

MATTHEWS INTERNATIONAL FUNDS

Form N-CSRS

September 07, 2017

[Table of Contents](#)

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: June 30, 2017

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.

Table of Contents

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

Table of Contents

Matthews Asia Funds | Semi-Annual Report

June 30, 2017 | matthewsasiasia.com

ASIA FIXED INCOME STRATEGIES

Matthews Asia Strategic Income Fund

Matthews Asia Credit Opportunities Fund

ASIA GROWTH AND INCOME STRATEGIES

Matthews Asian Growth and Income Fund

Matthews Asia Dividend Fund

Matthews China Dividend Fund

ASIA VALUE STRATEGY

Matthews Asia Value Fund

ASIA GROWTH STRATEGIES

Matthews Asia Focus Fund

Matthews Asia Growth Fund

Matthews Pacific Tiger Fund

Matthews Asia ESG Fund

Matthews Emerging Asia Fund

Matthews Asia Innovators Fund

Matthews China Fund

Matthews India Fund

Matthews Japan Fund

Matthews Korea Fund

ASIA SMALL COMPANY STRATEGIES

Matthews Asia Small Companies Fund

Matthews China Small Companies Fund

Table of Contents

Table of Contents

Contents

<u>Message to Shareholders from the Investment Advisor</u>	4
Manager Commentaries, Fund Characteristics and Schedules of Investments:	
ASIA FIXED INCOME STRATEGIES	
<u>Matthews Asia Strategic Income Fund</u>	6
<u>Matthews Asia Credit Opportunities Fund</u>	11
ASIA GROWTH AND INCOME STRATEGIES	
<u>Matthews Asian Growth and Income Fund</u>	16
<u>Matthews Asia Dividend Fund</u>	21
<u>Matthews China Dividend Fund</u>	26
ASIA VALUE STRATEGY	
<u>Matthews Asia Value Fund</u>	31
ASIA GROWTH STRATEGIES	
<u>Matthews Asia Focus Fund</u>	35
<u>Matthews Asia Growth Fund</u>	39
<u>Matthews Pacific Tiger Fund</u>	43
<u>Matthews Asia ESG Fund</u>	48
<u>Matthews Emerging Asia Fund</u>	53
<u>Matthews Asia Innovators Fund</u>	58
<u>Matthews China Fund</u>	61
<u>Matthews India Fund</u>	66
<u>Matthews Japan Fund</u>	71
<u>Matthews Korea Fund</u>	76
ASIA SMALL COMPANY STRATEGIES	
<u>Matthews Asia Small Companies Fund</u>	81
<u>Matthews China Small Companies Fund</u>	86
<u>Index Definitions</u>	91
<u>Disclosures</u>	92
<u>Disclosure of Fund Expenses</u>	93
<u>Statements of Assets and Liabilities</u>	96
<u>Statements of Operations</u>	104
<u>Statements of Changes in Net Assets</u>	108
<u>Financial Highlights</u>	117
<u>Notes to Financial Statements</u>	135
Cover photo: Conical Vietnamese hats, Hanoi, Vietnam	

This report has been prepared for Matthews International Funds (d/b/a 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 matthewsasiasia.com. Please read the prospectus carefully before you invest or send money.

The views and opinions in this report were current as of June 30, 2017. 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 depository 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.

Table of Contents

Investor Class Performance and Expenses (June 30, 2017)

Investor Class	Average Annual Total Return				Inception Date	Prospectus Expense Ratio	Prospectus Expense Ratio after Fee Waiver and Reimbursement*
	1 year	5 years	10 years	Since Inception			
ASIA FIXED INCOME STRATEGIES							
Asia Strategic Income Fund (MAINX)	8.69%	4.94%	n.a.	5.08%	11/30/11	1.33%	1.15% ¹
Asia Credit Opportunities Fund (MCRDX)	8.67%	n.a.	n.a.	8.72%	4/29/16	2.24%	1.15% ¹
ASIA GROWTH AND INCOME STRATEGIES							
Asian Growth and Income Fund (MACSX)	8.75%	6.05%	5.06%	9.50%	9/12/94	1.09%	n.a.
Asia Dividend Fund (MAPIX)	16.37%	9.81%	8.37%	9.65%	10/31/06	1.06%	n.a.
China Dividend Fund (MCDFX)	24.88%	12.46%	n.a.	10.39%	11/30/09	1.22%	n.a.
ASIA VALUE STRATEGY							
Asia Value Fund (MAVRX)	26.51%	n.a.	n.a.	17.36%	11/30/15	11.48%	1.50% ³
ASIA GROWTH STRATEGIES							
Asia Focus Fund (MAFSX)	18.39%	n.a.	n.a.	2.95%	4/30/13	2.47%	1.50% ³
Asia Growth Fund (MPACX)	15.86%	10.11%	5.95%	9.32%	10/31/03	1.14%	n.a.
Pacific Tiger Fund (MAPTX)	15.35%	9.25%	6.97%	8.81%	9/12/94	1.09%	1.08% ²
Asia ESG Fund (MASGX)	19.18%	n.a.	n.a.	4.02%	4/30/15	3.54%	1.48% ³
Emerging Asia Fund (MEASX)	19.88%	n.a.	n.a.	10.36%	4/30/13	1.77%	1.47% ³
Asia Innovators Fund (MATFX)	24.21%	14.61%	6.85%	3.44%	12/27/99	1.24%	n.a.
China Fund (MCHFX)	40.32%	7.19%	4.98%	9.80%	2/19/98	1.18%	n.a.
India Fund (MINDX)	18.58%	16.66%	7.92%	12.42%	10/31/05	1.12%	n.a.
Japan Fund (MJFOX)	8.27%	13.74%	4.54%	6.19%	12/31/98	0.98%	n.a.
Korea Fund (MAKOX)	19.23%	12.30%	5.57%	6.68%	1/3/95	1.15%	n.a.
ASIA SMALL COMPANY STRATEGIES							
Asia Small Companies Fund (MSMLX)	13.60%	7.31%	n.a.	11.62%	9/15/08	1.49%	1.47% ³
China Small Companies Fund (MCSMX)	27.82%	11.37%	n.a.	3.25%	5/31/11	2.24%	1.50% ⁴

Annualized performance for periods of at least one year, otherwise cumulative.

*These figures are from the Funds prospectus dated as of April 28, 2017, and may differ from the actual expense ratios for fiscal year 2017, as shown in the financial highlights section of this report.

1 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of the (i) expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

2 Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2018 and may be terminated at any time (i) by the Trust on behalf of the Fund or by the Board of Trustees upon 60 days prior written notice to Matthews; or (ii) by Matthews upon 60 days prior written notice to the Trust, in each case without payment of any penalty.

