MATTHEWS INTERNATIONAL FUNDS
Form N-CSR
March 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08510

Matthews International Funds
(Exact name of registrant as specified in charter)

Four Embarcadero Center, Suite 550
San Francisco, CA 94111
(Address of principal executive offices) (Zip code)

William J. Hackett, President

Four Embarcadero Center, Suite 550

San Francisco, CA 94111
(Name and address of agent for service)

Registrant s telephone number, including area code: 415-788-7553

Date of fiscal year end: December 31

Date of reporting period: December 31, 2013

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC

20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

Performance and Expenses

	Average Annual Total Return					2013 Annual Operating Expenses	Prospectus Expense Ratios*
	1 year	5 years	10 years	Since Inception	Inception Date		
Matthews Asia Strategic Income Fund							
Investor Class (MAINX)	-0.50%	n.a.	n.a.	5.80%	11/30/11	1.28%	1.85%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						n.a./1.20%[2]	1.40%[1]/1.17%[2]
Institutional Class (MINCX)	-0.20%	n.a.	n.a.	6.01%	11/30/11	1.09%	1.70%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						n.a./1.00%[2]	1.25%[1]/1.00%[2]
Matthews Asian Growth and Income Fund							
Investor Class (MACSX)	4.83%	14.92%	11.12%	10.74%	9/12/94	1.08%	1.11%
Institutional Class (MICSX)	5.04%	n.a.	n.a.	6.58%	10/29/10	0.93%	0.97%
Matthews Asia Dividend Fund							
Investor Class (MAPIX)	11.27%	17.16%	n.a.	10.77%	10/31/06	1.06%	1.09%
Institutional Class (MIPIX)	11.43%	n.a.	n.a.	7.49%	10/29/10	0.93%	0.97%
Matthews China Dividend Fund							

Investor Class (MCDFX)	13.35%	n.a.	n.a.	11.26%	11/30/09	1.24%	1.47%
After Fee Waiver, Reimbursement and Recapture						1.34%	1.50%[3]
Institutional Class (MICDX)	13.72%	n.a.	n.a.	8.53%	10/29/10	1.08%	1.29%
Matthews Asia Focus Fund							
Investor Class (MAFSX)	n.a.	n.a.	n.a.	-2.63%[4]	4/30/13	3.50%	2.38%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						1.92%[5]/1.71%[6]	1.91%[5]/1.70%[6]
Institutional Class (MIFSX)	n.a.	n.a.	n.a.	-2.48%[4]	4/30/13	3.32%	2.22%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						1.75%[5]/1.50%[6]	1.75%[5]/1.50%[6]
Matthews Asia Growth Fund							
Investor Class (MPACX)	19.35%	17.59%	10.39%	10.55%	10/31/03	1.12%	1.16%
Institutional Class (MIAPX)	19.63%	n.a.	n.a.	7.67%	10/29/10	0.93%	0.98%
Matthews Pacific Tiger Fund							
Investor Class	3.63%	18.96%	12.68%	8.89%	9/12/94	1.09%	1.11%

(MAPTX)							
Institutional Class (MIPTX)	3.78%	n.a.	n.a.	3.74%	10/29/10	0.92%	0.95%
Matthews Emerging Asia Fund							
Investor Class (MEASX)	n.a.	n.a.	n.a.	-0.61%[4]	4/30/13	2.39%	2.83%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						2.18%[5]/1.98%[6]	2.16%[5]/1.95%[6]
Institutional Class (MIASX)	n.a.	n.a.	n.a.	-0.55%[4]	4/30/13	2.21%	2.67%
After Fee Waiver and Reimbursement/After Voluntary Fee Waiver and Expense Reimbursement						2.00%[5]/1.75%[6]	2.00%[5]/1.75%[6]
Matthews China Fund							
Investor Class (MCHFX)	6.84%	14.89%	12.27%	10.76%	2/19/98	1.08%	1.12%
Institutional Class (MICFX)	6.97%	n.a.	n.a.	-1.31%	10/29/10	0.91%	0.91%
Matthews India Fund							
Investor Class (MINDX)	-5.90%	15.50%	n.a.	8.62%	10/31/05	1.13%	1.18%
Institutional Class (MIDNX)	-5.67%	n.a.	n.a.	-7.72%	10/29/10	0.95%	0.98%
Matthews Japan Fund							
Investor Class (MJFOX)	34.03%	12.01%	3.96%	5.53%	12/31/98	1.10%	1.20%

Institutional Class (MIJFX)	34.27%	n.a.	n.a.	13.51%	10/29/10	0.96%	1.04%
Matthews Korea Fund							
Investor Class (MAKOX)	10.11%	20.46%	12.20%	6.23%	1/3/95	1.13%	1.16%
Institutional Class (MIKOX)	9.87%	n.a.	n.a.	10.96%	10/29/10	0.97%	1.00%
Matthews Asia Small Companies Fund							
Investor Class (MSMLX)	7.19%	23.92%	n.a.	17.12%	9/15/08	1.47%	1.50%
Institutional Class (MISMX)	7.36%	23.96%	n.a.	17.15%	4/30/13	1.25%	1.36%
Matthews China Small Companies Fund							
Investor Class (MCSMX)	28.85%	n.a.	n.a.	0.15%	5/31/11	2.04%	3.26%
After Fee Waiver and Reimbursement						2.00%[8]	2.00%[8]
Matthews Asia Science and Technology Fund							
Investor Class (MATFX)	35.61%	21.92%	10.14%	2.11%	12/27/99	1.18%	1.18%
Institutional Class (MITEX)	35.75%	21.95%	10.15%	2.12%	4/30/13	1.00%	1.02%

* These figures are from the Fund's prospectus dated as of April 30, 2013 and may differ from the actual expense ratios for fiscal year 2013, as shown in the Financial Highlights section of this report, and may not reflect actual expense ratios for the newer Funds or Classes that commenced operations in 2013.

1 Matthews has contractually agreed to waive fees and reimburse expenses until August 31, 2014 to the extent needed to limit Total Annual Fund Operating Expenses to 1.25% for the Institutional Class and agreed to reduce the expense ratio by an equal amount for the Investor Class. Because certain expenses of the Investor Class are higher than the Institutional Class, the Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may exceed 1.25%. The amounts of the waivers and reimbursements are based on estimated Fund expenses. The fee waivers and expense reimbursements may be terminated at any time by the Board of Trustees or the Trust on behalf of the Fund on 60 days' written notice.

2 Matthews has also agreed to waive fees and reimburse additional expenses for the Institutional Class of the Fund on a voluntary basis if its expense ratio exceeds 1.00%. Furthermore, any amounts voluntarily waived by Matthews in respect of the Institutional Class, excluding any voluntary waiver of class-specific shareholder servicing fees, may also be waived for the Investor Class. These voluntary waivers and/or reimbursements may be terminated at any time in the sole and absolute discretion of Matthews, subject to

prior notice to the Board of Trustees.

3 The Advisor has contractually agreed to waive the Fund's fees and reimburse expenses until at least August 31, 2014 to the extent needed to limit total annual operating expenses to 1.50%. The amounts of the waivers and reimbursements are based on estimated Fund expenses. The fee waivers and expense reimbursements may be terminated at any time by the Board of Trustees or the Trust on behalf of the Fund on 60 days' written notice.

