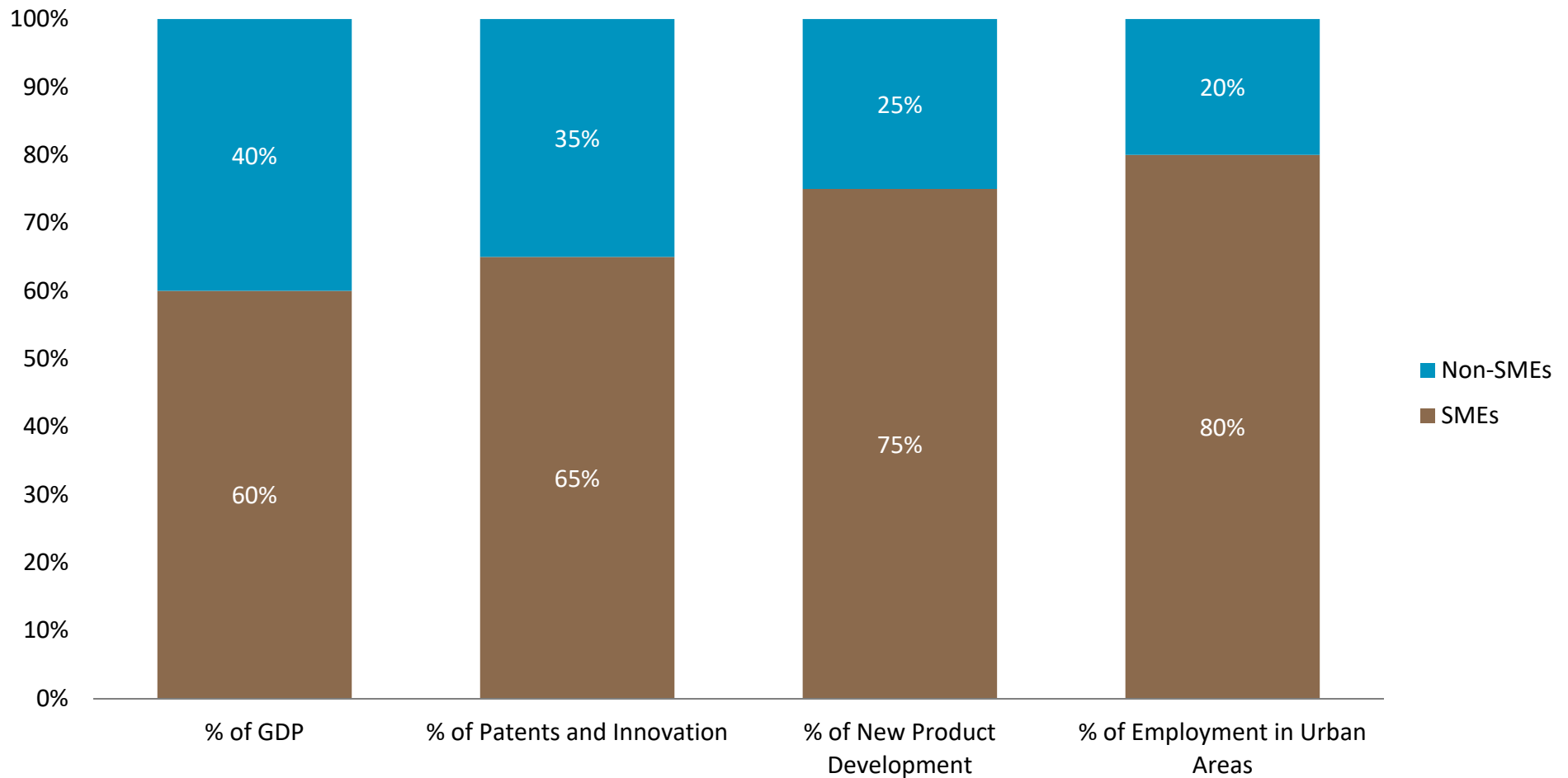
. . . Driven by Entrepreneurs

- ✧ 87% of urban employment now in small, privately-owned, entrepreneurial companies
- ✧ Economic freedom has led to greatly expanded personal freedom



Source: CEIC

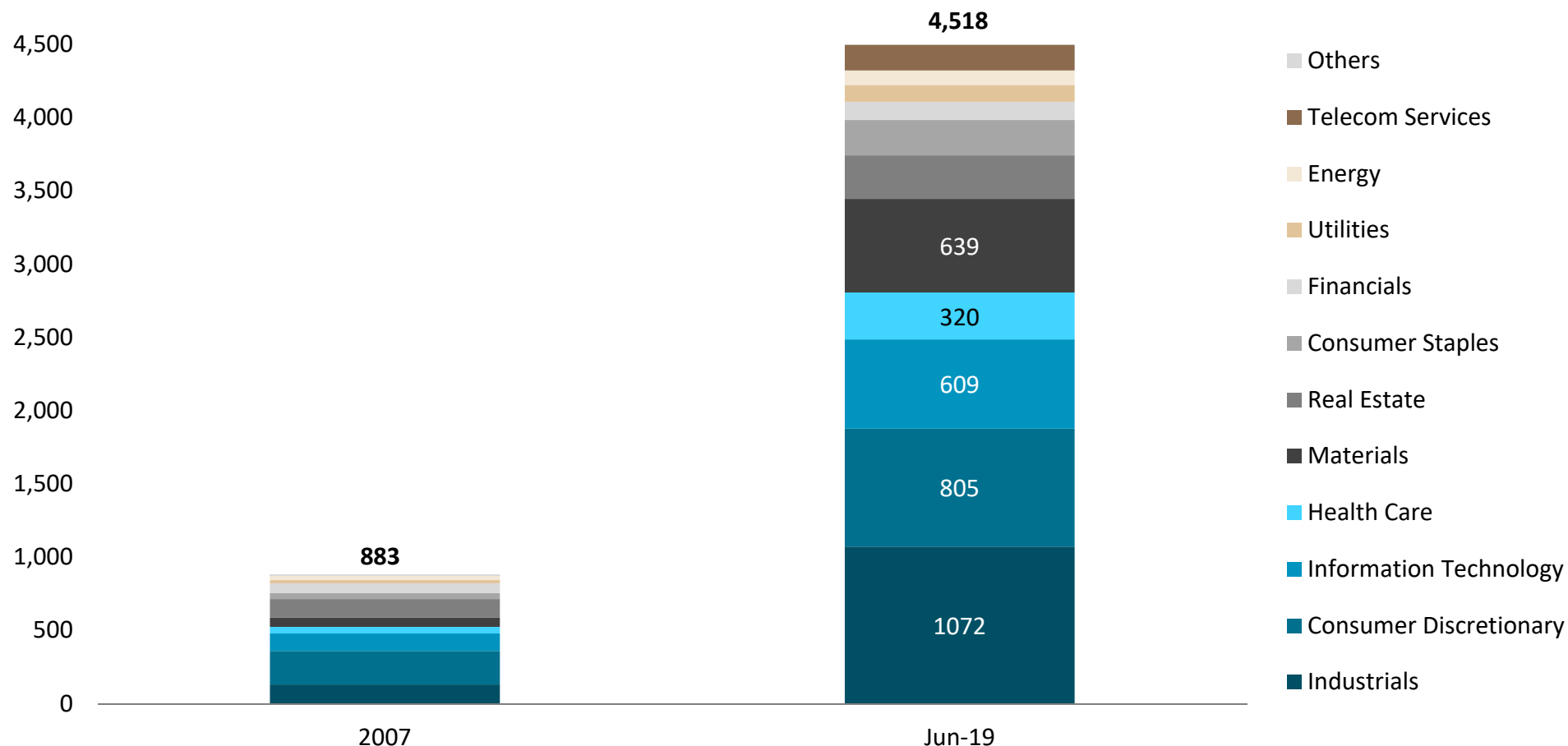
Small Businesses Play an Important Role in China's Economy



SME: Small and medium enterprise
Source: Ambassador Cheng Jingye's Speech at China SME Global Development Forum, June 2012