3 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (i.e., shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (i.e., expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

4 Matthews has contractually agreed to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) to 1.50%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

2 MATTHEWS ASIA FUNDS

Table of Contents

Institutional Class Performance and Expenses (June 30, 2017)

Institutional Class	Average Annual Total Return				Inception Date	Prospectus Expense Ratio	Prospectus Expense Reimbursement*
	1 year	5 years	10 years	Since Inception			
ASIA FIXED INCOME STRATEGIES							
Asia Strategic Income Fund (MINCX)	8.96%	5.15%	n.a.	5.29%	11/30/11	1.12%	0.90% ¹
Asia Credit Opportunities Fund (MICPX)	8.99%	n.a.	n.a.	8.95%	4/29/16	1.99%	0.90% ¹
ASIA GROWTH AND INCOME STRATEGIES							
Asian Growth and Income Fund (MICSX)	8.94%	6.22%	n.a.	4.71%	10/29/10	0.94%	n.a.
Asia Dividend Fund (MIPIX)	16.43%	9.94%	n.a.	7.50%	10/29/10	0.94%	0.93% ³
China Dividend Fund (MICDX)	25.05%	12.68%	n.a.	9.08%	10/29/10	1.06%	n.a.
ASIA VALUE STRATEGY							
Asia Value Fund (MAVAX)	26.87%	n.a.	n.a.	17.69%	11/30/15	11.26%	1.25% ²
ASIA GROWTH STRATEGIES							
Asia Focus Fund (MIFSX)	18.60%	n.a.	n.a.	3.20%	4/30/13	2.29%	1.25% ²
Asia Growth Fund (MIAPX)	16.06%	10.32%	n.a.	6.79%	10/29/10	0.96%	n.a.
Pacific Tiger Fund (MIPTX)	15.57%	9.44%	n.a.	6.24%	10/29/10	0.91%	0.90% ³
Asia ESG Fund (MISFX)	19.46%	n.a.	n.a.	4.27%	4/30/15	3.36%	1.25% ²
Emerging Asia Fund (MIASX)	20.11%	n.a.	n.a.	10.60%	4/30/13	1.62%	1.25% ²
Asia Innovators Fund (MITEX)	24.51%	n.a.	n.a.	13.57%	4/30/13	1.01%	n.a.
China Fund (MICFX)	40.57%	7.35%	n.a.	2.30%	10/29/10	1.03%	n.a.
India Fund (MIDNX)	18.85%	16.87%	n.a.	6.84%	10/29/10	0.91%	n.a.
Japan Fund (MIJFX)	8.38%	13.88%	n.a.	11.21%	10/29/10	0.88%	n.a.
Korea Fund (MIKOX)	19.31%	12.42%	n.a.	10.12%	10/29/10	0.97%	n.a.
ASIA SMALL COMPANY STRATEGY							
Asia Small Companies Fund (MISMIX)	13.89%	n.a.	n.a.	3.39%	4/30/13	1.34%	1.25% ²

Annualized performance for periods of at least one year, otherwise cumulative.

*These figures are from the Funds' prospectus dated as of April 28, 2017, and may differ from the actual expense ratios for fiscal year 2017, as shown in the financial highlights section of this report.

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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.

Table of Contents

Message to Shareholders from the Investment Advisor

Dear Valued Investors,

Twenty years ago on July 2 1997, Thailand devalued its currency, the baht. Thus began the final denouement of years of overinvesting in Asia that came to be called the Asian Financial Crisis.

One after another, markets and economies toppled like dominoes. I remember being in Hong Kong during the crisis as hedge funds tried to attack the Hong Kong dollar peg; stock prices dove in a frenzy. I saw professional South Korean investors reduced to tears, ashen faced, as they watched what they feared was the unravelling not just of their stock markets but of their country. Foreigners bid US\$1 for indebted Korean companies. On the tombstone of every bankrupt company in Asia, you'll see the names of Korean Banks, remarked one stock broker, alluding to the region-wide loans these banks had made.

It hadn't started as such a panic. The first analysis that greeted the baht devaluation included the idea that Thailand was managing its currency to smooth out volatility as they tried to reflate the economy. The baht fell 10% to 20% on that first day and it was just starting. Just wait until the market opens, one person told me after the devaluation: It is going to soar. Within two years, it had lost 80% of its value.

In truth Thailand needed deflation not inflation. It had persistently been spending more than it saved. Economies elsewhere in Asia also needed to deflate. But devaluing currencies couldn't do the job it just increased the burden of U.S. dollar debt, on which their companies had binged, sent these businesses into bankruptcy and thereby further crippled the economy. Indonesia's total GDP eventually fell by nearly 60% in U.S. dollar terms; Thailand and South Korea's dropped by nearly 40%. Stock markets fell by considerably more than that. The memory of this event has persisted even longer; it still casts a shadow over the region, even as Asia's markets rally.

Asia's markets have gotten off to a strong start this year, and yet the most common refrain I hear is one of fear. Is it too late? Have they overheated again?

But 2017 is not 1997.

We are nowhere near having overheated economies. Singapore, Taiwan and South Korea indeed are running very large current account surpluses (meaning their domestic savings are greater than their spending). Thailand, whose current account was in deficit as recently as 2013, now runs one at 11% of GDP. Nor is inflation a problem - core inflation in the 12 major markets of the region averages less than 2%. In India and Indonesia (which until recently had inflation problems), rates have been lowered to a moderate 4.1% and 3.3%, respectively. Asian currencies, which had weakened in 2014 and 2015 as economies wrung out some excesses, have now stabilized and (like the South Korean won and the Taiwan dollar) even strengthened against the U.S. dollar. U.S. dollar external debt is simply not an issue as it was 20 years ago. This time, the currencies did their job. These are all signs of stability; indeed, one can reasonably argue that what Asia really needs is a burst of stimulus.

Corporate earnings are finally on the move, too. Year-to-date, earnings per share in Asia ex Japan have risen by 7%.* This is a dramatic acceleration in growth and it has helped the markets move higher and outperform both the U.S. and Europe. But, as I have pointed out before, Asia's corporate profits have been in the doldrums for a few years now. We must consider the recent improvement in profits in the context of many years of zero growth. When we do, the recent performance is less surprising. Today, earnings per share in Asia ex Japan are still 4% lower than they were nearly six years ago. So,

4 MATTHEWS ASIA FUNDS

Table of Contents

what we are seeing is accelerating profit growth over just a few months after no growth in U.S. dollar terms for six years even though sales per share have risen by 10% in U.S. dollars over that time, despite currency weakness.

Can this acceleration in earnings be sustained?

Likely yes, I believe, especially if several factors continue: First, is moderate GDP growth. This is the basic fuel for sales and profit growth. The IMF expects the Asia Pacific region to grow by 6.4% a year in U.S. dollar terms between 2016 and 2022. Growth should be even faster in Southeast Asia at 8% per annum. Second, is the fact that this growth should be supported by fiscal and monetary loosening. Asia has plenty of room to stimulate its economies, with its high savings ratios and low core inflation. Third, is the fact that corporate margins appear to be improving. We are not seeing the same wage hikes in Asia that characterized the years between 2010 and 2015 in particular, as minimum wages were hiked above the rate of productivity growth.

Asia's earnings are looking better, but they are still lower than they were six years ago. I am hopeful the better growth in earnings can be sustained. This should help to sustain increasing investor confidence from abroad. Headline valuations are high on measures like price-to-earnings, but they don't look that high when you take into account that earnings are depressed. There have been some false dawns over the last couple of years, with expectations of earnings growth slipping away. But I am more confident now that the recent earnings strength can be sustained. Of course, markets don't go up in a straight line and the recent low volatility will not be sustained. However, if current economic conditions persist, I would be inclined to treat such volatility as an opportunity not something to fear.

Robert Horrocks, PhD

Chief Investment Officer

Matthews International Capital Management, LLC

* All EPS data from Factset Asia ex Japan Index as of June 16, 2017.