4 Actual return, not annualized.

5 Matthews has contractually agreed to waive fees and reimburse expenses until August 31, 2015 to the extent needed to limit Total Annual Fund Operating Expenses to 1.75% for the Institutional Class of the Asia Focus Fund and to 2.00% for the Institutional Class of the Emerging Asia Fund, and agreed to reduce the expense ratio by an equal amount for the corresponding Investor Class of each Fund. Because certain expenses of the Investor Class are higher than the Institutional Class, the Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may exceed 1.75% or 2.00%, respectively. The amounts of the waivers and reimbursements are based on estimated Fund expenses. The fee waivers and expense reimbursements may be terminated at any time by the Board of Trustees or the Trust on behalf of the Fund on 60 days' written notice.

6 Matthews has also agreed to waive fees and reimburse additional expenses for the Institutional Class of each Fund on a voluntary basis if its expense ratio exceeds 1.50% for the Asia Focus Fund and 1.75% for the Emerging Asia Fund. Furthermore, any amounts voluntarily waived by Matthews in respect of an Institutional Class, excluding any voluntary waiver of class-specific shareholder servicing fees, may also be waived for its corresponding Investor Class. These voluntary waivers and/or reimbursements may be terminated at any time in the sole and absolute discretion of Matthews, subject to prior notice to the Board of Trustees.

7 Institutional Class Shares were first offered on April 30, 2013. For performance since that date, please see each Fund's performance table in the report. Performance for the Institutional Class Shares prior to its inception is based on the performance of the Investor Class. Performance differences between the Institutional Class and Investor Class may arise due to differences in fees charged to each class.

8 The Advisor has contractually agreed to waive the Fund's fees and reimburse expenses until at least August 31, 2014 to the extent needed to limit total annual operating expenses to 2.00%. The amounts of the waivers and reimbursements are based on estimated Fund expenses. The fee waivers and expense reimbursements may be terminated at any time by the Board of Trustees or the Trust on behalf of the Fund on 60 days' written notice.

Past Performance: All performance quoted in this report is past performance and is no guarantee of future results. Investment return and principal value will fluctuate with changing 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 returns quoted. If certain of the Funds' fees and expenses had not been waived, returns would have been lower. For the Funds' most recent month-end performance, please call 800.789.ASIA (2742) or visit matthewsasia.com.

Contents

Cover photo: Jinnamgwan Pavilion, the largest single-story pavilion in Korea

This report has been prepared for Matthews Asia Funds shareholders. It is not authorized for distribution to prospective investors unless accompanied or preceded by a current Matthews Asia Funds prospectus, which contains more complete information about the Funds' investment objectives, risks and expenses. Additional copies of the prospectus or summary prospectus may be obtained at matthewsasia.com. Please read the prospectus carefully before you invest or send money.

The views and opinions in this report were current as of December 31, 2013. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as *a forecast of a Fund's future investment intent. Current and future portfolio holdings are subject to risk.*

Statements of fact are from sources considered reliable, but neither the Funds nor the Investment Advisor makes any representation or guarantee as to their completeness or accuracy.

Investment Risk: Mutual fund shares are not deposits or obligations of, or guaranteed by, any depositary institution. Shares are not insured by the FDIC, Federal Reserve Board or any government agency and are subject to investment risks, including possible loss of principal amount invested. Investing in international and emerging markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Fixed income investments are subject to additional risks, including, but not limited to, interest rate, credit and inflation risks. In addition, single-country and sector funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific industry, sector or geographic location. Investing in small and mid-size companies is more risky than investing in large companies as they may be more volatile and less liquid than larger companies. Please see the Funds' prospectus and Statement of Additional Information for more risk disclosure.

Message to Shareholders from the President of the Matthews Asia Funds

Dear Fellow Shareholders,

As President of the Matthews Asia Funds and CEO of Matthews International Capital Management, LLC (advisor to the Matthews Asia Funds), I am delighted to offer an annual review of the Funds for the year ended 2013. In what was a challenging time for global markets in which sentiment toward Asia was muted, I am pleased with the results that have been achieved for our shareholders. Some of our Funds continued to experience significant interest from shareholders with long-term investment horizons who understand that short-term volatility with respect to investing in Asia is to be expected. Fortunately, many of our investors also appear to equally anticipate long-term prospects for growth and sustainable wealth creation in the region.

Not All Emerging Markets are the Same

In 2013, we saw a change in investor sentiment toward emerging markets as the potential effect of higher U.S. interest rates combined with slower growth in China began to negatively impact financial markets. Given this more challenging environment, it was a year in which the phrase "not all emerging markets are the same" became increasingly commonplace. While Asia is not immune to the challenges now facing emerging markets, I believe there is some comfort in knowing that the region has reached a point in its development whereby the majority of countries in Asia are fundamentally much stronger on a relative basis compared to other emerging market regions. At Matthews Asia, we aim to filter out the market "noise" and avoid predicting the unpredictable. Instead, we focus on what we can influence identifying quality companies that we believe can add value for investors over the long term. The ability to be selective, whether at a country or company level, is one that we can bring to a portfolio as active investors, and this approach is one that I believe will be even more important over the coming years.

Performance

I am pleased to report that against this background, the vast majority our Funds continued to deliver strong absolute and relative performance in 2013. While we saw largely negative newsflow on Asia during the year, some markets performed well. It was particularly gratifying to see our three China-focused Funds all deliver positive returns. While we do not measure success over the short term, the results highlight the importance of rising above near-term challenges faced by some countries, and focusing instead on events at a company level.

Continued Interest from Investors

We continued to witness strong inflows into our Funds throughout 2013. Serving a growing number of shareholders who recognize the potential benefits of investing in Asia and entrust their assets to us is particularly pleasing. However, strong inflows into our Funds can also be challenging. We made the decision to soft-close two Funds Matthews Asia Dividend and Matthews Pacific Tiger to new investors during the year in order to slow the pace of inflows. Throughout our history, we have endeavored to keep the interests of shareholders at the forefront of our actions. We believe that restricting access to the Funds is a prudent step toward maintaining the integrity of our investment process and is consistent with our approach to deal with these issues in a timely fashion that benefits existing shareholders over the long term. We will continue to closely monitor the capacity of all our Funds and act accordingly to preserve the interests of our shareholders.

New Fund Launches

As we see Asia continuing to develop, albeit at a slightly slower pace, new opportunities present themselves to investors. It is against this backdrop that we launched two new Funds during the course of the year: the Matthews Emerging Asia Fund, which is focused on the fast-growing markets in frontier and emerging Asia and the Matthews Asia Focus Fund, which takes advantage of the many strong companies with healthy balance sheets and good management teams that now exist in the region. In some respects, the launch of these two Funds highlights the remarkable pace at which the region has developed. As we look to celebrate the 20th anniversary this year of our two Funds Matthews Asian Growth and Income and Matthews Pacific Tiger that laid the foundations for the Matthews Asia Fund family, we are reminded that while the journey isn't always smooth, we believe the long-term outlook for the region is bright and we remain optimistic.

Finally, thank you for your continued confidence in Matthews Asia Funds and as always, we welcome your comments.

William Hackett
President of the Matthews Asia Funds
Chief Executive Officer, Matthews International Capital Management, LLC

Message to Shareholders
from the Chief Investment Officer

Dear Fellow Shareholders,

Last year began with concerns over China, which quickly spread to worries over the entire emerging market universe. By mid-year, investors started to fret over the deleterious effects of tighter U.S. monetary policy on Asian and Latin American economies. Asia, excluding Japan, muddled through and ended with price-to-earnings ratios somewhat lower than they were at the end of 2012, and dividend yields slightly raised.