China's Small Company Universe is Expanding for Foreign Investors

We aim to invest in the top 1% of a universe

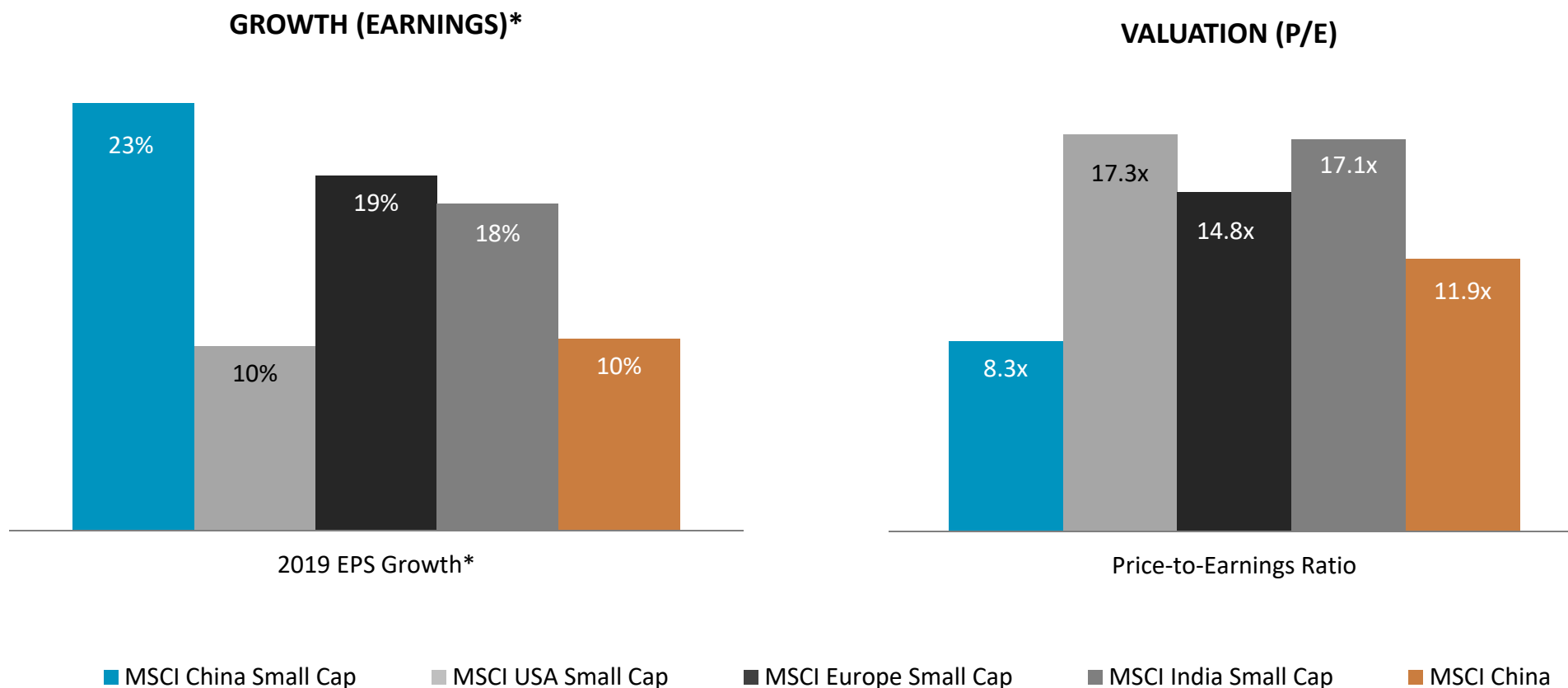


Includes all companies domiciled in Hong Kong, Macau and mainland China with market cap of US\$50MN to US\$3BN. 2007 figures do not include companies listed on the Shanghai or Shenzhen exchanges as they were not available to foreign investors at that time.

Source: Bloomberg; data as of June 30, 2019

Chinese Small Caps Are Priced Attractively Against Global Small Caps

As of June 30, 2019



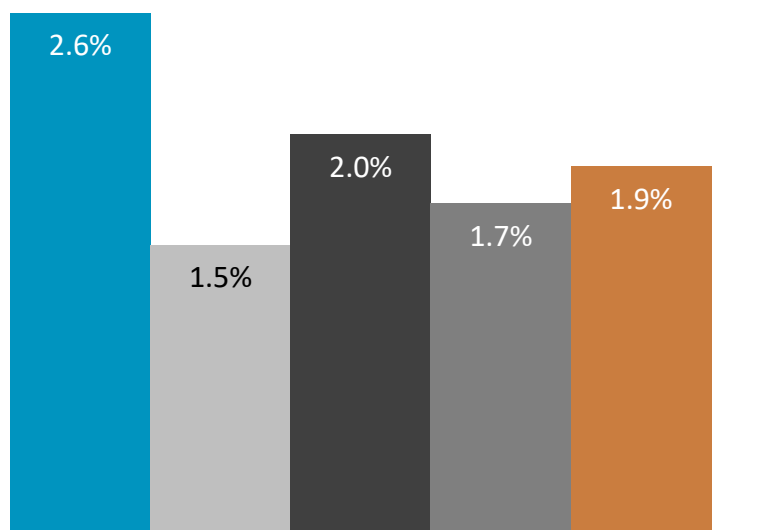
*Estimates as of June 28, 2019, for companies that provided forward looking EPS. There is no guarantee that estimated EPS growth will be achieved. Indexes are unmanaged and it is not possible to invest directly in an index.

Sources: Bloomberg, FactSet Research Systems; data as of June 30, 2019

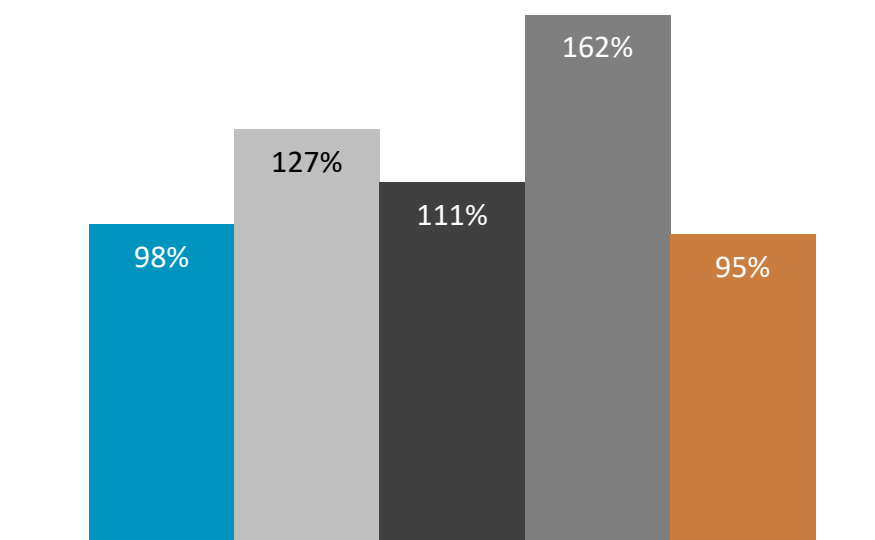
China Small Companies Do Not Depend on Leverage for Returns

As of June 30, 2019

RETURN ON ASSETS



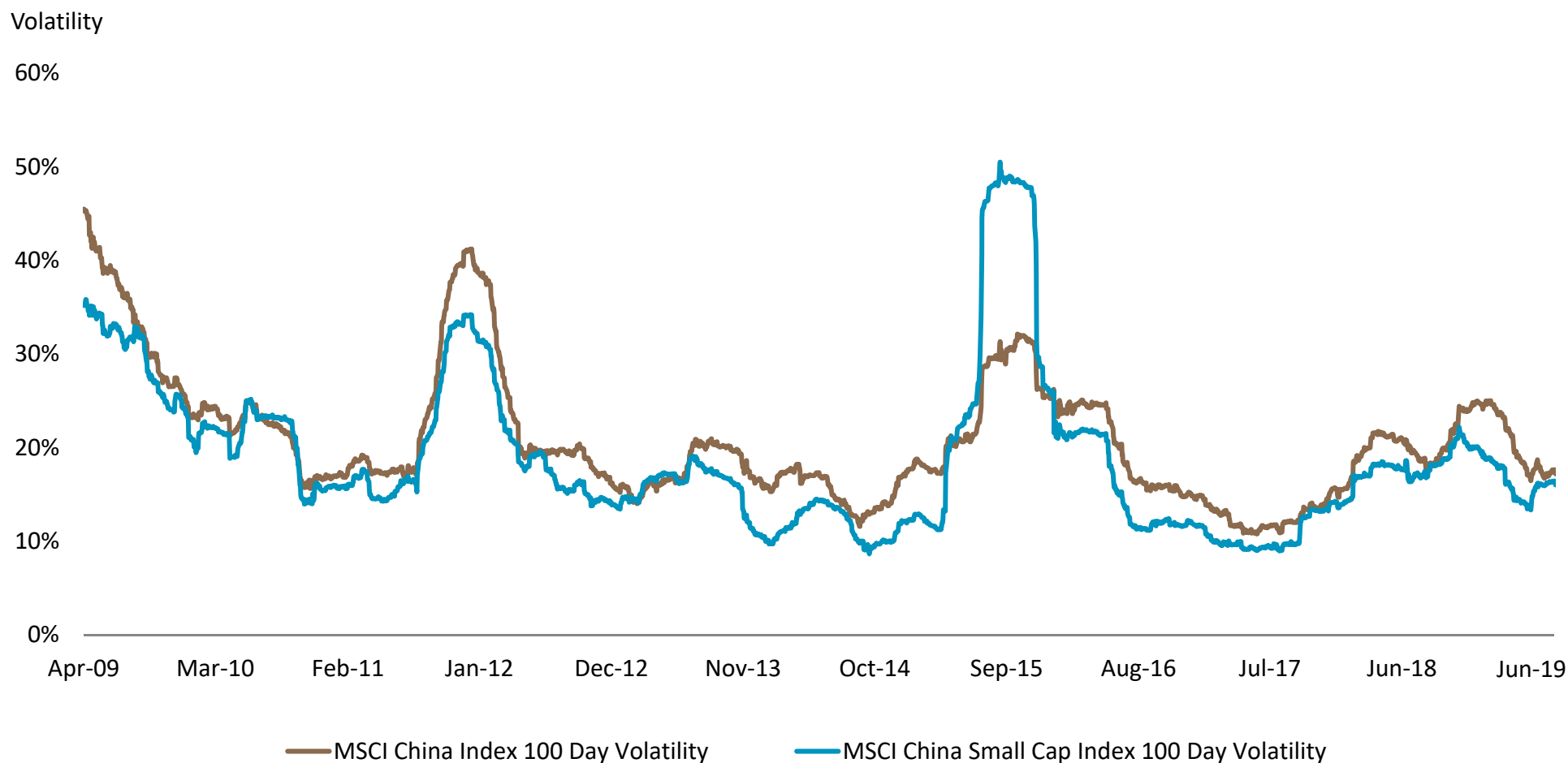
TOTAL DEBT TO TOTAL EQUITY



■ MSCI China Small Cap ■ MSCI USA Small Cap ■ MSCI Europe Small Cap ■ MSCI India Small Cap ■ MSCI China