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Table of Contents**PORTFOLIO MANAGERS****Teresa Kong, CFA**

Lead Manager

Satya Patel

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MAINX	MINCX
CUSIP	577125503	577125602
Inception	11/30/11	11/30/11
NAV	\$10.87	\$10.86
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.33%	1.12%
After Fee Waiver and Reimbursement ²	1.15%	0.90%
Portfolio Statistics		
Total # of Positions		33
Net Assets		\$76.3 million
Modified Duration ³		3.6
Portfolio Turnover ⁴		71.50%
Benchmark		
Markit iBoxx Asian Local Bond Index*		

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 net assets, which include borrowings for investment purposes, in income-producing securities including, but not limited to, dividend paying equity securities, and 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, such as China and India, 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.

Matthews Asia Strategic Income Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Strategic Income Fund returned 5.68% (Investor Class) and 5.80% (Institutional Class) while its benchmark, the Markit iBoxx Asian Local Bond Index, returned 6.41%. For the quarter ending June 30, 2017, the Fund returned 3.18% (Investor Class) and 3.24% (Institutional Class) compared to the benchmark return of 1.76% over the same period.

Market Environment:

Interest rates across Asia fell in the second quarter. Markets appear to believe it is increasingly unlikely that U.S. President Donald Trump will be able to pass policies on his agenda that would lead to higher growth and inflation, including tax cuts, trade and fiscal expansion. The most notable exception is in China, where the central bank deliberately tightened credit conditions to force banks and shadow lending entities to deleverage, leading to a rise in yields.

High yield credit spreads widened slightly in the quarter amidst a strong environment for new issuance, but history indicates spreads typically tighten during U.S. rate hike cycles. Globally, high yield credit spreads in the U.S., Europe and Latin America have tightened by more than historical averages; Asia high yield credit spreads are unique in that they remain wider than average. We believe this presents an attractive entry point for Asia credit, and we expect spreads to tighten even further.

After a very strong start to the year, Asian currencies were mixed in the second quarter. The Malaysian ringgit and Chinese renminbi (RMB) were amongst the best performers. We think Chinese policymakers may have moved the currency to a path of appreciation versus the U.S. dollar ahead of July's implementation of China Direct Bond Connect. The worst-performing currency of the quarter was the South Korean won, which fell more than 2%. It remains, however, one of the strongest-performing Asian currencies in 2017.

Performance Contributors and Detractors:

The biggest contributors to Fund performance were our positions in U.S. dollar (USD) bonds, followed by Indonesia rupiah (IDR)-denominated Indonesian government bonds and Indian rupee (INR)-denominated corporate bonds. With our U.S. dollar-denominated holdings, the biggest gainer was our position in China Hongqiao Group, which recovered after a short seller report in February questioned the company's financial performance, accounting and valuation. We do not believe these issues will materially affect the company's credit profile and we saw the short-term volatility as an opportunity to add to our position in the second quarter. In the case of our Indonesian holdings, the returns were driven by both a fall in Indonesian interest rates and the high coupon.

The biggest detractor to our portfolio's performance was a currency forward position in the Korean won. Our long position in the currency produced negative returns as it depreciated relative to the U.S. dollar.

(continued)

*The Index performance reflects the returns of the discontinued predecessor HSBC Asian Local Bond Index up to December 31, 2012 and the returns of the successor Markit iBoxx Asian Local Bond Index thereafter.

1 Prospectus expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses

such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

3 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.

4 The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

6 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF JUNE 30,
2017**

	Average Annual Total Returns					Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years		
Investor Class (MAINX)	3.18%	5.68%	8.69%	3.90%	4.94%	5.08%	11/30/11
Institutional Class (MINCX)	3.24%	5.80%	8.96%	4.15%	5.15%	5.29%	11/30/11
Markit iBoxx Asian Local Bond Index ⁵	1.76%	6.41%	0.89%	1.42%	1.78%	2.16%	
Lipper Emerging Markets Hard Currency Debt Funds Category Average ⁶	2.13%	6.62%	7.77%	2.57%	3.82%	4.87%	

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 matthewsasiasia.com.

INCOME DISTRIBUTION HISTORY

	2017					2016				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Investor (MAINX)	\$ 0.07	\$ 0.08	n.a.	n.a.	n.a.	\$ 0.06	\$ 0.11	\$ 0.11	\$ 0.13	\$ 0.41
Inst 1 (MINCX)	\$ 0.08	\$ 0.08	n.a.	n.a.	n.a.	\$ 0.06	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.43

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit matthewsasiasia.com.

30-DAY YIELD:

Investor Class: 4.70% (4.57% excluding waivers)

Institutional Class: 4.95% (4.80% excluding waivers)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 6/30/17, 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

YIELD TO WORST: 6.00%

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.

estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate.

Source: FactSet Research Systems

Source: BNY Mellon Investment Servicing (US) Inc.

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\$.

- 5 It is not possible to invest directly in an index. Source: Index data from HSBC, Markit iBoxx and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 91 for index definitions. The Index performance reflects the returns of the discontinued predecessor HSBC Asian Local Bond Index up to December 31, 2012 and the returns of the successor Markit iBoxx Asian Local Bond Index thereafter.
- 6 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

	Sector	Currency	% of Net Assets
Malaysia Government Investment Issue, 3.508%, 05/15/2018	Foreign Government Bonds	Malaysian Ringgit	5.3%
Malaysia Government Investment Issue, 3.226%, 04/15/2020	Foreign Government Bonds	Malaysian Ringgit	5.0%
Standard Chartered PLC, 6.500%, 12/29/2049	Financials	U.S. Dollar	5.0%
Harvest Operations Corp., 6.875%, 10/01/2017	Energy	U.S. Dollar	4.7%
Delta Investment Horizon International, Ltd., Cnv., 3.000%, 05/26/2020	Telecommunication Services	U.S. Dollar	4.5%
Pakistan Government Bond, 8.250%, 04/15/2024	Foreign Government Bonds	U.S. Dollar	4.5%
Indonesia Treasury Bond, 8.375%, 03/15/2034	Foreign Government Bonds	Indonesian Rupiah	4.4%
Indonesia Treasury Bond, 8.375%, 03/15/2024	Foreign Government Bonds	Indonesian Rupiah	4.3%
	Foreign Government Bonds	Chinese Renminbi	4.1%

China Government Bond, 3.550%, 12/12/2021			
Debt and Asset Trading Corp., 1.000%, 10/10/2025	Financials	U.S. Dollar	4.1%
% OF ASSETS IN TOP TEN			45.9%

Table of Contents**CURRENCY ALLOCATION (%)^{7,8}**

U.S. Dollar (USD)	53.0
Indonesian Rupiah (IDR)	13.9
Malaysian Ringgit (MYR)	10.3
Indian Rupee (INR)	9.5
China Renminbi (CNY)	7.8
Vietnamese Dong (VND)	2.5
South Korean Won (KRW)	0.5
Cash and Other Assets, Less Liabilities	2.4

COUNTRY ALLOCATION (%)^{7,8,9}

Indonesia	23.5
China/Hong Kong	20.6
Malaysia	10.3
India	9.5
Sri Lanka	9.5
Vietnam	8.1
South Korea	5.2
Pakistan	4.5
Thailand	3.8
United States	2.6
Cash and Other Assets, Less Liabilities	2.4

SECTOR ALLOCATION (%)^{7,8}

Foreign Government Bonds	40.5
Financials	27.2
Telecommunication Services	7.1
Real Estate	5.6
Utilities	4.8
Energy	4.7
Materials	3.9
Consumer Staples	3.8
Cash and Other Assets, Less Liabilities	2.4

Please note: Foreign Government Bonds category includes Supranationals.