The discourse over China has been lively and sometimes illuminating. But a lot of it has been somewhat crude with people dismissing China's economy as "fake," describing its property market as being in a bubble and predicting the imminent collapse of its banking system. Often, I think, this is a symptom of seeing the problems of others through one's own lens. Indeed, it has not been uncommon to hear of China's "subprime" issue when in fact the country really doesn't have a subprime mortgage market at all. What the discussion has lacked, I believe, is nuance. For sure, there are issues in China's economy. Take, for example, its property market, where there is too little low-income housing. Or credit growth, where concerns are more about an overly rapid pace of growth than the actual level of debt, which does not seem unusual for a country with such a high savings rate. Or let us consider China's banking system, which is inefficient and in need of reform and perhaps capital injections, but nevertheless does not seem to threaten economic collapse because it is, to a certain extent, a closed system.

But if anything brought the lack of nuance in the "China debate" into sharp relief, it was the Communist Party's own reflections on its policy meeting at year end. The new administration, obviously confident in its own power, published a comprehensive piece of reform rhetoric. Asian markets rebounded sharply, and this showed a lack of nuance too. Was it worth the sharp rebound? It was only rhetoric after all! The hard slog of legislation and implementation is yet to come. However, these developments did return to people's consciousness the thought that China's growth story, if it is anything, is a dynamic one. It also demonstrated that the growth story is transitioning and evolving from one economic system to another and embracing new reforms in a thoughtful, pragmatic way. By the end of the year, optimism had crept in to sweeten up the sour mood but was it realistic optimism?

U.S. Federal Reserve tapering of quantitative easing policies was a big topic as well. And again, I think the implications for Asia were perhaps misconstrued: the correlation between Asian stock market performance and U.S. Federal interest rates is not at all clear in the short course of a year. The correlation between Asia's stock market performance and growth is much stronger. Indeed, in the past, you would probably have had a better chance of forecasting the future direction of U.S. interest rates by using Asia's stock market performance as a leading indicator than you would the other way around. It is nominal GDP growth (growth plus inflation) that seems to matter for Asia's stock market performance. This point appeared to have been reinforced recently, when the Federal Reserve's actual tapering announcement was couched in language that revealed it expected future growth to improve and was prepared to keep monetary policy loose if it did not. Instead of falling, markets rallied on the news. So, if tapering is to happen particularly since rates are currently close to zero and developed economies are depressed I suspect it merely signals faster future growth rates, which would actually be benign for Asian markets. In the meantime, Japan's monetary experiment continued and by year-end there was evidence that employment, growth rates and even some wages were all rising.

Finally, we had the usual lumping together of Asia and other "emerging" markets and some people writing off emerging markets altogether as they trailed the performance of the U.S. As if they didn't matter! Asia, for example, accounts for roughly 60% of the world's population. If we have a framework of analysis that allows us to cavalierly dismiss over half the world's productive labor in a single stroke, we probably need a new framework. Or, at the very least, we should be careful how we use the existing one. Asia is at least one part of the world that continues to close the income gap between rich nations and poor ones and improve the lives of its citizens. So, I would rather divide the world up into countries that have put in place the right kind of incentives and institutions to grow; and those that have not. In addition, if one looks at the longer term, the difference in equity performance between countries within Asia tends to narrow. On the one hand, this encourages people to focus on the year-to-year occurrences because the differences there are greatest and getting those right consistently would surely add value. On the other hand, we take a different view, feeling that short-term fluctuations in a country's fortunes are hard to forecast. Over the long term, we believe that the best businesses, however, will steadily increase their advantage over competitors. So, we seek to examine a different question. What are the elements that determine the success of businesses over the long term? Here, we have a clear set of principles to follow. Over the long term, it is the growth in cash flows and book values of businesses that determine returns. These arise from a business' competitive advantage and the competitive landscape in which it operates. These can be enhanced and nurtured by a quality management team that is, one that allocates capital sensibly. Minority shareholders will share in this growth to the extent to which management teams are incentivized and willing to allow them. These returns tend to be earned by companies that have strong balance sheets and stable and reasonable rates of growth. The key then is to invest in such companies at a reasonable valuation.

I suspect it is this last component that will require particular attention in the year ahead. Many of the qualities that we admire in businesses tend to attract a premium. But in many instances this premium has widened over the last few years. So even when Asia's aggregate valuations are below average i.e., a dividend yield of about 2.5% and price-to-forward earnings ratio of about 11x (for the Asia Pacific universe as defined by FactSet) it is still crucial to judge where companies are adequately appreciated for their future growth and where they may not be. The most compelling future returns may come from identifying those businesses with long-term prospects that have been overwhelmed by shorter-term macroeconomic concerns. That remains the job for our investment team in 2014.

Robert Horrocks, PhD
Chief Investment Officer
Matthews International Capital Management, LLC

* Forward earnings are calculated by dividing market price per share by expected earnings per share.

ASIA FIXED INCOME STRATEGY

PORTFOLIO MANAGERS

Teresa Kong, CFA Lead Manager	**Gerald M. Hwang, CFA** Co-Manager

FUND FACTS

	Investor Class	Institutional Class
Ticker	MAINX	MINCX
CUSIP	577125503	577125602
Inception	11/30/11	11/30/11
NAV	$10.42	$10.42
Initial Investment	$2,500	$3 million
Gross Expense Ratio[1]	1.28%	1.09%
After fee waiver and Reimbursement[2]	n.a.	n.a.
After Voluntary Fee Waiver and Expense Reimbursement[3]	1.20%	1.00%

Portfolio Statistics

Total # of Positions	50
Net Assets	$45.7 million
Modified Duration	3.7[4]
Portfolio Turnover	48.71%[5]

Benchmarks

HSBC Asian Local Bond Index

J.P. Morgan Asia Credit Index

Redemption Fee

2% within first 90 calendar days of purchase

OBJECTIVE

Total return over the long term with an emphasis on income.

STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its total assets, which include borrowings for investment purposes, in income-producing securities including, but not limited to, debt and debt-related instruments issued by governments, quasi-governmental entities, supra-national institutions, and companies in Asia. Asia consists of all countries and markets in Asia and includes developed, emerging, and frontier countries and markets in the Asian region.

Investments may be denominated in any currency, and may represent any part of a company's capital structure from debt to equity or with features of both.

1 Actual 2013 expense ratios.

2 Matthews has contractually agreed to waive fees and reimburse expenses until August 31, 2014 to the extent needed to limit Total Annual Fund Operating Expenses to 1.25% for the Institutional Class and agreed to reduce the expense ratio by an equal amount for the Investor Class. Because certain expenses of the Investor Class are higher than the Institutional Class, the Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may exceed 1.25%. The amounts of the waivers and reimbursements are based on estimated Fund expenses. The fee waivers and expense reimbursements may be terminated at any time by the Board of Trustees or the Trust on behalf of the Fund on 60 days' written notice.

3 Matthews has also agreed to waive fees and reimburse additional expenses for the Institutional Class of the Fund on a voluntary basis if its expense ratio exceeds 1.00%. Furthermore, any amounts voluntarily waived by Matthews in respect of the Institutional Class, excluding any voluntary waiver of class-specific shareholder servicing fees, may also be waived for the Investor Class. These voluntary waivers and/or reimbursements may be terminated at any time in the sole and absolute discretion of Matthews, subject to prior notice to the Board of Trustees.