Small Caps in China Have Historically Been Less Volatile Over the Long Run

100-day historical volatility

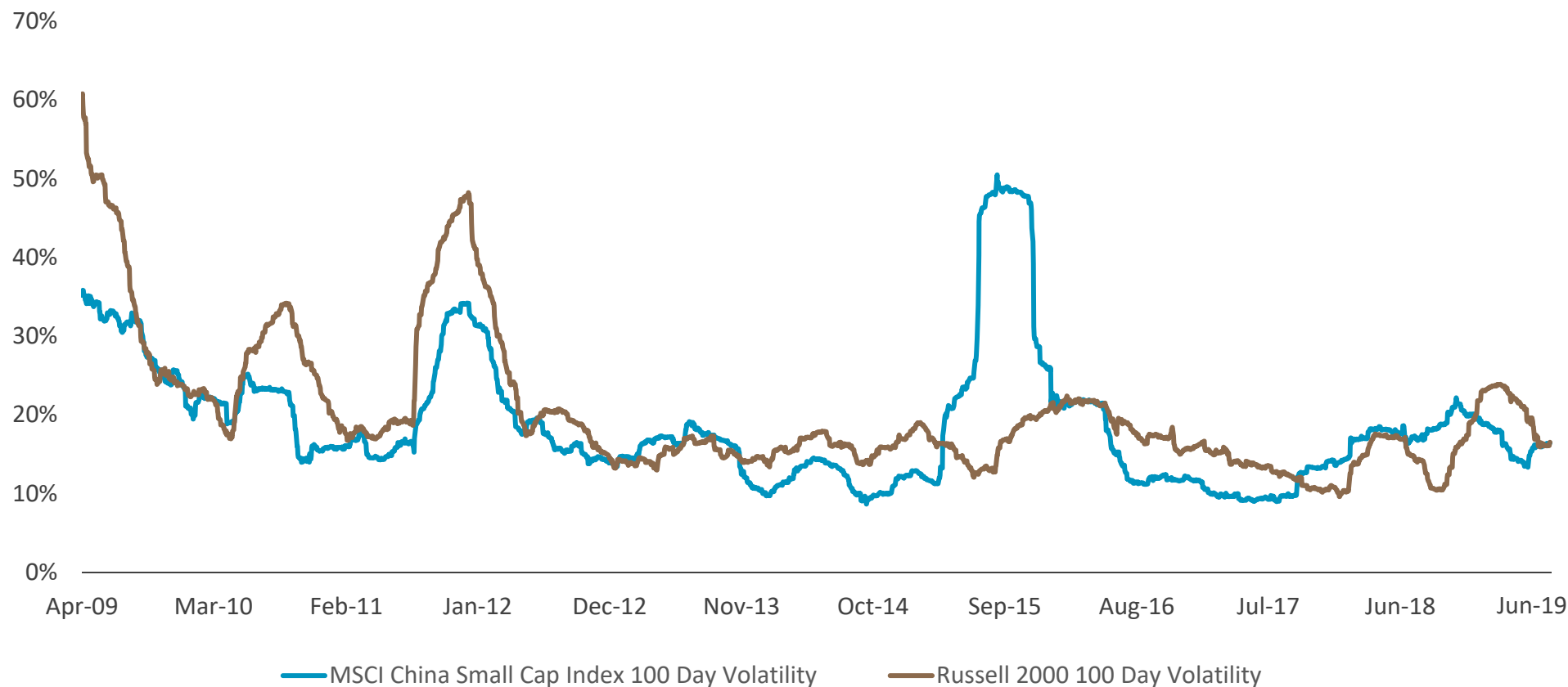


Volatility is the standard deviation of returns. Indexes are unmanaged and it is not possible to invest directly in an index.
Source: Bloomberg as of June 30, 2019

China Small Caps Volatility Similar to U.S. Small Caps

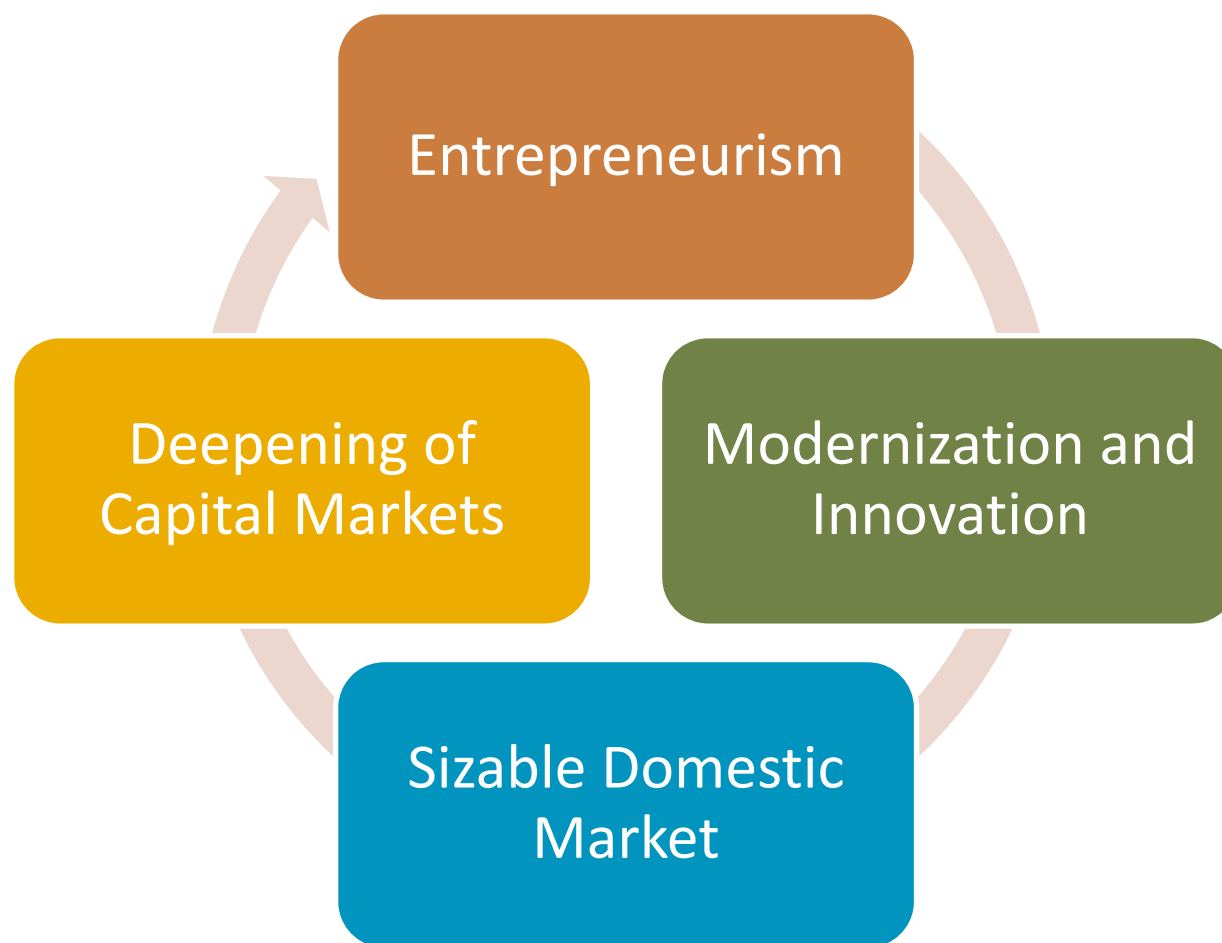
100-day historical volatility

Volatility



Note: U.S. Small Cap (Russell 2000 Index)
Volatility is the standard deviation of returns. Indexes are unmanaged and it is not possible to invest directly in an index.
Source: Bloomberg as of June 30, 2019

Structural Drivers for Chinese Small Caps

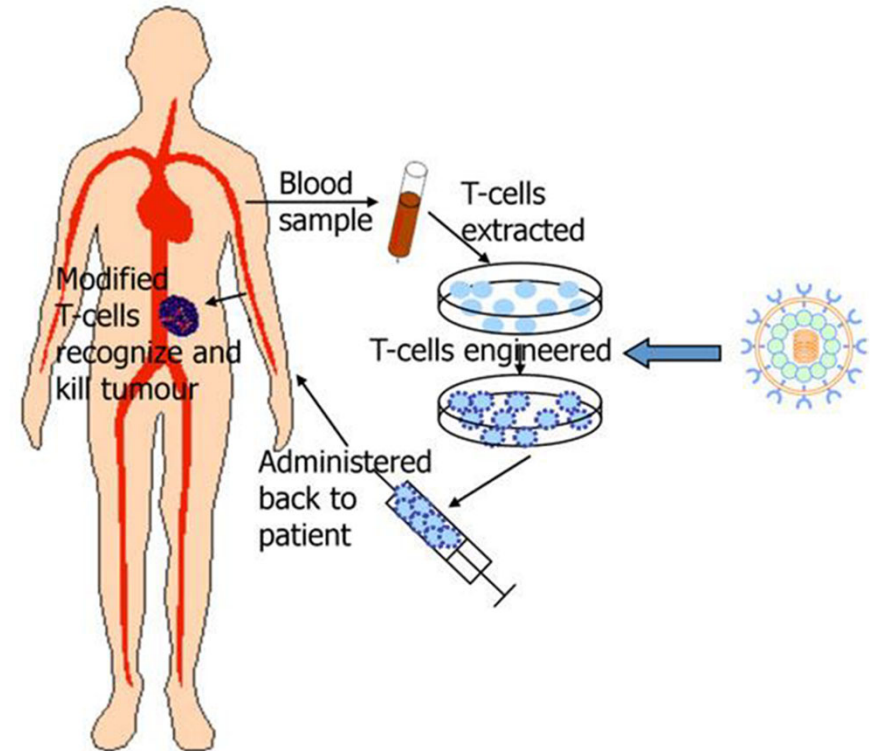
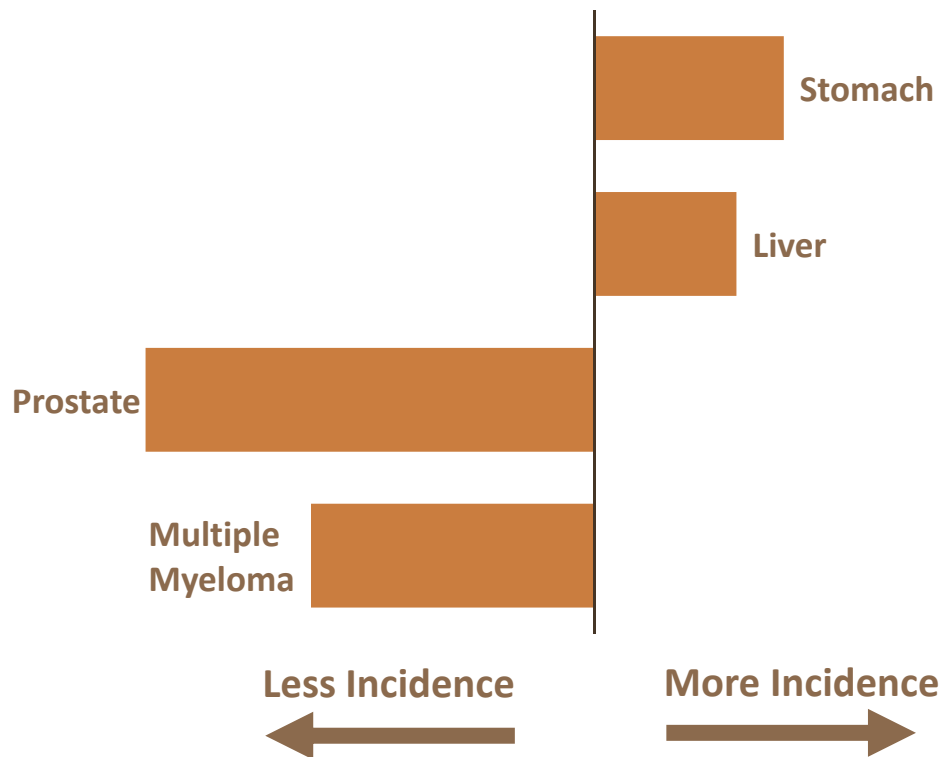