ASSET TYPE BREAKDOWN (%)^{7,8}

Non-Convertible Corporate Bonds	48.8
Government Bonds	40.5
Convertible Corporate Bonds	8.3
Cash and Other Assets, Less Liabilities	2.4

7 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.

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

9 Not all countries where the Fund may invest are included in the benchmark index.
Matthews Asia Strategic Income Fund

Portfolio Manager Commentary (unaudited) (continued)

Notable Changes to Portfolio:

We made a number of changes to our currency and credit allocations in the second quarter. We increased our allocation to Asian currencies, including the Malaysian ringgit, Singapore dollar, Chinese renminbi and Thai baht. Depending on our assessment of local interest rates, our local currency allocations came in a combination of currency and duration in corporate, quasi- and sovereign bonds, and currency forwards. We reduced exposure to the Sri Lankan rupee because of the risk that policymakers would allow a more significant currency depreciation than we previously anticipated.

In credit, we initiated positions in Modernland Realty, an Indonesian property developer, and State Grid Corp. of China, the government-owned electric utility monopoly of China. Modernland is a well-managed, midsize property developer with an improving operational profile, and we believe its bonds offer an attractive yield for the risk profile of the company. State Grid Corp. of China's bond is our first investment in the onshore Chinese bond market. Tight onshore liquidity has led to a rise in yields, and with the upcoming implementation of Bond Connect, we expect the RMB to appreciate relative to the U.S. dollar.

Outlook:

Overall, we are optimistic about the prospects for Asia bonds. Mild reflation in the U.S. and Europe, which together account for about half of global GDP, creates a Goldilocks scenario for emerging markets as economic growth and search for yield drive both the demand for goods and investment opportunities in emerging markets. Despite a recent decrease in oil prices, we see mild reflation solidifying, driven by tighter labor markets and improving consumer and global manufacturing sentiment.

Country-specific fundamentals will drive investment opportunities. Chinese local currency bonds, for instance, provide attractive relative value since tight onshore liquidity has led to a rise in yields, and the currency has moved to an appreciation path ahead of the opening of Bond Connect.

Out of the three key drivers of return, we think currency and credit will continue to be positive drivers while interest rates might be a mild detractor. We see long-term fundamentals as well as short-term technical factors favoring Asian currencies over the U.S. dollar. Lastly, based on any measure of fair value, we believe the U.S. dollar is currently overvalued. As a result, we increased our exposure to Asian currencies during the first quarter. While rate hikes are more or less priced into Fed funds, most of the economies in Asia are just beginning to see the rise in the producer price index passing through to consumer prices.

We believe credit spreads will remain stable or even tighten as default rates stay low. This is because sustained credit spread widening requires the combination of increasing defaults and a U.S. recession.

Fixed income investments are subject to 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.

8 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Strategic Income Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***NON-CONVERTIBLE CORPORATE BONDS: 48.8%****FOREIGN GOVERNMENT OBLIGATIONS: 40.5%**

	Face Amount*	Value
CHINA/HONG KONG: 16.4%		
Standard Chartered PLC 6.500% ^b , 12/29/49	3,700,000	\$3,778,625
China Hongqiao Group, Ltd. 6.875%, 05/03/18	3,000,000	2,977,596
State Grid Corp. of China 3.150%, 11/14/21	CNY 20,000,000	2,800,944
HSBC Holdings PLC 6.375% ^b , 12/29/49	2,500,000	2,660,000
Wanda Properties International Co., Ltd. 7.250%, 01/29/24	300,000	314,960
Total China/Hong Kong		12,532,125
INDIA: 9.6%		
Housing Development Finance Corp., Ltd. 9.240%, 06/24/24	INR 100,000,000	1,682,217
Housing Development Finance Corp., Ltd. 8.950%, 03/21/23	INR 100,000,000	1,635,343
Power Finance Corp., Ltd. 7.470%, 09/16/21	INR 90,000,000	1,390,001
Rural Electrification Corp., Ltd. 9.340%, 08/25/24	INR 52,000,000	892,918
Power Grid Corp. of India, Ltd., Series B 9.300%, 09/04/24	INR 52,000,000	891,237
Rural Electrification Corp., Ltd. 9.020%, 06/18/19	INR 50,000,000	798,598
Total India		7,290,314
SRI LANKA: 6.3%		
DFCC Bank PLC 9.625%, 10/31/18	2,650,000	2,751,389

National Savings Bank 5.150%, 09/10/19	2,000,000	2,027,400
Total Sri Lanka		4,778,789

INDONESIA: 5.1%

Modernland Overseas Pte, Ltd. 6.950%, 04/13/24	1,900,000	1,888,410
Alam Synergy Pte, Ltd. 6.950%, 03/27/20 ^c	1,500,000	1,518,750
Alam Synergy Pte, Ltd. 6.950%, 03/27/20	500,000	506,250
Total Indonesia		3,913,410

SOUTH KOREA: 4.7%

Harvest Operations Corp. 6.875%, 10/01/17	3,620,000	3,610,950
Total South Korea		3,610,950

VIETNAM: 4.1%

Debt and Asset Trading Corp. 1.000%, 10/10/25	5,100,000	3,156,900
Total Vietnam		3,156,900

UNITED STATES: 2.6%

Sprint Communications, Inc. 6.000%, 11/15/22	1,863,000	1,974,780
Total United States		1,974,780

TOTAL NON-CONVERTIBLE CORPORATE BONDS 37,257,268

(Cost \$35,824,282)

	Face Amount*	Value
INDONESIA: 13.9%		
Indonesia Treasury Bond 8.375%, 03/15/34	IDR 42,000,000,000	\$3,392,459
Indonesia Treasury Bond 8.375%, 03/15/24	IDR 40,500,000,000	3,299,023
Indonesia Treasury Bond 7.875%, 04/15/19	IDR 38,000,000,000	2,923,241
Indonesia Treasury Bond 7.000%, 05/15/27	IDR 13,000,000,000	987,620

Total Indonesia		10,602,343
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MALAYSIA: 10.3%

Malaysia Government Investment Issue 3.508%, 05/15/18	MYR 17,300,000	4,037,935
Malaysia Government Investment Issue 3.226%, 04/15/20	MYR 16,600,000	3,830,098

Total Malaysia		7,868,033
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PAKISTAN: 4.5%

Pakistan Government Bond 8.250%, 04/15/24	3,000,000	3,404,004
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Total Pakistan		3,404,004
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CHINA/HONG KONG: 4.1%

China Government Bond 3.550%, 12/12/21	CNY 22,000,000	3,166,405
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Total China/Hong Kong		3,166,405
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VIETNAM: 4.0%

Socialist Republic of Vietnam 5.200%, 01/12/22	VND 43,000,000,000	1,916,055
Socialist Republic of Vietnam 4.800%, 11/19/24	1,055,000	1,108,731

Total Vietnam		3,024,786
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SRI LANKA: 3.2%

Sri Lanka Government Bond 6.125%, 06/03/25	2,400,000	2,449,270
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Total Sri Lanka		2,449,270
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SOUTH KOREA: 0.5%

Korea Treasury Bond 3.500%, 03/10/24	KRW 400,000,000	379,868
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Total South Korea		379,868
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TOTAL FOREIGN GOVERNMENT OBLIGATIONS		30,894,709
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(Cost \$30,184,102)