4 Modified duration measures the percent change in value of the fixed income portion of the portfolio in response to a 1% change in interest rates. In a multi-currency denominated portfolio with sensitivities to different interest rate regimes, modified duration will not accurately reflect the change in value of the overall portfolio from a change in any one interest rate regime.

5 The lesser of fiscal year 2013 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Matthews Asia Strategic Income Fund

Portfolio Manager Commentary

For the year ending December 31, 2013, the Mathews Asia Strategic Income Fund returned 0.50% (Investor Class) and 0.20% (Institutional Class) while its primary benchmark, the HSBC Asian Local Bond Index, and its secondary benchmark, the J.P. Morgan Asia Credit Index, returned 5.72% and 1.37%, respectively. For the fourth quarter of 2013, the Mathews Asia Strategic Income Fund returned 2.15% (Investor Class) and 2.22% (Institutional Class), while its primary and secondary indices returned 0.26% and 1.57%, respectively.

The year was among some of the toughest for fixed income markets globally. The market began to price in an increasing likelihood of a U.S. Federal Reserve tapering in May, which led to a substantial rise in both the level and volatility of interest rates in the U.S. through the summer. The implications of a repricing of interest rates in the U.S. reverberated across global markets, driving up yields and volatility. As U.S. rates and volatility rose, most global currencies, including the majority of Asia's currencies, depreciated versus the U.S. dollar. With headwinds on both the rates and currencies front, most fixed income asset classes saw negative returns. For example, the Barclays Capital U.S. Aggregate Bond Index returned 2.02 %, Barclays Capital Global Aggregate Bond Index returned 2.60% and the J.P. Morgan Emerging Market Bond Index returned 6.58%.

Within this context, the Fund proved relatively resilient. The Fund outperformed its benchmarks through: increasing its allocation to U.S. dollar-denominated debt versus local-denominated debt; increasing its allocation to lower rated, but improving corporate credits that were less sensitive to interest rate volatility; and increasing its U.S. interest rate hedge.

The Fund's top contributor to performance for the year was Home Inns & Hotels convertible bonds. The Home Inns Bonds best exemplify the type of convertibles that we actively seek out for this portfolio the "busted" convertible with a deep "out of the money" call option on the equity. When we started the position in the bond in 2012, the market was focused on the downside risks. We, on the other hand, saw the positive asymmetries working for us in this bond even if all the negatives were to play out, we did not see much more downside as the bonds were trading very close to the bond floor, which in this case, was not theoretical, but one backed by strong fixed charge coverage and low leverage. However, in our view, if any one of the negative trends were to reverse, we anticipated substantial upside from the rising sensitivity of the bond to the price of the stock. As it turned out, company fundamentals improved while the macroeconomic and regulatory backdrop became more benign than the market had initially anticipated.

Rounding out the top three contributors to return were our holdings in Korea Treasury bonds and Sri Lankan government bonds . The South Korean won was one of the few Asian currencies that appreciated versus the U.S. dollar through the year. Despite a depreciating currency from an export rival (the Japanese yen), Korea's strong current account and fiscal surpluses provided ample support for the currency. Sri Lankan bonds also produced high total returns as the high yield on the bonds offset the small depreciation in the currency. The limited foreign participation in the local bond market also helped to shelter it from the sell-off experienced by other countries with negative current and fiscal accounts.

(continued)

PERFORMANCE AS OF DECEMBER 31, 2013

	3 Months	1 Year	Average Annual Total Returns Since Inception	Inception Date
Investor Class (MAINX)	2.15%	-0.50%	5.80%	11/30/11
Institutional Class (MINCX)	2.22%	-0.20%	6.01%	11/30/11
HSBC Asian Local Bond Index[6]	-0.26%	-5.72%	1.65%	
J.P. Morgan Asia Credit Index[6]	1.57%	-1.37%	6.36%	
Lipper Emerging Markets Hard Currency Debt Category Average[7]	0.77%	-5.83%	5.81%	

Performance 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 matthewsasia.com.*

INCOME DISTRIBUTION HISTORY

	2013					2012				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Investor (MAINX)	$0.11	$0.10	$0.03	$0.11	$0.35	$0.09	$0.07	$0.11	$0.15	$0.42
Institutional (MINCX)	$0.12	$0.11	$0.03	$0.12	$0.38	$0.10	$0.07	$0.12	$0.15	$0.44

Note: This table does not include capital gains distributions. Totals may differ by $0.01 due to rounding. For income distribution history, visit matthewsasia.com.

30-DAY YIELD:

Investor Class: 3.95% (3.46% excluding expense waiver)

Inst'l Class: 4.18% (3.74% excluding expense waiver)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/13, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

Source: BNY Mellon Investment Servicing (US) Inc.

YIELD TO WORST:

5.84%

Yield to worst is the lowest yield that can be received on a bond assuming that the issuer does not default. It is calculated by utilizing the worst case assumptions for a bond with respect to certain income-reducing factors, including prepayment, call or sinking fund provisions. It does not

represent the yield that an investor should expect to receive. Past yields are no guarantee of future yields.

Source: FactSet Research Systems

GROWTH OF A $10,000 INVESTMENT SINCE INCEPTION INVESTOR CLASS

Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US$.

6 It is not possible to invest directly in an index. Source: Index data from HSBC, J.P. Morgan and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 79 for index definitions.

7 The Lipper Category Average does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods.

TOP TEN POSITIONS[8]

	Sector	Currency	% of Net Assets
Home Inns & Hotels Management, Inc., Cnv., 2.000%, 12/15/2015	Consumer Discretionary	U.S. Dollar	6.4%
Global Logistic Properties, Ltd., 3.375%, 5/11/2016	Financials	Chinese Renminbi	4.5%
KWG Property Holding, Ltd., 12.500%, 8/18/2017	Financials	U.S. Dollar	4.3%
MCE Finance, Ltd., 5.000%, 2/15/2021	Consumer Discretionary	U.S. Dollar	4.3%
Shimao Property Holdings, Ltd., 6.625%, 1/14/2020	Financials	U.S. Dollar	4.2%
United Overseas Bank, Ltd., 3.150%, 7/11/2022	Financials	Singapore Dollar	3.5%
Korea Treasury Bond, 2.750%, 9/10/2017	Foreign Government Bonds	Korean Won	3.3%
Malaysian Government Bond, 3.492%, 3/31/2020	Foreign Government Bonds	Malaysian Ringgit	3.2%
Sri Lanka Government Bond, 8.500%, 6/1/2018	Foreign Government Bonds	Sri Lankan Rupee	3.2%
ICICI Bank, Ltd., 6.375%, 4/30/2022	Financials	U.S. Dollar	3.1%
% OF ASSETS IN TOP TEN			**40.0%**

8 Holdings may combine more than one security from same issuer and related depositary receipts.

CURRENCY ALLOCATION (%)[9,10]

U.S. Dollar (USD)	52.2
Singapore Dollar (SGD)	9.4
Korean Won (KRW)	7.7
Sri Lanka Rupee (LKR)	6.3
Chinese Renminbi (CNY)	5.6
Malaysian Ringgit (MYR)	5.5
Thai Baht (THB)	4.2
Australian Dollar (AUD)	2.9
Philippine Peso (PHP)	2.1
Indonesian Rupiah (IDR)	1.6
Hong Kong Dollar (HKD)	1.0
Cash and Other Assets, Less Liabilities	1.5

COUNTRY ALLOCATION (%)[10,11]

China/Hong Kong	28.6
Singapore	11.2
Indonesia	8.8
Australia	7.8
South Korea	7.7
Malaysia	7.7
India	6.4
Sri Lanka	6.3
Thailand	5.5
Philippines	4.5
United Kingdom	2.4
Japan	1.6
Cash and Other Assets, Less Liabilities	1.5

SECTOR ALLOCATION (%)[10]

Financials	46.7
Government Bonds	25.3
Consumer Discretionary	15.9
Telecommunication Services	5.2
Utilities	2.5
Industrials	2.4
Energy	0.5
Cash and Other Assets, Less Liabilities	1.5

ASSET TYPE BREAKDOWN (%)[9,10]

Non-Convertible Corporate Bonds	61.5
Government Bonds	25.3
Common Equities and ADRs	6.4
Convertible Corporate Bonds	5.3
Cash and Other Assets, Less Liabilities	1.5

9 Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent; the values may not sum to 100% due to rounding.