Source: Matthews Asia

China Will be the World's Next Biotech Powerhouse by Necessity

Chinese biotech industry advanced by flood of returning talents and brave attitude towards innovation

CANCER INCIDENCE RATES DIFFERENT BETWEEN CHINA AND THE WEST



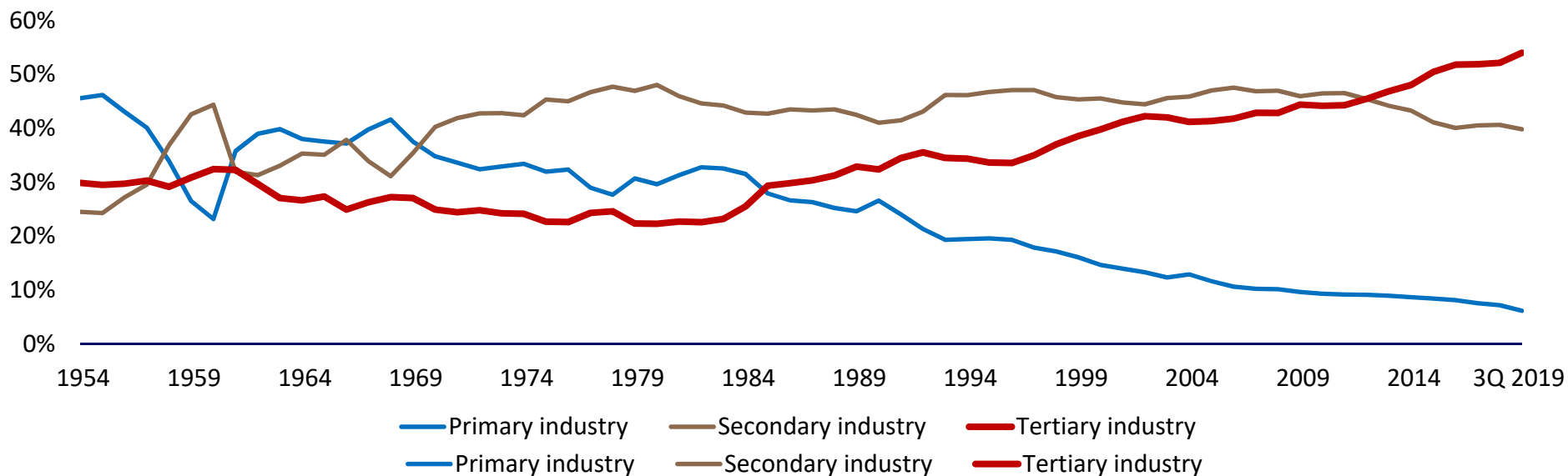
Source: Leukemia & Lymphoma Society, https://www.researchgate.net/figure/Estimated-cancer-incidence-2008-China-and-the-USA-male-all-ages_fig1_236925639, clinical data as of 2008

Software is Critical to Enhance Labor Productivity Going Forward

China has over 40 million small businesses, and employee turnover rate is 20.8%



SHARE OF GDP BY PRODUCTION APPROACH



Sources:

Small and Medium Enterprises In China, July 4th 2017 (<https://ecovis-beijing.com/investment/smes-china/>);

Employer Turnover Rate: (<http://www.newpointdevview.com/pro-en/intercultural-compentence/high-employee-turnover-in-china-not-matter-of-money/>; turnover as of 2016);

Share of GDP: CEIC

Semiconductor is the New Oil in the New Economy

China still imports 80% of its semiconductor needs



Sources:

China Looks to Become a Major Force in Semiconductors as of January 23, 2017 (<https://www.sourcetoday.com/blog/china-looks-become-major-force-semiconductors>),
Image credit President Xi types his first Weibo post via military newspaper account as of December 28, 2015(<http://english.sina.com/china/2015/1227/876835.html>)

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Imagine Yourself in a Time Machine

What would you do if you could invest in Silicon Valley in 1980s all over again?



Over 40 Million
Small Businesses
and Counting...



\$260B Semiconductor
Imports Per Year
and Growing...*



4.3 Million New
Cancer Patients and
Increasing..

Sources;

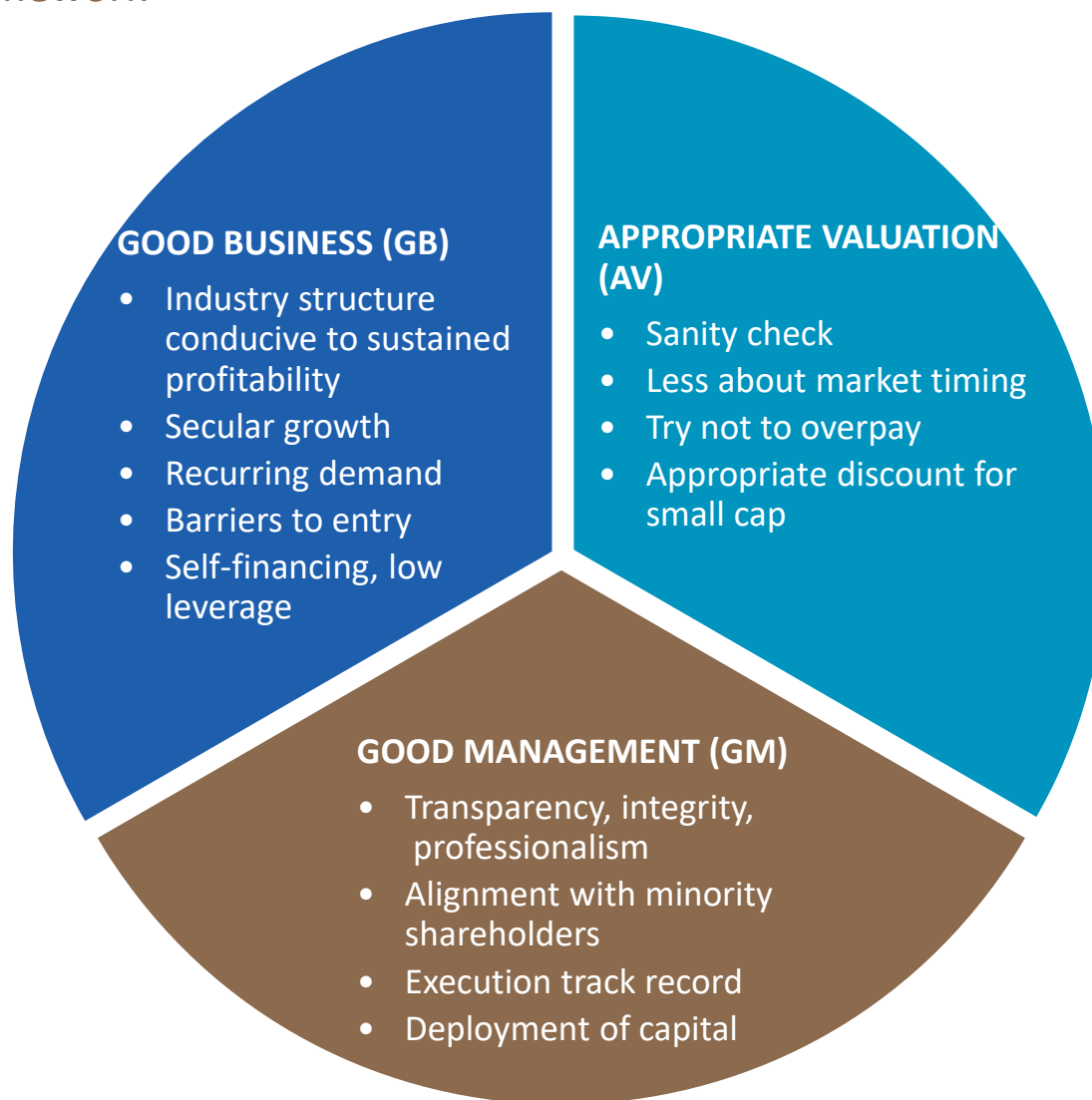
Small and Medium Enterprises In China, July 4th 2017 (<https://ecovis-beijing.com/investment/smes-china/>),
CA: A Cancer Journal for Clinicians Report, Cancer Statistics in China, 2015(<http://pressroom.cancer.org/China2015>),

China will spend big to fix semiconductor dependence as they imported \$260 billion in chips versus \$162 billion in oil as of September 5, 2018 (* figure is as of 2017)
(<https://www.nextbigfuture.com/2018/09/china-will-spend-big-to-fix-semiconductor-dependence-as-they-imported-260-billion-in-chips-versus-162-billion-in-oil.html>)



Equity Selection Framework

Three pillar framework



Parameters set by Matthews Asia are subject to change.