CONVERTIBLE CORPORATE BONDS: 8.3%

INDONESIA: 4.5%

Delta Investment Horizon International, Ltd., Cnv.
3.000%, 05/26/20

3,500,000

3,473,750

Total Indonesia

3,473,750

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Table of Contents

Matthews Asia Strategic Income Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***CONVERTIBLE CORPORATE BONDS (continued)**

	Face Amount*	Value
THAILAND: 3.8%		
CP Foods Holdings, Ltd., Cnv. 0.500%, 09/22/21	2,800,000	\$2,877,000
Total Thailand		2,877,000
TOTAL CONVERTIBLE CORPORATE BONDS		6,350,750
(Cost \$6,147,128)		
TOTAL INVESTMENTS: 97.6%		74,502,727
(Cost \$72,155,512 ^d)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 2.4%		1,835,696
NET ASSETS: 100.0%		\$76,338,423

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

b Contingent convertible and variable rate security. The rate represents the rate in effect at June 30, 2017.

c 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. At June 30, 2017, the aggregate value is \$1,518,750, which is 1.99% of net assets.

d Cost for federal income tax purposes is \$72,155,512 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$2,661,913
Gross unrealized depreciation	(314,698)

Net unrealized appreciation \$2,347,215

* All values are in USD unless otherwise specified.

Cnv. Convertible

CNY Chinese Renminbi (Yuan)

IDR Indonesian Rupiah

INR Indian Rupee

KRW Korean Won

MYR Malaysian Ringgit

PHP Philippine Peso

SGD Singapore Dollar

THB Thai Baht

USD U.S. Dollar

VND Vietnamese Dong

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS:

	Currency			Settlement	Unrealized
	Purchased	Currency Sold	Counterparty	Date	Appreciation
					(Depreciation)
LONG	PHP 215,021,500	USD 4,300,000	JPMorgan Chase & Co.	07/26/17	(\$47,874)
	SGD 4,879,350	USD 3,500,000	Merrill Lynch & Co., Inc.	08/02/17	46,044
	SGD 4,876,900	USD 3,500,000	JPMorgan Chase & Co.	08/02/17	44,264
	THB 120,680,000	USD 3,500,000	JPMorgan Chase & Co.	08/02/17	52,552

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KRW 4,004,000,000	USD 3,500,000	Merrill Lynch & Co., Inc.	10/10/17	(107)
				94,879

SHORT	USD 4,280,739	PHP 215,021,500	JPMorgan Chase & Co.	07/26/17	\$28,613
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OTC CREDIT DEFAULT SWAPS - BUY PROTECTION*

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Value	Premiums Received	Unrealized Appreciation
Republic of Korea	1.00%	Bank of America, N.A.	6/20/2022	USD 8,000	(\$180,914)	(\$183,599)	\$2,685

* Swap is not centrally cleared.
See accompanying notes to financial statements.

10 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Teresa Kong, CFA**

Lead Manager

Satya Patel

Lead Manager

FUND FACTS

	Investor	Institutional
Ticker	MCRDX	MICPX
CUSIP	577130677	577130669
Inception	4/29/16	4/29/16
NAV	\$10.47	\$10.47
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	2.24%	1.99%
After Fee Waiver and Reimbursement ²	1.15%	0.90%
Portfolio Statistics		
Total # of Positions		25
Net Assets		\$19.8 million
Modified Duration ³		3.3
Portfolio Turnover ⁴		18.80%
Benchmark		
J.P. Morgan Asia Credit Index		

OBJECTIVE

Total return over the long term.

STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in debt and debt-related instruments issued by companies as well as governments, quasi-governmental entities, and supranational institutions in Asia. Debt and debt-related instruments typically include bonds, debentures, bills, securitized instruments (which are vehicles backed by pools of assets such as loans or other receivables), notes, certificates of deposit and other bank obligations, bank loans, senior secured bank debt, convertible debt securities, credit-linked notes, inflation linked instruments, repurchase agreements, payment-in-kind securities and derivative instruments with fixed income characteristics. Asia consists of all countries and markets in Asia, such as China and Indonesia, in addition to the developed, emerging, and frontier countries and markets in the Asian region.

Matthews Asia Credit Opportunities Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Credit Opportunities Fund returned 5.34% (Investor Class) and 5.44% (Institutional Class), outperforming its benchmark, the J.P Morgan Asia Credit Index (JACI), which returned 3.81% over the same period. For the quarter ending June 30, 2017, the Fund returned 2.63% (Investor Class) and 2.66% (Institutional Class) compared to the benchmark return of 1.22% over the same period.

Market Environment:

Asia credit has continued to provide positive returns even amid volatility in the U.S. interest rate environment. Credit spreads widened slightly in the quarter amid a strong environment for new issuance, but history indicates spreads typically tighten during U.S. rate hike cycles. Investment grade spreads continued to hover near historical lows. Globally, we believe high yield credit spreads in the U.S., Europe and Latin America are now overvalued, trading at levels well below historical averages. Asia is the only region where high yield spreads are still trading at relatively fair value, at spreads slightly wider than average. We believe this presents an attractive entry point for Asia credit, particularly given historically higher returns and lower volatility in Asia relative to U.S., European and Latin American high yield. The preconditions for credit spreads to spike historically have been the combination of expectations of higher defaults and an impending economic recession. With commodity prices recovering and no recession in sight, we expect spreads to tighten even further.

Performance Contributors and Detractors:

During the second quarter, among the biggest contributors to Fund performance were our holdings in the bonds of Debt and Asset Trading Corp, China Hongqiao Group and the HSBC Holdings PLC's contingent convertible bonds. Debt and Asset Trading Corp. is a wholly owned subsidiary of Vietnam's Ministry of Finance, and its bonds provide an attractive spread pickup to sovereign bonds. China Hongqiao Group was the Fund's biggest detractor to returns in the first quarter after a short seller report in February questioned the company's financial performance, accounting and valuation. It recovered strongly in the second quarter, and we do not believe that these issues will materially affect the company's credit profile. We saw short-term volatility during the quarter as an opportunity to add to our position. HSBC contingent convertible bonds continued to perform well as Europe continues on its recovery path. While HSBC's revenues and overwhelming majority of its operating profits are derived from Asia, it nevertheless is more correlated to European than to Asian banks. As such, we were able to buy these bonds when the rest of its European peers had troubles. The only detractor to performance was our long credit default position in Korea, where we bought five-year protection on the South Korean sovereign as a hedge against tail risk* driven by North Korea. While spreads widened in the quarter, the coupon we paid for the default protection led to a slight loss on the position.

Notable Changes to Portfolio:

We took profits on a portion of our investment in Sprint, a U.S. wireless communications company with majority ownership by SoftBank, a Japanese media

* Tail risk: The small statistical probability that an asset price will move more than three standard deviations from its current and/or average price level.

(continued)

1 Prospectus expense ratios.

2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 0.90% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 0.90% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 0.90%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

3 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.

4 Not annualized. The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns Since				Inception Date
	3 Months	YTD	1 Year	Inception	
Investor Class (MCRDX)	2.63%	5.34%	8.67%	8.72%	4/29/16
Institutional Class (MICPX)	2.66%	5.44%	8.99%	8.95%	4/29/16
J.P. Morgan Asia Credit Index ⁵	1.22%	3.81%	3.10%	4.50%	
Lipper Alternative Credit Focus Funds Category Average ⁶	1.28%	2.91%	6.09%	6.57%	

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 matthewsasiasia.com.