10 Cash and other assets may include forward currency exchange contracts and certain derivative instruments that have been marked-to-market.

11 Not all countries where the Fund may invest are included in the benchmark index.

Matthews Asia Strategic Income Fund

Portfolio Manager Commentary (continued)

The top detractor to Fund performance was our basket of currency forwards. In the first half of the year, we held a small basket of forwards whereby we were long on currencies that we believed were undervalued and short on ones that were overvalued. This basket underperformed as the market volatility spiked and technical factors such as liquidity and market positioning overwhelmed fundamentals. Since the higher volatility persisted through the summer instead of subsiding, we unwound the basket and closed out the position. The other detractors to performance included our positions in local currency Indonesia government bonds and Malaysia government bonds. Even though we maintained a less than 2% position in Indonesian government bonds, the almost 20% depreciation of the currency hurt this position. The sell-off in Malaysian government bonds was in line with other local government bonds, but because of our relatively high allocation, our exposure to Malaysia also detracted from performance. The small magnitude of these losses is testimony to the tight controls and strong risk management we exercise in portfolio management.

Looking forward, a stronger global backdrop, backed by recovery in the U.S. and stabilization in Europe should provide an additional boost to Asia's export growth. Asia has proved its resilience since the global financial crisis by relying primarily on local consumption, government investment, and intra-regional trade. Recovery in demand from the U.S. and Europe will provide an additional source of growth to Asian economies and companies. While rising U.S. interest rates might pose a headwind to Asian rates, we see much of that already priced into the current level of interest rates. This is evidenced by almost no change in interest rates since the Fed announced tapering in December. Asian currencies on the other hand, will see a tale of two cities. While currencies like the Singaporean dollar and Chinese renminbi with strong fiscal and current accounts will likely continue to appreciate, others with negative current and fiscal accounts will likely continue to depreciate relative to the dollar. Finally, we still see attractive return potential from credit overall. This is due to the overall benign credit cycle and high recoveries we are still experiencing across global markets. However, we still need to be very judicious in security selection as some countries are over-extended in their credit and we do expect defaults to go up. Overall, we expect Asian bonds, especially U.S. dollar-denominated, higher yielding bonds, to outperform most other fixed income asset classes. This includes government, investment grade credit and emerging market bonds from Latin America, Eastern Europe, the Middle East and Africa.

Fixed income investments are subject to additional risks, including, but not limited to, interest rate, credit and inflation risks. Investing in emerging markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets.

Matthews Asia Strategic Income Fund December 31, 2013

Schedule of Investments[a]

NON-CONVERTIBLE CORPORATE BONDS: 61.5%

	Face Amount*	Value
CHINA/HONG KONG: 21.2%		
KWG Property Holding, Ltd. 12.500%, 08/18/17	1,800,000	$ 1,980,000
MCE Finance, Ltd. 5.000%, 02/15/21	2,000,000	1,950,000
Shimao Property Holdings, Ltd. 6.625%, 01/14/20	2,000,000	1,942,500
FPT Finance, Ltd. 6.375%, 09/28/20	1,050,000	1,081,500
Longfor Properties Co., Ltd. 9.500%, 04/07/16	1,000,000	1,061,250
Golden Eagle Retail Group, Ltd. 4.625%, 05/21/23[b]	1,000,000	852,960
Wheelock Finance, Ltd. 4.500%, 09/02/21	SGD 750,000	596,066
Beijing Enterprises Water Group, Ltd. 3.750%, 06/30/14	CNY 1,500,000	247,723
Total China/Hong Kong		**9,711,999**
SINGAPORE: 8.9%		
Global Logistic Properties, Ltd. 3.375%, 05/11/16	CNY 12,500,000	2,060,013
United Overseas Bank, Ltd. 3.150%[c], 07/11/22	SGD 2,000,000	1,609,527
Oversea-Chinese Banking Corp., Ltd. 3.750%[c], 11/15/22	400,000	411,541
Total Singapore		**4,081,081**
AUSTRALIA: 7.8%		
Macquarie Bank, Ltd. 6.625%, 04/07/21	1,100,000	1,215,081
Lend Lease Financial International, Ltd. 4.625%, 07/24/17	SGD 1,250,000	1,033,991
SPI Electricity & Gas Australia Holdings Pty, Ltd. 5.750%, 06/28/22	AUD 1,000,000	872,785
Crown Group Finance, Ltd. 5.750%, 07/18/17	AUD 500,000	459,580
Total Australia		**3,581,437**
INDONESIA: 7.2%		
Alam Synergy Pte, Ltd. 6.950%, 03/27/20[b]	1,500,000	1,327,500

	Face Amount*	Value
Theta Capital Pte, Ltd.		
7.000%, 05/16/19	1,000,000	996,833
TBG Global Pte, Ltd.		
4.625%, 04/03/18[b]	1,000,000	967,500
Total Indonesia		**3,291,833**
INDIA: 6.4%		
ICICI Bank, Ltd.		
6.375%[c], 04/30/22	1,500,000	1,436,250
Axis Bank, Ltd.		
7.250%[c], 08/12/21	1,000,000	995,260
Bank of Baroda		
6.625%[c], 05/25/22	500,000	481,444
Total India		**2,912,954**
	Face Amount*	**Value**
PHILIPPINES: 2.4%		
Alliance Global Group, Inc.		
6.500%, 08/18/17	1,050,000	$ 1,107,750
Total Philippines		**1,107,750**
UNITED KINGDOM: 2.4%		
Jaguar Land Rover Automotive PLC		
7.750%, 05/15/18[b]	500,000	538,125
Jaguar Land Rover PLC, Reg S		
7.750%, 05/15/18	500,000	538,125
Total United Kingdom		**1,076,250**
MALAYSIA: 2.2%		
Malayan Banking BHD		
3.250%[c], 09/20/22	1,000,000	986,500
Total Malaysia		**986,500**
JAPAN: 1.6%		
Softbank Corp.		
4.500%, 04/15/20[b]	500,000	487,500
ORIX Corp.		
4.000%, 11/29/14	CNY 1,500,000	249,329
Total Japan		**736,829**
THAILAND: 1.4%		
Bangkok Bank Public Co., Ltd.		
9.025%, 03/15/29	500,000	616,349
Total Thailand		**616,349**
TOTAL NON-CONVERTIBLE CORPORATE BONDS		**28,102,982**
(Cost $28,987,072)		
FOREIGN GOVERNMENT OBLIGATIONS: 25.3%		
SOUTH KOREA: 7.7%		
Korea Treasury Bond		
2.750%, 09/10/17	KRW 1,600,000,000	1,507,400
Korea Treasury Bond		
3.500%, 09/10/16	KRW 1,000,000,000	967,425
Korea Treasury Bond		
3.250%, 12/10/14	KRW 500,000,000	478,825