Risk Mitigation

Kissing frogs and kicking tires—no shortcuts

Risk Minimization Techniques

- ✧ Investigate management background and incentives
- ✧ Always validate the product
- ✧ Avoid related party transactions
- ✧ Avoid serial acquirers
- ✧ Check with upstream suppliers and downstream customers
- ✧ Check corporate governance activist sites
- ✧ Understand the short seller's side of the story



Key Takeaways

China: The Time is Now!

- ✧ Despite the headlines, secular growth trends, consumer demand and corporate **fundamentals are solidly in place**
- ✧ Temporary negative sentiment due to geopolitical tensions results in increasingly **attractive valuations**
- ✧ **Smaller businesses power China's structural growth in consumption and services** through innovative products and business models, however, they are often omitted from EM and China indices
- ✧ Investors' structural underweight in Chinese small caps is unreasonably large given smaller companies' contribution to the economy. This anomaly creates opportunities for long-term investors looking for **uncorrelated alpha**

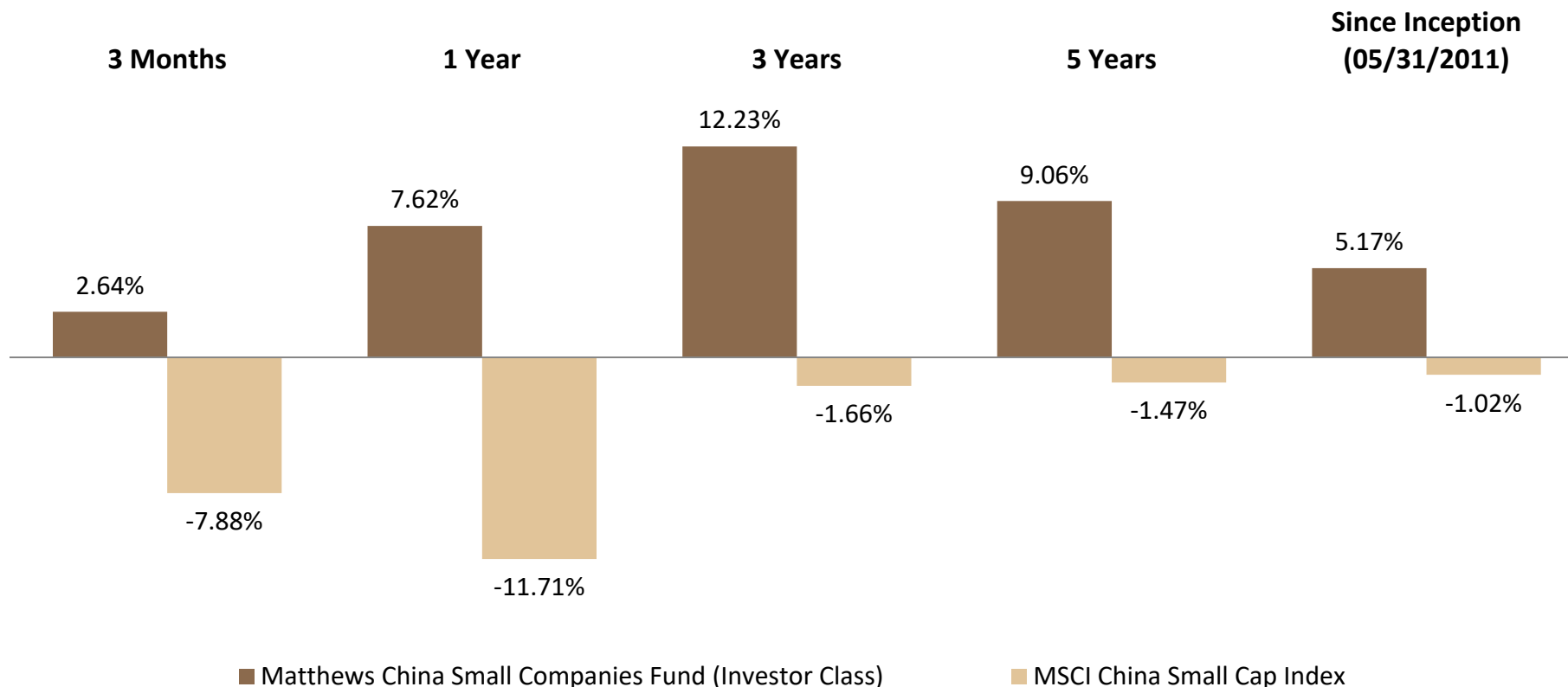
The statements above are based on the beliefs and assumptions of our portfolio management team and on the information currently available to our team at the time of such statements. Although we believe that the expectations reflected in these statements are reasonable, we can give no assurance that these expectations will provide to be correct.

Appendix

Investment Returns | Matthews China Small Companies Fund

As of September 30, 2019

AVERAGE ANNUAL TOTAL RETURNS



Assumes reinvestment of all dividends and/or distributions before taxes. All performance quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the return figures quoted. Returns would have been lower if certain of the Fund's fees and expenses had not been waived. For the Fund's most recent month-end performance visit matthewsasiasia.com. It is not possible to invest directly in an index.

Index since inception value calculated from 5/31/2011
Sources: BNY Mellon Investment Servicing, Bloomberg, Matthews Asia

Portfolio Characteristics | Matthews China Small Companies Fund

As of September 30, 2019

SECTOR BREAKDOWN (%)

	Fund	Benchmark	Difference
Information Technology	21.2	11.9	9.3
Industrials	19.4	11.7	7.7
Health Care	15.1	8.7	6.4
Consumer Discretionary	11.0	20.0	-9.0
Consumer Staples	10.9	3.9	7.0
Real Estate	7.6	19.7	-12.1
Materials	2.6	8.9	-6.3
Energy	1.4	2.0	-0.6
Communication Services	0.5	4.9	-4.4
Utilities	0.0	4.4	-4.4
Financials	0.0	3.9	-3.9
Cash and Other Assets, Less Liabilities	10.2	0.0	10.2

Benchmark: MSCI China Small Cap Index

The information contained in this presentation does not, in any way, constitute investment advice.
Portfolio characteristics for the Fund may vary from time to time from what is shown.

Sources: FactSet Research Systems, Inc., Matthews Asia

Portfolio Characteristics | Matthews China Small Companies Fund

As of September 30, 2019

MARKET CAP EXPOSURE (%)

	Fund	Benchmark	Difference
Mega Cap (over \$25B)	0.0	0.0	0.0
Large Cap (\$10B-\$25B)	0.0	0.0	0.0
Mid Cap (\$3B-\$10B)	17.1	0.0	17.1
Small Cap (under \$3B)	72.6	100.0	-27.4
Cash and Other Assets, Less Liabilities	10.2	0.0	10.2

PORTFOLIO CHARACTERISTICS

	Fund
Assets	\$74.7 million
Weighted Average Market Cap	\$2.2 billion
P/E using FY1 Estimates*	14.6x
P/E using FY2 Estimates*	13.6x

Benchmark: MSCI China Small Cap Index

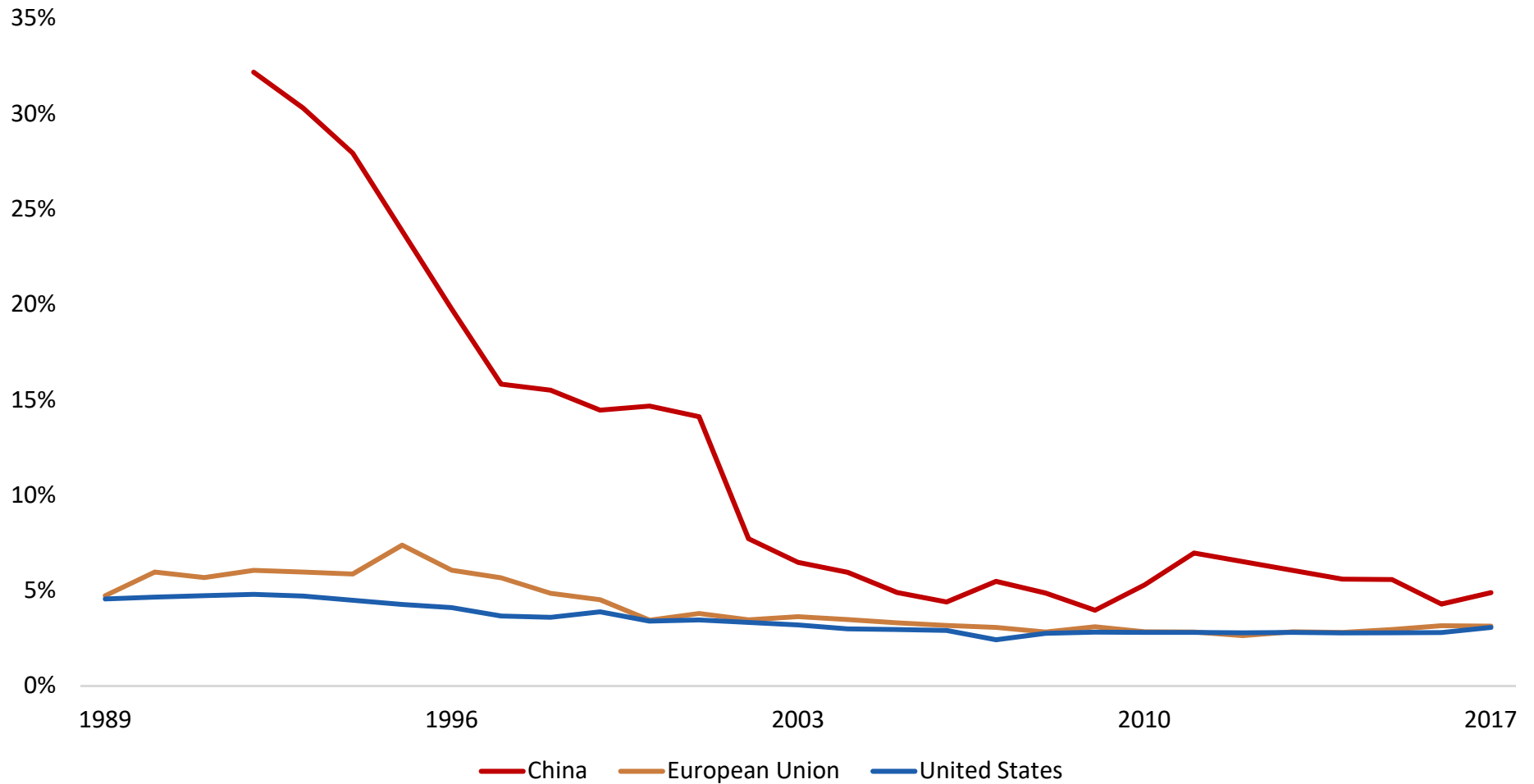
*The P/E Ratio is the share price of a stock as of the report date, divided by the forecasted earnings per share for a 12-month period (FY1) and 24 month period (FY2). For the Fund, this is the weighted harmonic average estimated P/E ratio of all the underlying stocks in the Fund, excluding negative earners. There is no guarantee that the composition of the Fund will remain unchanged, or that forecasted earnings of a stock will be realized. Information provided is for illustrative purposes only.