INCOME DISTRIBUTION HISTORY

	2017					2016				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Investor (MCRDX)	\$ 0.12	\$ 0.08	n.a.	n.a.	n.a.	n.a.	\$ 0.06	\$ 0.10	\$ 0.16	\$ 0.32
Inst 1 (MICPX)	\$ 0.12	\$ 0.08	n.a.	n.a.	n.a.	n.a.	\$ 0.06	\$ 0.11	\$ 0.16	\$ 0.33

Note: This table does not include capital gains distributions. Totals may differ by \$0.02 due to rounding. For income distribution history, visit matthewsasiasia.com.

30-DAY YIELD:

Investor Class: 4.08% (3.73% excluding waivers)

Institutional Class: 4.33% (3.74% excluding waivers)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 6/30/17, 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

YIELD TO WORST: 5.52%

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.

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.

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\$.

5 It is not possible to invest directly in an index. Source: Index data from J.P. Morgan and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 91 for index definition.

6 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

	Sector	Currency	% of Net Assets
China Hongqiao Group, Ltd., 6.875%, 05/03/2018	Materials	U.S. Dollar	5.5%
Debt and Asset Trading Corp., 1.000%, 10/10/2025	Financials	U.S. Dollar	5.3%
Harvest Operations Corp., 6.875%, 10/01/2017	Energy	U.S. Dollar	5.2%
DFCC Bank PLC, 9.625%, 10/31/2018	Financials	U.S. Dollar	4.7%
Sri Lanka Government Bond, 6.125%, 06/03/2025	Foreign Government Bonds	U.S. Dollar	4.6%
Alam Synergy Pte, Ltd., 6.950%, 03/27/2020	Real Estate	U.S. Dollar	4.6%
Pakistan Government Bond, 8.250%, 04/15/2024	Foreign Government Bonds	U.S. Dollar	4.6%
Delta Investment Horizon International, Ltd., Cnv., 3.000%, 05/26/2020	Telecommunication Services	U.S. Dollar	4.5%
ICTSI Treasury BV, 5.875%, 09/17/2025	Industrials	U.S. Dollar	4.4%
HSBC Holdings PLC, 6.375%, 12/29/2049	Financials	U.S. Dollar	4.3%
% OF ASSETS IN TOP TEN			47.7%

12 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Credit Opportunities Fund

Portfolio Manager Commentary (unaudited) (continued)

conglomerate. The bonds have performed well over the past year as its operational turnaround has continued, allowing the company to shore up its balance sheet and tap into new sources of liquidity. We continue to hold a position as the company explores mergers/partnerships with larger competitors that may further improve its competitive position and further credit improvement. We also initiated new positions in Modernland Realty, an Indonesian property developer, and State Grid Corp of China, the government-owned electric utility monopoly of China. Modernland is a well-managed, midsize property developer with an improving operational profile, and we believe the bonds offer an attractive yield for the risk profile of the company. State Grid Corp of China's bond is RMB-denominated and is the Fund's only non-U.S. dollar holding and our first investment in China's onshore bond market. Tight onshore liquidity has led to a rise in interest rates and credit spreads, enabling us to purchase these bonds at prices well below historical levels. With the upcoming implementation of Bond Connect, we expect the RMB to be stable, with an appreciation bias relative to the U.S. dollar. We invested in a quasi-sovereign entity because we generally believe that credit risk is mispriced in the onshore market in China, and that investors are not adequately compensated for taking on additional credit risk.

Outlook:

Though interest rates have risen, good liquidity conditions and still relatively low interest rates across Asia continue to support market access and credit. Combined with the inflows into emerging markets and high yield asset classes, we see the near term as still supportive of Asian credit.

Some market participants continue to have concerns over China, especially regarding the recent volatility in money market rates. We see the recent intentional pull back of short-term liquidity as a prudent measure to reduce the leverage employed in wealth management products. Thus, we do not view the recent volatility in the money markets as a sign of stress, capital flight or policy missteps, and instead see it as a possible buying opportunity.

We are more concerned about risks arising from U.S. politics than from China-related risks. These include a potential ad-hoc, country-specific tariff on China. Chinese exports involve products from other Asian countries as the integrated supply chain in Asia is a well-documented phenomenon. A direct tariff levied on China will have indirect but painful effects on Asia, especially smaller, export-oriented economies, such as Taiwan and South Korea. While we do not see a tariff on China as our base case, we are positioning the portfolio to minimize the effects of such a scenario by limiting exposure to export-driven companies.

Fixed income investments are subject to 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.

CURRENCY ALLOCATION (%)^{7,8}

U.S. Dollar (USD)	90.0
China Renminbi (CNY)	2.8
Cash and Other Assets, Less Liabilities	7.2

COUNTRY ALLOCATION (%)^{7,8,9}

China/Hong Kong	31.3
Indonesia	20.9
Sri Lanka	12.5
Vietnam	7.4
South Korea	5.2
Pakistan	4.6
Philippines	4.4
Thailand	4.2
United States	2.3
Cash and Other Assets, Less Liabilities	7.2

SECTOR ALLOCATION (%)^{7,8}

Financials	21.7
Real Estate	17.4
Foreign Government Bonds	11.3
Telecommunication Services	8.9
Utilities	6.9
Materials	5.5
Consumer Discretionary	5.2
Energy	5.2
Industrials	4.4
Consumer Staples	4.2
Information Technology	2.1
Cash and Other Assets, Less Liabilities	7.2

ASSET TYPE BREAKDOWN (%)^{7,8}

Non-Convertible Corporate Bonds	72.8
Government Bonds	11.3
Convertible Corporate Bonds	8.7
Cash and Other Assets, Less Liabilities	7.2

7 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.

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

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

Table of Contents

Matthews Asia Credit Opportunities Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***NON-CONVERTIBLE CORPORATE BONDS: 72.8%****FOREIGN GOVERNMENT OBLIGATIONS: 11.3%**

	Face Amount*	Value
CHINA/HONG KONG: 31.3%		
China Hongqiao Group, Ltd. 6.875%, 05/03/18	1,100,000	\$1,091,785
HSBC Holdings PLC 6.375% ^b , 12/29/49	800,000	851,200
KWG Property Holding, Ltd. 8.975%, 01/14/19	800,000	831,038
Standard Chartered PLC 6.500% ^b , 12/29/49	800,000	817,000
Wanda Properties International Co., Ltd. 7.250%, 01/29/24	750,000	787,400
State Grid Corp. of China 3.150%, 11/14/21	CNY 4,000,000	560,189
Shimao Property Holdings, Ltd. 8.125%, 01/22/21	400,000	424,008
Unigroup International Holdings, Ltd. 6.000%, 12/10/20	400,000	422,608
Wynn Macau, Ltd. 5.250%, 10/15/21	400,000	410,000
Total China/Hong Kong		6,195,228
INDONESIA: 16.4%		
Alam Synergy Pte, Ltd. 6.950%, 03/27/20	900,000	911,250
Listrindo Capital BV 4.950%, 09/14/26	800,000	810,000
MPM Global Pte, Ltd. 6.750%, 09/19/19	600,000	622,266
Modernland Overseas Pte, Ltd. 6.950%, 04/13/24	500,000	496,950
TBG Global Pte, Ltd. 5.250%, 02/10/22	400,000	414,617