Korea Treasury Bond 4.000%, 09/10/15	KRW	300,000,000	291,416
Korea Treasury Bond 3.250%, 06/10/15	KRW	300,000,000	287,788
Total South Korea			**3,532,854**
SRI LANKA: 6.3%			
Sri Lanka Government Bond 8.500%, 06/01/18	LKR	200,000,000	1,459,510
Sri Lanka Government Bond 8.500%, 07/15/18	LKR	100,000,000	725,608
Sri Lanka Government Bond 8.000%, 11/15/18	LKR	100,000,000	710,716
Total Sri Lanka			**2,895,834**

Matthews Asia Strategic Income Fund December 31, 2013

Schedule of Investments[a] (continued)

FOREIGN GOVERNMENT OBLIGATIONS: *(continued)*

		Face Amount*	Value
MALAYSIA: 4.6%			
Malaysian Government Bond 3.492%, 03/31/20	MYR	5,000,000	$ 1,483,398
Malaysian Government Bond 3.580%, 09/28/18	MYR	1,000,000	302,614
Malaysia Investment Issue 3.309%, 08/30/17	MYR	1,000,000	301,163
Total Malaysia			**2,087,175**
THAILAND: 3.0%			
Thailand Government Bond 3.125%, 12/11/15	THB	45,000,000	1,381,792
Total Thailand			**1,381,792**
PHILIPPINES: 2.1%			
Republic of Philippines 6.250%, 01/14/36	PHP	40,000,000	955,331
Total Philippines			**955,331**
INDONESIA: 1.6%			
Indonesia Government Bond 8.250%, 07/15/21	IDR	9,000,000,000	730,486
Total Indonesia			**730,486**
TOTAL FOREIGN GOVERNMENT OBLIGATIONS			**11,583,472**
(Cost $12,178,306)			

CONVERTIBLE CORPORATE BONDS: 6.4%

CHINA/HONG KONG: 6.4%		
Home Inns & Hotels Management, Inc., Cnv. 2.000%, 12/15/15	2,800,000	2,922,500
Total China/Hong Kong		**2,922,500**
TOTAL CONVERTIBLE CORPORATE BONDS		**2,922,500**
(Cost $2,550,569)		

COMMON EQUITIES: 5.3%

	Shares	
SINGAPORE: 2.3%		
StarHub, Ltd.	140,000	475,930
Ascendas REIT	170,000	296,367
Mapletree Logistics Trust, REIT	320,000	267,522
Total Singapore		**1,039,819**
THAILAND: 1.1%		
Kasikornbank Public Co., Ltd.	60,000	286,802

	Shares	Value
PTT Exploration & Production Public Co., Ltd.	45,000	228,573
Total Thailand		**515,375**
CHINA/HONG KONG: 1.0%		
HSBC Holdings PLC	40,000	436,053
Total China/Hong Kong		**436,053**
	Shares	**Value**
MALAYSIA: 0.9%		
Axiata Group BHD	200,000	$ 421,310
Total Malaysia		**421,310**
TOTAL COMMON EQUITIES		**2,412,557**
(Cost $2,209,936)		
TOTAL INVESTMENTS: 98.5%		**45,021,511**
(Cost $45,925,883[d])		
CASH AND OTHER ASSETS, LESS LIABILITIES: 1.5%		**691,373**
NET ASSETS: 100.0%		**$45,712,884**

a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. The security may be resold in transactions exempt from registration normally to qualified institutional buyers. The security has been determined to be liquid in accordance with procedures adopted by the Fund's Board of Directors.

c Variable rate security. The rate represents the rate in effect at December 31, 2013.

d Cost for federal income tax purposes is $45,944,227 and net unrealized depreciation consists of:

Gross unrealized appreciation	$ 1,144,791
Gross unrealized depreciation	(2,067,507)
Net unrealized depreciation	($ 922,716)

* All values are in USD unless otherwise noted.

AUD Australian Dollar

BHD Berhad

Cnv. Convertible

CNY Chinese Renminbi (Yuan)

IDR Indonesian Rupiah

JPY Japanese Yen

KRW Korean Won

LKR Sri Lanka Rupee

MYR Malaysian Ringgit

PHP Philippine Peso

REIT Real Estate Investment Trust

SGD Singapore Dollar

THB Thai Baht

USD U.S. Dollar

Matthews Asia Strategic Income Fund December 31, 2013

Schedule of Investments[a] (continued)

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS:

	Currency Purchased		Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation
SHORT	USD	500,000	JPY48,694,000	Brown Brothers Harriman	01/08/14	$ 37,595

FINANCIAL FUTURES CONTRACTS SOLD SHORT AS OF DECEMBER 31, 2013 WERE AS FOLLOWS:

Contracts	Issue	Exchange	Expiration	Notional Value	Unrealized Appreciation
30	U.S. Treasury Notes (10 Year)	Chicago Board of Trade	March, 2014	$3,691,406	$ 64,922

See accompanying notes to financial statements.

ASIA GROWTH AND INCOME STRATEGIES

PORTFOLIO MANAGERS

Robert J. Horrocks, PhD

Lead Manager

Kenneth Lowe, CFA

Co-Manager

FUND FACTS

	Investor Class	Institutional Class
Ticker	MACSX	MICSX
CUSIP	577130206	577130842
Inception	9/12/94	10/29/10
NAV	$18.91	$18.90
Initial Investment	$2,500	$3 million
Gross Expense Ratio[1]	1.08%	0.93%

Portfolio Statistics

Total # of Positions	59
Net Assets	$4.4 billion
Weighted Average Market Cap	$30.3 billion
Portfolio Turnover	15.27%[2]

Benchmark

MSCI AC Asia ex Japan Index

Redemption Fee

2% within first 90 calendar days of purchase

OBJECTIVE

Long-term capital appreciation. The Fund also seeks to provide some current income.

STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its total net assets, which include borrowings for investment purposes, in dividend-paying common stock, preferred stock and other equity securities, and convertible securities as well as fixed-income securities, of any duration or quality, of companies located in Asia, which consists of all countries and markets in Asia, including developed, emerging and frontier countries and markets in the Asian region.

1 Actual 2013 expense ratios.

2 The lesser of fiscal year 2013 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Matthews Asian Growth and Income Fund

Portfolio Manager Commentary

For the year ending December 31, 2013, the Matthews Asian Growth and Income Fund gained 4.83% (Investor Class) and 5.04% (Institutional Class) whilst its benchmark, the MSCI All Country Asia ex Japan Index gained 3.34%. For the fourth quarter of the year, the Fund returned 1.10% (Investor Class) and 1.17% (Institutional Class) versus 3.42% for the Index.

The year 2013 was yet again driven by macroeconomic events, with varying monetary policy changes and politics taking center stage over the bottom-up fundamentals of companies. This included the decision to begin a "tapering" of quantitative easing by the Federal Reserve in the U.S., where we saw an initial reduction in the monthly purchases of assets by the Treasury. That, in turn, caused long-term bond yields to back up and helped to spark panic over the future cost of capital in many emerging markets. We also witnessed the start to "Abenomics," the economic policies advocated by Prime Minister Shinzo Abe in Japan one of the most aggressively targeted quantitative easing experiments in history. Additionally, November saw the much-vaunted Third Plenary meeting of the Communist Party occur in Beijing with the new Chinese government laying out its plans to resume their path toward reforms. All of these issues, in one way or another, helped drive North Asian markets higher as their cheaper valuations and larger exposure to a Western recovery proved more alluring relative to the more volatile and smaller Southeast Asian economies that broadly struggled as currencies were sold off.