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Sources: FactSet Research Systems, Inc., Bloomberg, Matthews Asia

China's Tariffs Have Come Down Under WTO

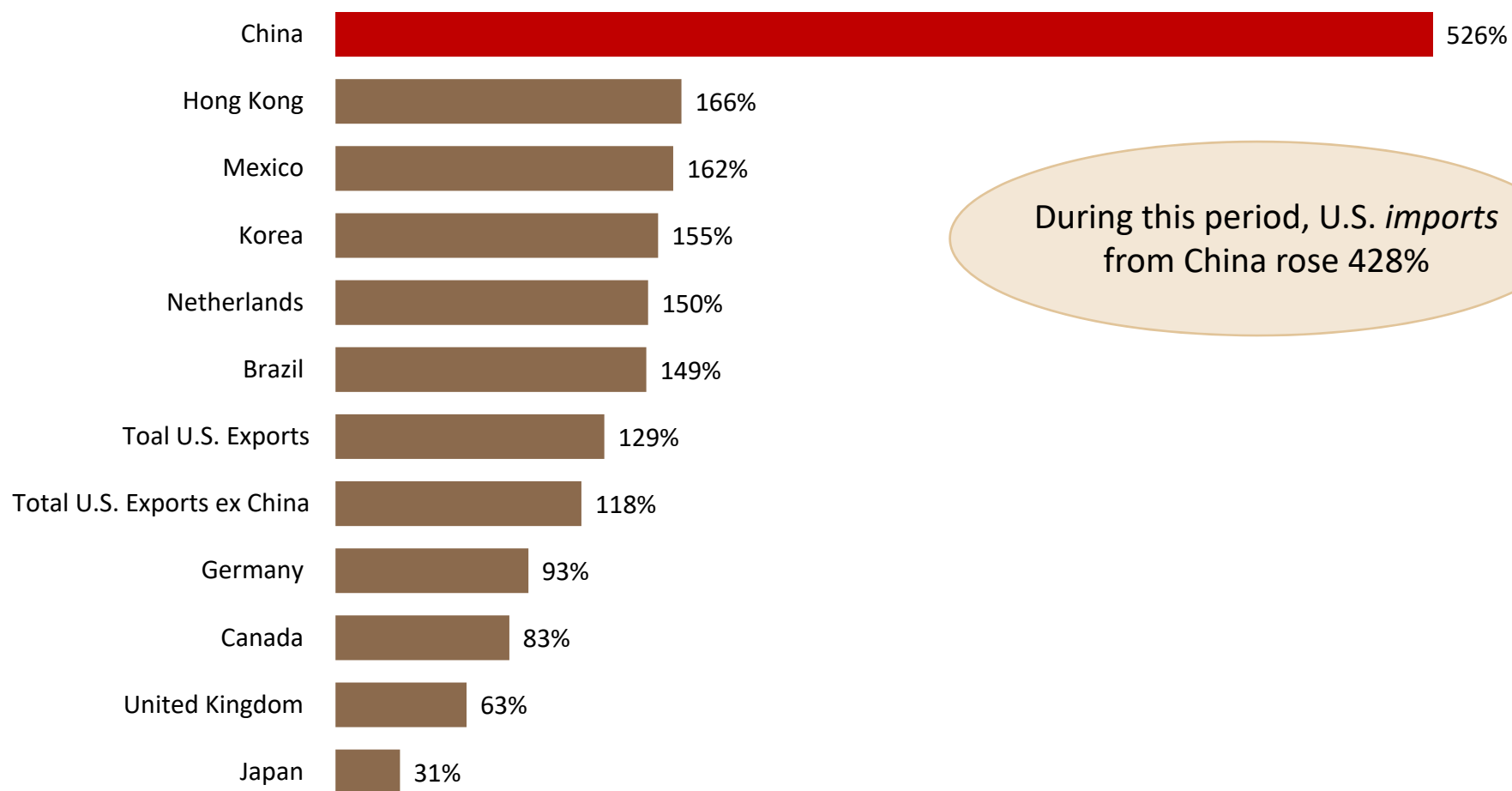
Tariff Rate of Manufactured Goods, Most Favored Nation, Weighted Mean



Source: World Bank

Many American Firms are Winning in China

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



During this period, U.S. *imports* from China rose 428%

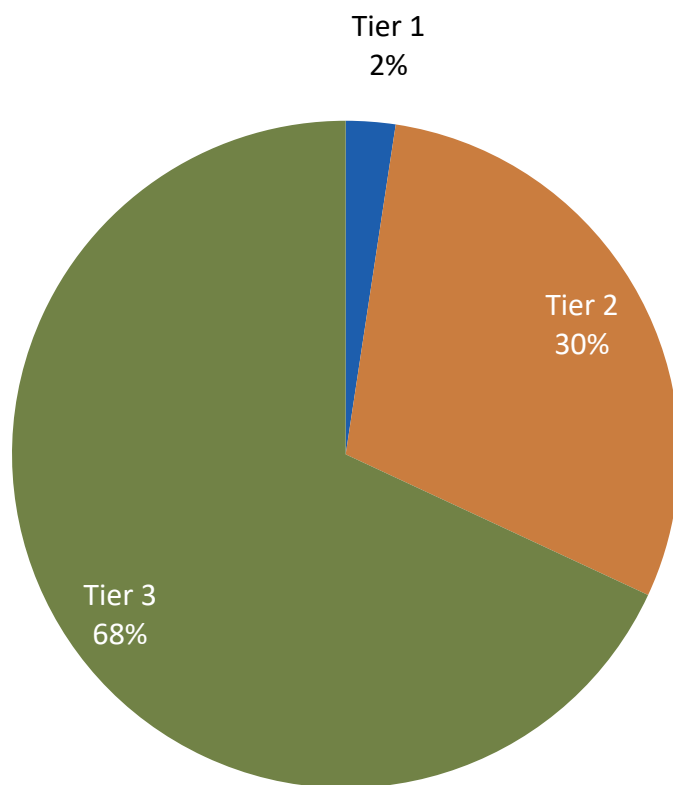
Growth Rate

Source: CEIC; data for period 2001 to 2018

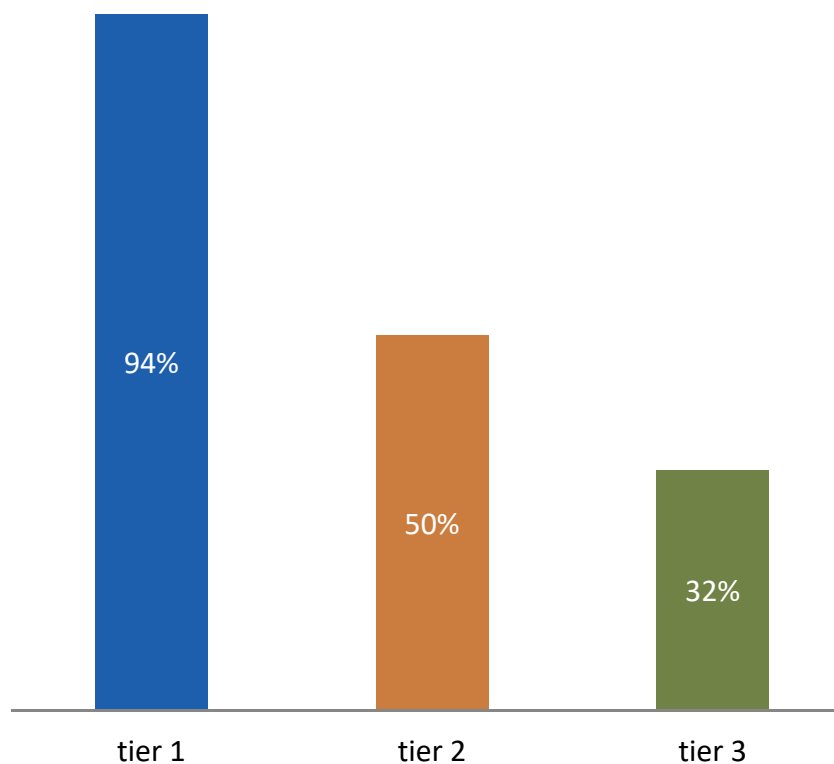
Risk 1: Residential Property Bubble?