Total Indonesia		3,255,083
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SRI LANKA: 7.9%

DFCC Bank PLC		
9.625%, 10/31/18	900,000	934,434
National Savings Bank		
8.875%, 09/18/18	600,000	632,820

Total Sri Lanka		1,567,254
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VIETNAM: 5.3%

Debt and Asset Trading Corp.		
1.000%, 10/10/25	1,700,000	1,052,300

Total Vietnam		1,052,300
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SOUTH KOREA: 5.2%

Harvest Operations Corp.		
6.875%, 10/01/17	1,030,000	1,027,425

Total South Korea		1,027,425
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PHILIPPINES: 4.4%

ICTSI Treasury BV		
5.875%, 09/17/25	800,000	867,341

Total Philippines		867,341
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UNITED STATES: 2.3%

Sprint Communications, Inc.		
6.000%, 11/15/22	420,000	445,200

Total United States		445,200
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TOTAL NON-CONVERTIBLE CORPORATE BONDS		14,409,831
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(Cost \$14,044,126)

	Face Amount*	Value
SRI LANKA: 4.6%		
Sri Lanka Government Bond		
6.125%, 06/03/25	900,000	\$918,476
Total Sri Lanka		918,476

PAKISTAN: 4.6%		
Pakistan Government Bond 8.250%, 04/15/24	800,000	907,734
Total Pakistan		907,734
VIETNAM: 2.1%		
Socialist Republic of Vietnam 4.800%, 11/19/24	400,000	420,372
Total Vietnam		420,372
TOTAL FOREIGN GOVERNMENT OBLIGATIONS		2,246,582
(Cost \$2,146,531)		
CONVERTIBLE CORPORATE BONDS: 8.7%		
INDONESIA: 4.5%		
Delta Investment Horizon International, Ltd., Cnv. 3.000%, 05/26/20	900,000	893,250
Total Indonesia		893,250
THAILAND: 4.2%		
CP Foods Holdings, Ltd., Cnv. 0.500%, 09/22/21	800,000	822,000
Total Thailand		822,000
TOTAL CONVERTIBLE CORPORATE BONDS		1,715,250
(Cost \$1,658,682)		
TOTAL INVESTMENTS: 92.8%		18,371,663
(Cost \$17,849,339 ^C)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 7.2%		1,417,030
NET ASSETS: 100.0%		\$19,788,693

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

b Variable rate security. The rate represents the rate in effect at June 30, 2017.

c Cost for federal income tax purposes is \$17,849,339 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$553,176
Gross unrealized depreciation	(30,852)
Net unrealized appreciation	\$522,324

* All values are in USD unless otherwise noted.

Cnv. Convertible

CNY Chinese Renminbi (Yuan)

14 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Credit Opportunities Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***OTC CREDIT DEFAULT SWAPS - BUY PROTECTION***

Issuer	Pay Fixed Rate	Counterparty	Expiration Date	Notional Amount (000)	Value	Premiums Received	Unrealized Appreciation
Republic of Korea	1.00%	Bank of America, N.A.	6/20/2022	USD 2,000	(\$45,229)	(\$45,900)	\$671

* Swap is not centrally cleared.
See accompanying notes to financial statements.

Table of Contents**PORTFOLIO MANAGERS****Robert J. Horrocks, PhD**

Lead Manager

Kenneth Lowe, CFA

Lead Manager

FUND FACTS

	Investor	Institutional
Ticker	MACSX	MICSX
CUSIP	577130206	577130842
Inception	9/12/94	10/29/10
NAV	\$17.06	\$17.04
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.09%	0.94%
Portfolio Statistics		
Total # of Positions		60
Net Assets		\$2.9 billion
Weighted Average Market Cap		\$44.0 billion
Portfolio Turnover ²		15.64%
Benchmark		
MSCI AC Asia ex Japan Index		

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.

Matthews Asian Growth and Income Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asian Growth and Income Fund returned 14.87% (Investor Class) and 14.99% (Institutional Class) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 22.93%. For the quarter ending June 30, 2017, the Fund returned 5.03% (Investor Class) and 5.07% (Institutional Class) compared to the benchmark return of 8.40% over the same period.

Market Environment:

Asian equity markets continued their strong performance into the second quarter as sentiment for emerging markets has shifted from being largely negative in many allocators' minds to being somewhat more constructive. The prior five years of weaker-than-anticipated earnings growth and poor dollar-denominated market performance has turned as earnings expectations have been on the rise through a combination of base effects, reflation in China and a strong technology cycle. Additionally, a prospective border adjustment tax from the U.S. appears unlikely to succeed in its current form and European political risk has waned with the election of Europhile Emmanuel Macron as France's new president. These points have all helped the asset class as risk-on assets gather momentum and volatility remains low.

More structurally during the quarter, we witnessed the inclusion of China A-shares to MSCI benchmarks. Initially, 222 large-capitalization stocks from the mainland will be included into the Emerging Markets Index at a small weighting slated to begin next spring. This, alongside the strength of internet stocks, likely helped China to become the region's strongest performer during the quarter.

Performance Contributors and Detractors:

The bulk of the stocks within the portfolio rose during the quarter with the largest contributor to returns coming once more from Pan-Asian life insurer AIA Group, a core holding. The stock reached all-time highs during the period as its value of new business rose by an impressive 55% in constant currency terms during the first quarter. It remains clear that fundamental demand for covering protection gaps remains strong and the company's cash generation will enable it to continue to grow dividends substantially. Other Hong Kong stocks, VTech Holdings and Techtronic Industries, also delivered strong performance. The former bounced back from a weak first quarter as earnings positively surprised on the integration of fellow electronic learning product company Leapfrog, as well as revenue growth in commercial phone sales and contract manufacturing. Techtronic Industries benefited from solid revenue growth in power tools, particularly as its partner, Home Depot, continues to post impressive year-over-year comparable store sales.

Information technology stocks also delivered strong absolute performance for the portfolio with Samsung Electronics rising on strong memory pricing and an ongoing share buyback. However, the portfolio's underweight within the sector, given its large size in the index, hurt relative performance as Chinese internet stocks and many others within the technology supply chain rallied.

Beyond this, South Korean holdings Kangwon Land and Kepco Plant Service & Engineering (KPS) detracted from performance. The former is the country's only casino in which local residents are allowed to gamble and there are concerns that this could change. The stock also has been hurt by poor earnings. KPS sputtered on weaker-than-expected overseas order wins and expectations for South Korea's new president to readdress the use of nuclear power in the country.

Notable Changes to Portfolio:

We added a number of new holdings to the portfolio during the quarter, including U.S.-listed fabless semiconductor company Broadcom. The business was formed

(continued)

1 Prospectus expense ratios.

2 The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

16 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MACSX)	5.03%	14.87%	8.75%	1.73%	6.05%	5.06%	9.50%	9/12/94
Institutional Class (MICSX)	5.07%	14.99%	8.94%	1.89%	6.22%	n.a.	4.71%	10/29/10
MSCI AC Asia ex Japan Index ³	8.40%	22.93%	27.06%	5.32%	8.27%	4.48%	4.46% ⁴	
Lipper Pacific Region Funds Category Average ⁵	6.61%	17.21%	18.61%	4.51%	8.36%	2.88%	4.27%	

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 matthewsasiasia.com.