As bottom-up stock pickers, we try to avoid the "noise" of backdrops like this and focus on fundamental analysis. We are, however, always aware of how these issues may affect our holdings. In that sense, 2013 can be viewed as a reasonable year for the Fund as stock selection was the primary driver of both our positive absolute and relative returns. The largest contributor to performance came through our holdings within South Korea, via both preferred stock and equities. These preferred shares range from automaker Hyundai Motor to Samsung Fire and Marine, a domestic non-life insurer. The primary driver of their performance were valuations, with many of these preferred shares trading at hefty discounts to the underlying equities whilst also offering a very attractive yield enhancement and throughout the year some of this valuation discount began to narrow. Additionally, our holding in GS Home Shopping performed well as management of this retailing platform continues to deliver operationally. The company has benefited from rational competition, keeping the costs of system operators' commissions contained in conjunction with gaining traction in increasing their sales through mobile devices and improving their product mix to enhance margins.

The Fund also benefited from our exposure to Japanese equities as the domestic stock market rallied over 30% during the year. Whilst we did not invest in our Japanese holdings with a view to the changing political and monetary backdrop, Fund performance benefited from this market rally. Domestically oriented companies like Japan Real Estate Investment Trust and Lawson, a major convenience store chain, both showed meaningful increases. The belief that quantitative easing can help to end Japanese deflation and boost asset prices and wages has helped drive these stocks higher.

(continued)

PERFORMANCE AS OF DECEMBER 31, 2013

	Average Annual Total Returns						
	3 Months	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Investor Class (MACSX)	1.10%	4.83%	5.94%	14.92%	11.12%	10.74%	9/12/94
Institutional Class (MICSX)	1.17%	5.04%	6.09%	n.a.	n.a.	6.58%	10/29/10
MSCI AC Asia ex Japan Index[3]	3.42%	3.34%	1.69%	16.82%	10.97%	4.10%[4]	
Lipper Pacific Region Funds Category Average[5]	0.68%	9.24%	4.28%	13.36%	7.76%	4.32%[4]	

Performance 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 matthewsasia.com.*

INCOME DISTRIBUTION HISTORY

	2013			2012		
	June	December	Total	June	December	Total
Investor (MACSX)	$ 0.24	$ 0.22	$ 0.46	$ 0.20	$ 0.27	$ 0.47
Institutional (MICSX)	$ 0.26	$ 0.24	$ 0.50	$ 0.21	$ 0.28	$ 0.49

Note: This table does not include capital gains distributions. Totals may differ by $0.01 due to rounding. For income distribution history, visit matthewsasia.com.

30-DAY YIELD:

0.31% (Investor Class) 0.47% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 12/31/13, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-Day Yield should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

Source: BNY Mellon Investment Servicing (US) Inc.

DIVIDEND YIELD: 3.31%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividend paid per share during the last 12 months divided by the current price. The annualized dividend yield for the Fund is for the equity-only portion of the portfolio. Please note that this is based on gross equity portfolio holdings and does not reflect the actual yield an investor in the Fund would receive. Past

yields are no guarantee of future yields.

Source: FactSet Research Systems, Bloomberg, MICM

GROWTH OF A $10,000 INVESTMENT SINCE INCEPTION INVESTOR CLASS

Plotted monthly. The performance data and graph do not reflect the deduction of taxes that a shareholder would pay on dividends, capital gains distributions or redemption of Fund shares. Values are in US$.

3 It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 79 for index definition.

4 Calculated from 8/31/94.

5 The Lipper Category Average does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods.

TOP TEN HOLDINGS[6]

	Sector	Country	% of Net Assets
Singapore Technologies Engineering, Ltd.	Industrials	Singapore	3.4%
AIA Group, Ltd.	Financials	China/Hong Kong	3.4%
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	Taiwan	3.1%
Jardine Matheson Holdings, Ltd.	Industrials	China/Hong Kong	2.9%
AMMB Holdings BHD	Financials	Malaysia	2.8%
Keppel Corp., Ltd.	Industrials	Singapore	2.6%
United Overseas Bank, Ltd.	Financials	Singapore	2.5%
Japan Tobacco, Inc.	Consumer Staples	Japan	2.4%
China Petroleum & Chemical Corp. (Sinopec), Cnv., 0.000%, 4/24/2014	Energy	China/Hong Kong	2.4%
Hong Kong Exchanges and Clearing, Ltd., Cnv., 0.500%, 10/23/2017	Financials	China/Hong Kong	2.3%
% OF ASSETS IN TOP TEN			**27.8%**

6 Holdings may combine more than one security from same issuer and related depositary receipts.

COUNTRY ALLOCATION (%)[7]

China/Hong Kong	29.5
Singapore	16.2
South Korea	10.8
Japan	7.8
Malaysia	7.3
Australia	6.9
Taiwan	4.0
Thailand	3.9
Indonesia	2.6
India	2.3
United Kingdom	1.8
Philippines	1.7
New Zealand	1.5
Vietnam	1.3
Cash and Other Assets, Less Liabilities	2.4

SECTOR ALLOCATION (%)

Financials	23.2
Industrials	15.4
Consumer Staples	14.4
Consumer Discretionary	13.3
Telecommunication Services	9.3
Utilities	5.9
Information Technology	4.8
Energy	4.1
Materials	4.0
Health Care	3.2
Cash and Other Assets, Less Liabilities	2.4

MARKET CAP EXPOSURE (%)[8]

Large Cap (over $5B)	71.7
Mid Cap ($1B $5B)	25.9
Small Cap (under $1B)	0.0
Cash and Other Assets, Less Liabilities	2.4

ASSET TYPE BREAKDOWN (%)[9]

Common Equities and ADRs	80.3
Convertible Corporate Bonds	11.5
Preferred Equities	5.8
Cash and Other Assets, Less Liabilities	2.4

7 Not all countries where the Fund may invest are included in the benchmark index.

8 Source: FactSet Research Systems. Percentage values in data are rounded to the nearest tenth of one percent; the values may not sum to 100% due to rounding.

9 Bonds are not included in the MSCI All Country Asia ex Japan Index.

Portfolio Manager Commentary (continued)

The main detractors to performance through the year arose from Australia and Thailand, with both suffering currency drops and some stock-specific weakness. In Australia, the worst performer was bottler Coca-Cola Amatil, which struggled as the carbonated soft drink market in the country has started to decline following a more health conscious trend amongst consumers keen on reducing their sugar intake. Further, the company has begun to endure increasing pricing pressure from its largest peer, Pepsi-Schweppes, despite what should be an attractive market duopoly. These factors have caused multiple reductions in guidance from a well-respected management team. In the case of Thailand, television operator BEC World and oil and gas major PTT Public stuttered. Whilst much of this weakness can be attributed to the political turmoil that is underway with a military coup looking ever more likely, stock-specific factors were also to blame. BEC World has suffered from the threat of increasing competition as the free-to-air operator will have to contend with digital television peers from 2015. For PTT, there has been increasing regulatory uncertainty over previously mooted price reforms that would have helped to reduce subsidy burdens for the company.