- ✧ Tier 1 cities account for only 2% of new home sales; Tier 2 = 30%; Tier 3 = 68% (by sqm)*
- ✧ Over last 10 years, average annual growth of nationwide new home prices 9.3%; nominal income 9.6%

SHARE OF NEW HOME SALES BY SQM, 2018



NEW HOME PRICE INCREASE SINCE THE START OF 2011,
As of Aug 2019



*Data as of 12/31/2018

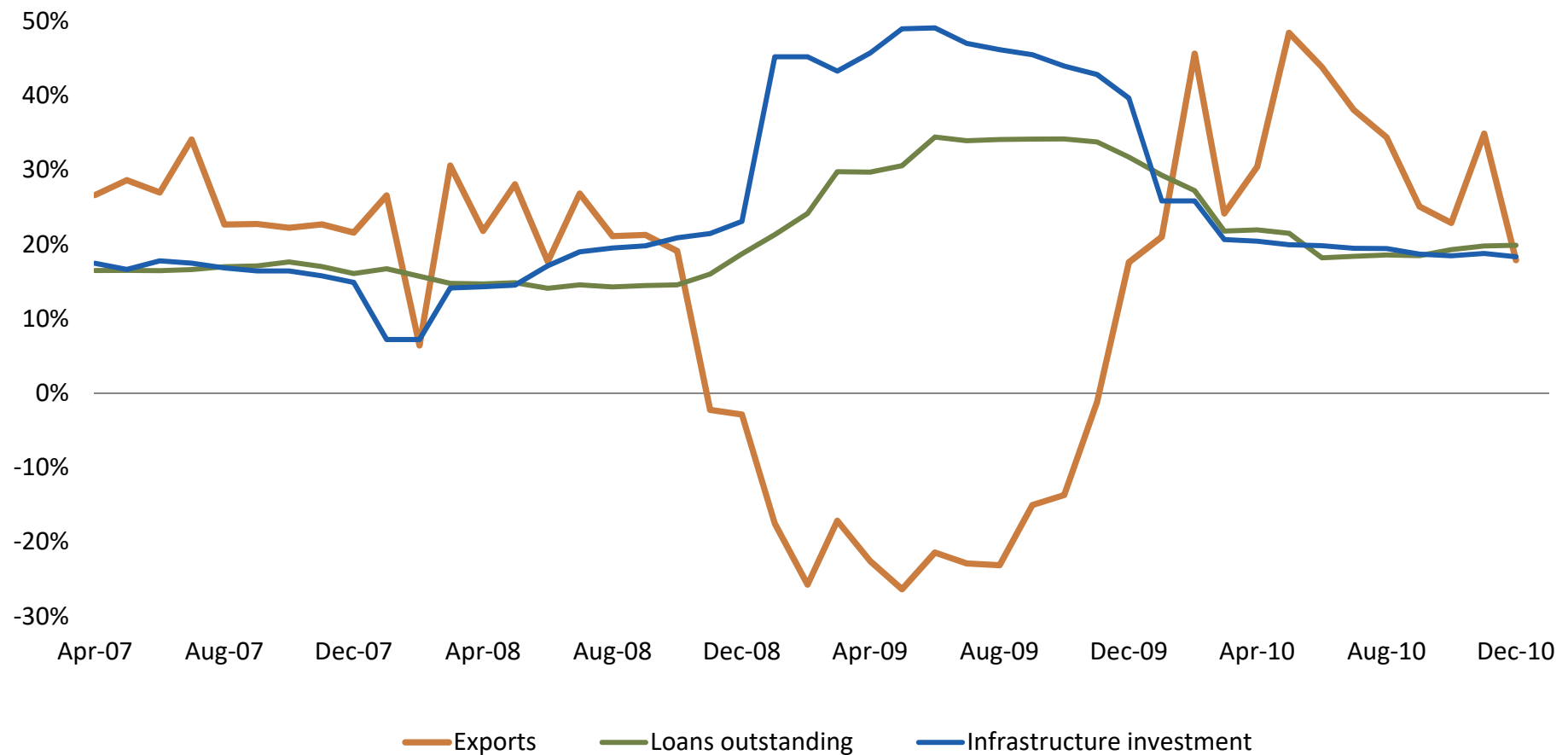
Note: Tier 1 includes Shanghai, Beijing, Guangzhou and Shenzhen

Sources: National Bureau of Statistics, Matthews Asia estimates

Risk 2: China's Debt Problem

The result of China's response to the Global Financial Crisis (GFC)

Growth Rate, YoY



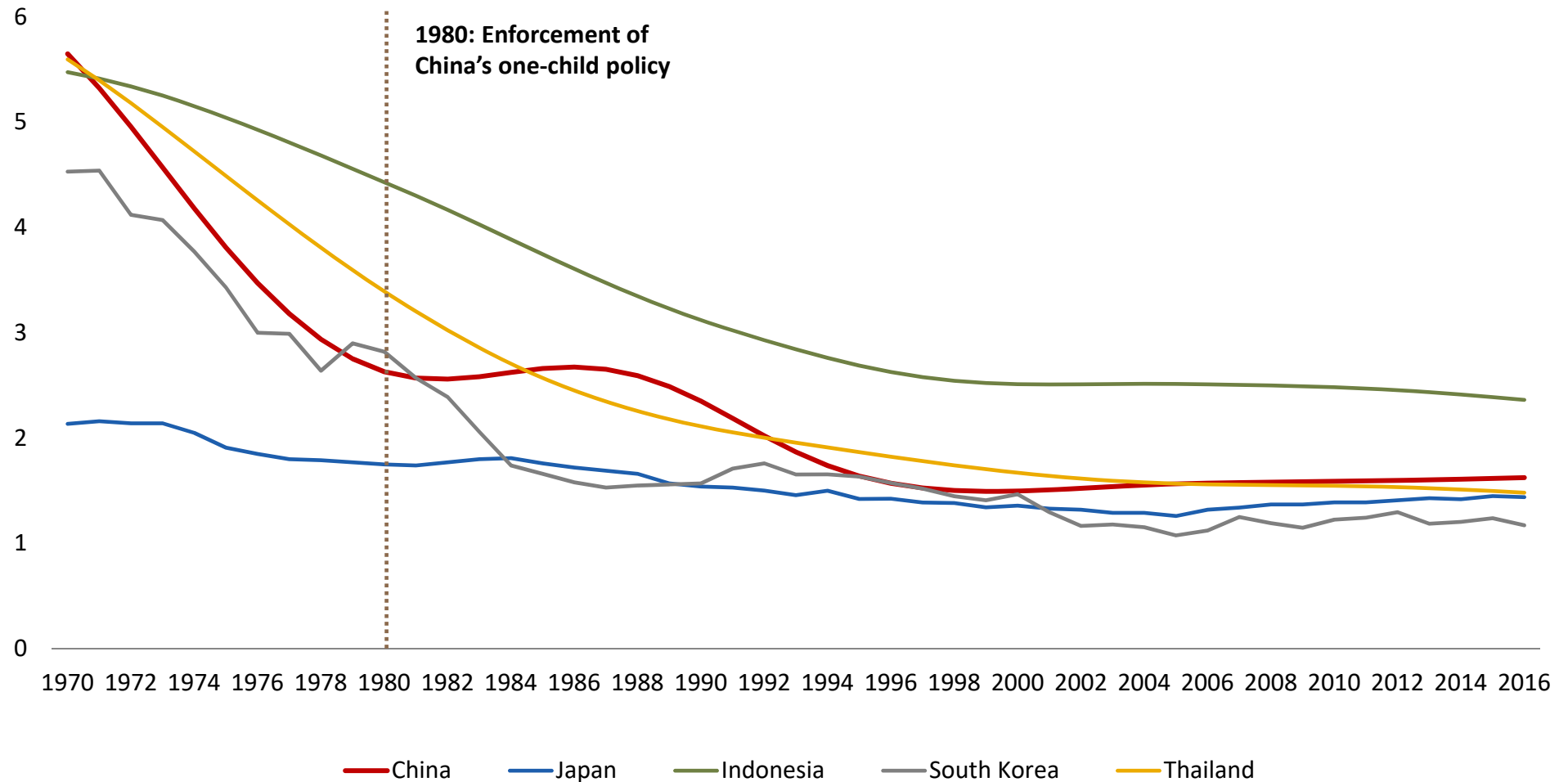
Source: CEIC, Matthews Asia estimate; data as of December 2010

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End of China's One-Child Policy

Politically important, but no change to demographic trends

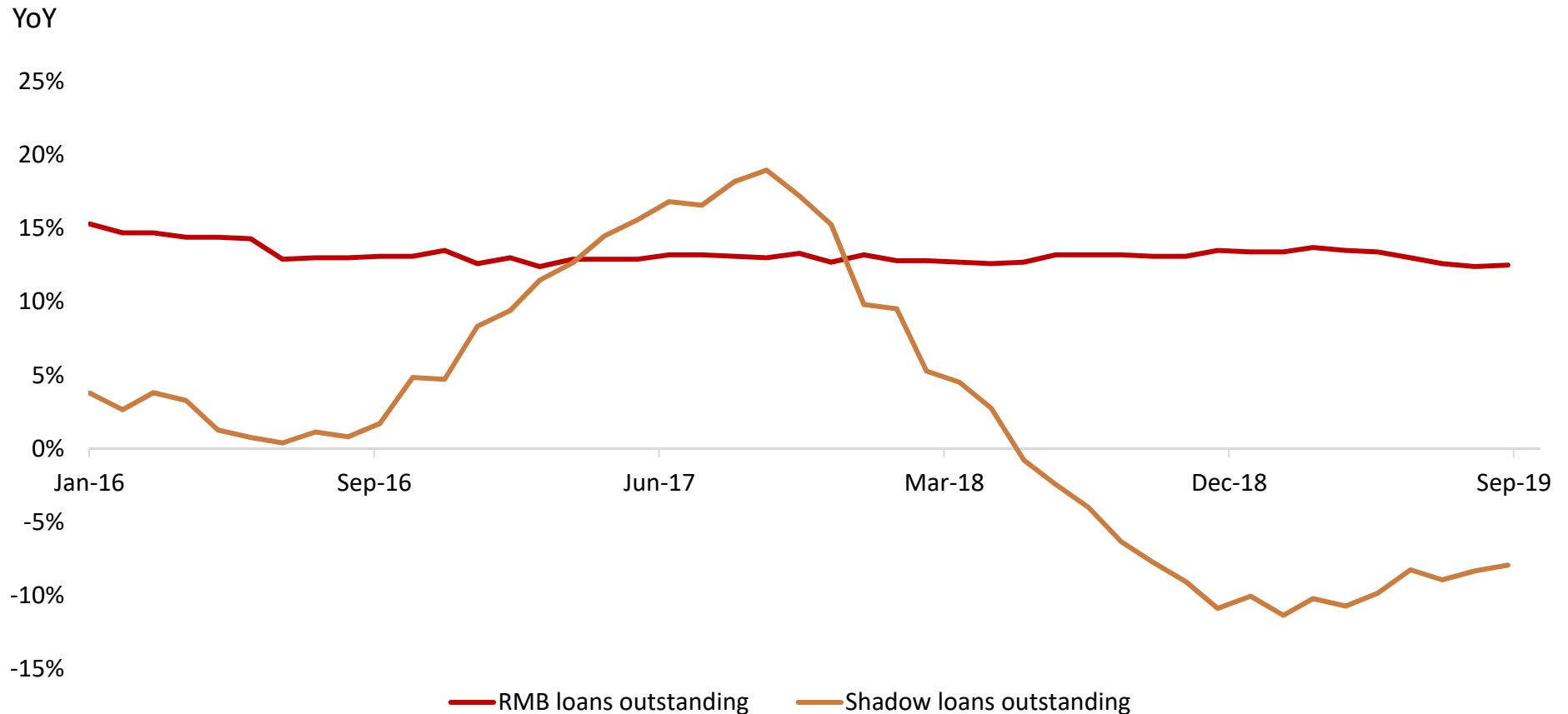
Births per Woman



Source: World Bank

Beijing Hasn't Abandoned its Financial Sector De-Risking Campaign

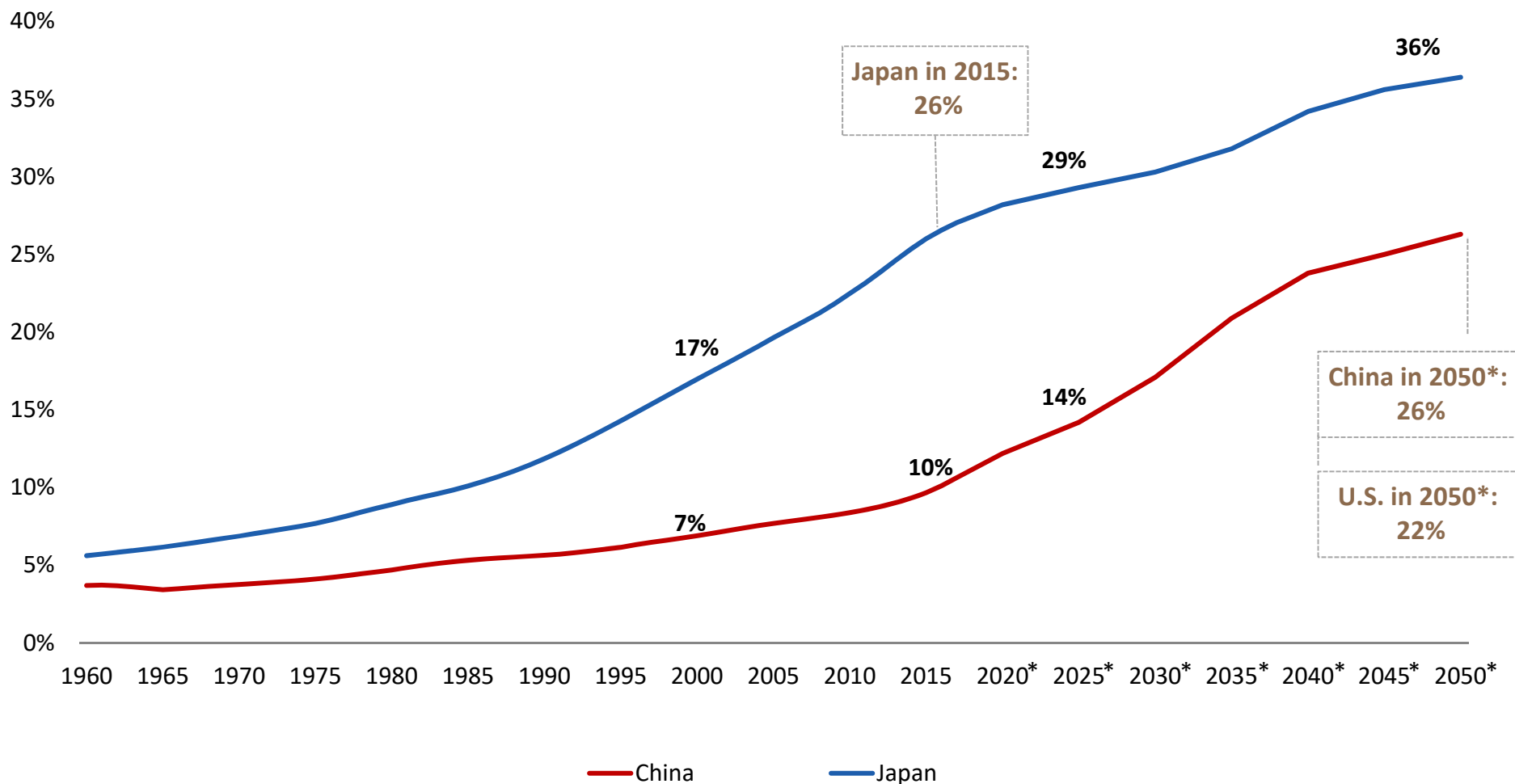
But the worst impact of the crackdown on off-balance sheet credit has passed



Source: CEIC, Matthews Asia

China is Aging, but Won't be as Old, on Average, as Japan Until 2050

% OF POPULATION AGE 65 AND ABOVE



*Forecasts

There is no assurance any forecast or projection will be realized.

Sources: World Bank, United Nations

Hong Kong In Turmoil



Disclosure

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Index Definitions

The Bloomberg European 500 Index is a free float capitalization-weighted index of the 500 most highly capitalized European companies.

The iShares MSCI Emerging Markets ETF (EEM) is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the MSCI TR Emerging Markets Index. The ETF holds emerging market stocks that can predominantly be classified as large and mid-cap.

The iShares MSCI Europe Small-Cap ETF seeks to track the investment results of an index composed of small-capitalization developed market equities in Europe.

The iShares MSCI Frontier 100 ETF seeks to track the investment results of an index composed of frontier market equities.

The MSCI All Country Asia ex Japan Index is a free float-adjusted market capitalization-weighted index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country Asia ex Japan Small Cap Index is a free float-adjusted market capitalization-weighted index of small cap index of the stock markets of China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country Asia Pacific Index is a free float-adjusted market capitalization-weighted index of the stock markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand.

The MSCI All Country World Index (ACWI) captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 2,489 constituents, the index covers approximately 85% of the global investable equity opportunity set.

The MSCI Australia Index is a free float-adjusted, market capitalization-weighted index of equity market performance in Australia.

The MSCI China Index is a free float-adjusted market capitalization-weighted index of Chinese equities that includes H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, Hong Kong-listed securities known as Red chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (e.g. ADRs).

The MSCI China Small Cap Index is a free float-adjusted market capitalization-weighted small cap index of the Chinese equity securities markets, including H shares listed on the Hong Kong exchange, B shares listed on the Shanghai and Shenzhen exchanges, Hong Kong-listed securities known as Red Chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China), and foreign listings (e.g., ADRs).

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI Emerging Markets (EM) Asia Index captures large and mid cap representation across 9 Emerging Markets countries. With 567 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Index is a float-adjusted market capitalization index that consists of indices in 23 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

The MSCI Emerging Markets Equity Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 829 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets (EM) Latin America Index captures large and mid-cap representation across 5 Emerging Markets (EM) countries in Latin America. With 110 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets EMEA Index captures large and mid cap representation across 10 Emerging Markets (EM) countries in Europe, the Middle East and Africa (EMEA). With 163 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

Index Definitions

The MSCI Europe Small Cap Index captures small cap representation across the 15 Developed Markets (DM) countries in Europe. With 985 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in the European equity universe.

The MSCI Frontier Markets Index captures large and mid cap representation across 29 Frontier Markets (FM) countries. The index includes 110 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The MSCI India Index is a free float-adjusted market capitalization index that is designed to measure the performance of the large and mid -cap segments of the Indian market.

The MSCI India Small Cap Index is designed to measure the performance of the small cap segment of the Indian market. With 253 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the India equity universe.

The MSCI Japan Index is a free float-adjusted market capitalization-weighted index of Japanese equities listed in Japan. The MSCI Japan Value Index captures large and mid cap Japanese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 173 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI Japan Index.

The MSCI Japan Growth Index is a free-float weighted equity index.

The MSCI Japan Small Cap Index is designed to measure the performance of the small cap segment of the Japanese market. With 926 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Japan equity universe.

The MSCI Japan Value Index captures large and mid cap Japanese securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 176 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI Japan Index.

The Korea Composite Stock Price Index (KOSPI) is a capitalization-weighted index of all common stocks listed on the Korea Stock Exchange.

The MSCI United Kingdom Index is a free float-adjusted market capitalization index designed to measure the performance of the large and mid-cap segments of the UK market.

The MSCI USA Index is a free float adjusted market capitalization index that is designed to measure large and mid cap US equity market performance.

The MSCI USA Small Cap Index is designed to measure the performance of the small cap segment of the US equity market. With 1,782 constituents, the index represents approximately 14% of the free float-adjusted market capitalization in the US.

The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. The weighted average market capitalization for companies in the Russell 2000 is about US\$1.3 billion and the index itself is frequently used as a benchmark for small-cap mutual funds.

The S&P 500 Index is a broad market-weighted index dominated by blue-chip stocks in the U.S.

The S&P Bombay Stock Exchange 100 (S&P BSE 100) Index is a free float-adjusted market capitalization-weighted index of 100 stocks listed on the Bombay Stock Exchange.

The SSE Composite Index also known as SSE Index is a stock market index of all stocks that are traded at the Shanghai Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Tokyo Stock Price Index (TOPIX) is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange.

The TOPIX Small Index is a capitalization-weighted index designed to measure the performance of the stocks listed on the First Section of the Tokyo Stock Exchange, excluding the TOPIX 500 stocks and non-eligible stocks.

Indexes are unmanaged and it is not possible to invest directly in an index.

Glossary

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

DCF (Discounted Cash Flow) is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analysis uses future free cash flow projections and discounts them to arrive at a present value estimate, which is used to evaluate the potential for investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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