During the fourth quarter, we made some small changes to the portfolio, adding New Zealand pay T.V. operator SKY Network Television. The company is essentially a monopoly business that generates very healthy returns and cash flow. Further, we believe that there is still attractive growth available for the company through new subscriber growth and also via existing subscribers as they trade up to high-definition channels and their MYSKY digital video recording offerings. Despite this, we were able to purchase the stock at an appealing 4.5% dividend yield. This purchase was funded by the sale of Chinese composite insurer China Pacific Insurance Company and Thai property developer Land & Houses.

Looking toward 2014, many obstacles can be seen on the horizon as the macroeconomic issues of 2013 persist. As time progresses we will no doubt better understand the commitment of both Abe and the BOJ to such a large and arguably risky monetary experiment, with the upcoming year being key to understanding whether wage inflation will actually come to fruition from such policies. Further, during the year of the horse on the Chinese lunar calendar China will need to make some headway down its path of reform. The Communist Party has aspirations to encourage markets to play a more active role in resource allocation, increase private investment into state-owned entities, and liberalize the capital account and interest rates, amongst other things, by 2020. Progress in these aims whilst also managing an ever-expanding debt pile and still producing economic growth, will be critical for the region at large. Such an environment will no doubt prove volatile, but some comfort should be taken from valuations that look fairly attractive at about 13x forward earnings* and 1.7x book value (for the Asia Pacific ex Japan universe as defined by FactSet). In addition, these are even more interesting when viewed in relation to U.S. market valuations or cyclically adjusted price-to-earnings ratios. During these more volatile times, the Fund will keep trying to strike a balance between risk and return, long-term growth and current income, maintaining a keen eye on capital preservation.

* Forward earnings are calculated by dividing market price per share by expected earnings per share.

Matthews Asian Growth and Income Fund December 31, 2013

Schedule of Investments[a]

COMMON EQUITIES: 80.3%

	Shares	Value
CHINA/HONG KONG: 22.2%		
AIA Group, Ltd.	29,573,600	$148,858,357
Jardine Matheson Holdings, Ltd.	2,402,000	125,648,620
CLP Holdings, Ltd.	11,771,700	93,106,549
HSBC Holdings PLC ADR	1,679,433	92,587,141
China Mobile, Ltd. ADR	1,555,700	81,347,553
Vitasoy International Holdings, Ltd.†	51,771,000	79,825,797
Hang Lung Properties, Ltd.	24,970,920	79,155,040
VTech Holdings, Ltd.	5,860,700	76,128,415
Television Broadcasts, Ltd.	10,328,300	69,182,993
CITIC Telecom International Holdings, Ltd.†	191,298,250	61,589,634
Cafe' de Coral Holdings, Ltd.	18,352,000	59,228,216
China Pacific Insurance Group Co., Ltd. H Shares	1,983,600	7,803,207
Total China/Hong Kong		**974,461,522**
SINGAPORE: 14.3%		
Singapore Technologies Engineering, Ltd.	48,017,125	150,677,772
Keppel Corp., Ltd.	12,825,900	113,730,196
United Overseas Bank, Ltd.	6,487,000	109,183,312
Ascendas REIT	53,925,000	94,009,271
SIA Engineering Co., Ltd.	18,588,000	74,531,701
ARA Asset Management, Ltd.	31,219,210	46,014,288
Singapore Post, Ltd.	38,209,000	40,118,012
Total Singapore		**628,264,552**
JAPAN: 7.8%		
Japan Tobacco, Inc.	3,264,600	106,226,032
Lawson, Inc.	1,333,600	99,801,213
Hisamitsu Pharmaceutical Co., Inc.	1,515,200	76,354,429
Japan Real Estate Investment Corp., REIT	11,180	59,813,740
Total Japan		**342,195,414**
MALAYSIA: 7.3%		
AMMB Holdings BHD	56,073,200	123,941,373
Genting Malaysia BHD	75,188,700	100,542,362
Axiata Group BHD	29,634,423	62,426,353
Telekom Malaysia BHD	20,245,551	34,304,017
British American Tobacco Malaysia BHD	85,300	1,669,802

	Shares	Value
Total Malaysia		**322,883,907**
AUSTRALIA: 6.9%		
Orica, Ltd.	4,431,561	94,412,291
Coca-Cola Amatil, Ltd.	6,909,102	74,214,471
Woolworths, Ltd.	2,378,518	71,889,668
CSL, Ltd.	1,044,381	64,306,901
Total Australia		**304,823,331**
SOUTH KOREA: 5.0%		
GS Home Shopping, Inc.	298,935	87,545,794
KT&G Corp.	1,104,197	78,399,175
S1 Corp.	771,922	55,062,286
Total South Korea		**221,007,255**
	Shares	**Value**
TAIWAN: 4.0%		
Taiwan Semiconductor Manufacturing Co., Ltd.	20,673,187	$ 73,180,037
Taiwan Semiconductor Manufacturing Co., Ltd. ADR	3,558,724	62,064,147
Chunghwa Telecom Co., Ltd. ADR	1,277,525	39,552,174
Total Taiwan		**174,796,358**
THAILAND: 3.9%		
PTT Public Co., Ltd.	8,719,200	76,049,537
BEC World Public Co., Ltd.	30,807,800	47,491,896
Glow Energy Public Co., Ltd.	21,887,400	47,092,736
Total Thailand		**170,634,169**
INDONESIA: 2.6%		
PT Perusahaan Gas Negara Persero	159,343,000	58,735,871
PT Telekomunikasi Indonesia Persero ADR	1,544,000	55,352,400
Total Indonesia		**114,088,271**
UNITED KINGDOM: 1.8%		
BHP Billiton PLC	2,588,378	80,109,924
Total United Kingdom		**80,109,924**
PHILIPPINES: 1.7%		
Globe Telecom, Inc.	2,065,510	76,467,848
Total Philippines		**76,467,848**
NEW ZEALAND: 1.5%		
Sky Network Television, Ltd.	13,327,439	64,009,393
Total New Zealand		**64,009,393**
VIETNAM: 1.3%		
Vietnam Dairy Products JSC	9,093,802	58,196,884
Total Vietnam		**58,196,884**
TOTAL COMMON EQUITIES		**3,531,938,828**
(Cost $2,844,124,815)		
PREFERRED EQUITIES: 5.8%		
SOUTH KOREA: 5.8%		
Hyundai Motor Co., Ltd., Pfd.	673,649	80,329,555
Hyundai Motor Co., Ltd., 2nd Pfd.	612,366	76,239,504

Samsung Fire & Marine Insurance Co., Ltd., Pfd.	515,311	70,005,766
LG Household & Health Care, Ltd., Pfd.	121,855	26,464,984
Total South Korea		**253,039,809**
TOTAL PREFERRED EQUITIES		**253,039,809**
(Cost $79,401,075)		

Matthews Asian Growth and Income Fund December 31, 2013

Schedule of Investments[a] (continued)

CONVERTIBLE CORPORATE BONDS: 11.5%

	Face Amount*	Value
CHINA/HONG KONG: 7.3%		
China Petroleum & Chemical Corp. (Sinopec), Cnv. 0.000%, 04/24/14	HKD676,210,000	$104,950,638
Hong Kong Exchanges and Clearing, Ltd., Cnv. 0.500%, 10/23/17	96,000,000	102,000,000
Power Regal Group, Ltd., Cnv. 2.250%, 06/02/14	HKD234,020,000	53,221,344
Hengan International Group Co., Ltd., Cnv. 0.000%, 06/27/18	HKD265,000,000	36,225,062
PB Issuer No. 2, Ltd., Cnv. 1.750%, 04/12/16	21,820,000	23,227,390