INCOME DISTRIBUTION HISTORY

	2017			2016		
	June	December	Total	June	December	Total
Investor (MACSX)	\$ 0.10	n.a.	n.a.	\$ 0.15	\$ 0.33	\$ 0.48
Inst 1 (MICSX)	\$ 0.12	n.a.	n.a.	\$ 0.16	\$ 0.34	\$ 0.50

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

30-DAY YIELD:

1.71% (Investor Class) 1.88% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 6/30/17, 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

DIVIDEND YIELD: 3.27%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 6/30/17 divided by the current price of each equity as of 6/30/17. 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.

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.

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 91 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 HOLDINGS⁶

	Sector	Country	% of Net Assets
AIA Group, Ltd.	Financials	China/Hong Kong	3.6%
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	Taiwan	3.3%
Samsung Electronics Co., Ltd.	Information Technology	South Korea	3.1%
CapitaLand, Ltd., Cnv., 1.950%, 10/17/2023	Real Estate	Singapore	2.5%
Singapore Telecommunications, Ltd.	Telecommunication Services	Singapore	2.4%
Techtronic Industries Co., Ltd.	Consumer Discretionary	China/Hong Kong	2.3%
Ascendas REIT	Real Estate	Singapore	2.3%
United Overseas Bank, Ltd.	Financials	Singapore	2.2%
Genting Malaysia BHD	Consumer Discretionary	Malaysia	2.1%
HSBC Holdings PLC	Financials	China/Hong Kong	2.0%
% OF ASSETS IN TOP TEN			25.8%

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

Table of Contents**COUNTRY ALLOCATION (%)^{7,8}**

China/Hong Kong	32.2
Singapore	14.1
South Korea	12.0
Japan	6.2
Australia	4.9
Taiwan	4.8
Indonesia	3.9
Malaysia	3.4
United States	3.2
Thailand	2.6
India	1.7
Vietnam	1.5
Norway	1.5
New Zealand	1.4
Philippines	1.0
Cash and Other Assets, Less Liabilities	5.6

SECTOR ALLOCATION (%)⁸

Industrials	15.4
Consumer Discretionary	15.2
Telecommunication Services	14.2
Consumer Staples	13.6
Financials	10.5
Information Technology	9.2
Real Estate	7.3
Utilities	5.3
Health Care	3.7
Cash and Other Assets, Less Liabilities	5.6

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	39.3
Large Cap (\$10B - \$25B)	18.7
Mid Cap (\$3B - 10B)	25.4
Small Cap (under \$3B)	11.0
Cash and Other Assets, Less Liabilities	5.6

ASSET TYPE BREAKDOWN (%)^{8,9}

Common Equities and ADRs	81.2
Convertible Corporate Bonds	10.2
Preferred Equities	3.1

Cash and Other Assets, Less Liabilities	5.6
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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.
Matthews Asian Growth and Income Fund

Portfolio Manager Commentary (unaudited) (continued)

through the merger of Avago Technologies and Broadcom last year with headquarters in the U.S. and in Singapore. Much of the company's product suite in areas such as wireless connectivity, network switching, data center storage etc. holds strong market positions and is mission critical to its customers. This enables high margins and strong free cash flow. We believe both wired and wireless products have a solid sustainable growth outlook that should lead to attractive dividend growth to accompany an already reasonable valuation of a 1.7% dividend yield and 15x price-to-earnings (P/E) ratio.*

We also added Indonesian bank and micro finance lender Bank Rakyat Indonesia. The company not only has an impressive pedigree in what is a lucrative business, but it also has a strong balance sheet with a Tier 1 ratio of 19.6%, a healthy funding base and fairly robust loan loss reserves. There have been some question marks over the company's decision to increase corporate lending in recent years, but new management has sensibly refocused on micro lending once more. We believe that a franchise of this caliber was attractively priced at around 13.4x forward P/E and a 2.8% dividend yield. These additions were funded through the closure of positions in Keppel Corporation, ARA Asset Management and Transcosmos.

Outlook:

The strength of Asian equity markets this year has been, to a reasonable extent, justified by fundamentals. An improvement in earnings momentum and some level of de-risking being attempted within the Chinese financial system are both positive outcomes. Further, tail risks from global politics appear to have waned. Valuations, however, have returned to a level that on a trailing basis are in line with medium-term averages. Additionally, volatility is astoundingly low and it is sensible to question how long this can persist as monetary policy across the globe appears to be tightening. Despite government officials in China being aware of the debt challenges, deleveraging has not yet occurred and the quantity of outstanding credit and capital misallocation remains a concern.

With a backdrop of reasonable fundamentals, middling valuations and some residual tail risks, we will continue to offer our investors what we believe to be a portfolio that delivers solid risk-adjusted returns through a full economic cycle. We will avoid the chase for beta in such an unsustainably low volatility environment and deploy capital sensibly in those businesses that attempt to create value for minority shareholders over the long term.

* Price-to-Earnings (P/E) Ratio: Price-to-Earnings Ratio (P/E Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings.

Beta is a measure of volatility, or systemic risk, of a security or a portfolio in comparison to the market as a whole.

18 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asian Growth and Income Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 81.1%**

	Shares	Value
CHINA/HONG KONG: 25.9%		
AIA Group, Ltd.	14,184,800	\$103,781,118
Techtronic Industries Co., Ltd.	14,665,000	67,385,621
HSBC Holdings PLC ADR	1,264,833	58,675,603
Jardine Matheson Holdings, Ltd.	909,900	58,411,923
CK Hutchison Holdings, Ltd.	4,438,672	55,703,316
China Mobile, Ltd. ADR	964,000	51,178,760
CLP Holdings, Ltd.	4,667,200	49,352,586
Guangdong Investment, Ltd.	32,744,000	45,126,537
Pacific Textiles Holdings, Ltd. ^b	31,906,000	40,866,096
Hang Lung Properties, Ltd.	15,220,920	38,039,312
HKT Trust & HKT, Ltd.	27,873,000	36,557,329
Café de Coral Holdings, Ltd.	10,968,000	35,531,367
VTech Holdings, Ltd.	2,227,500	35,285,624
Vitasoy International Holdings, Ltd.	16,747,000	34,471,064
Cheung Kong Property Holdings, Ltd.	4,400,172	34,432,586
Total China/Hong Kong		744,798,842
SINGAPORE: 11.6%		
Singapore Telecommunications, Ltd.	24,329,100	68,707,340
Ascendas REIT	35,011,100	66,337,382
United Overseas Bank, Ltd.	3,796,000	63,729,683
Singapore Technologies Engineering, Ltd.	21,623,025	57,767,079
SIA Engineering Co., Ltd.	15,928,900	47,196,298
ComfortDelGro Corp., Ltd.	19,003,800	31,742,150
Total Singapore		335,479,932
SOUTH KOREA: 8.9%		
Samsung Electronics Co., Ltd.	43,412	90,419,463
Kangwon Land, Inc.	1,557,377	47,457,161
KT&G Corp.	451,143	46,148,182
GS Home Shopping, Inc.	225,202	45,550,368
KEPCO Plant Service & Engineering Co., Ltd.	634,668	24,500,156

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ING Life Insurance Korea, Ltd. ^{c,d}	126,843	3,769,315
Total South Korea		257,844,645

JAPAN: 6.2%

Japan Tobacco, Inc.	1,528,200	53,713,336
Kao Corp.	861,700	51,235,254
KDDI Corp.	1,480,800	39,163,646
USS Co., Ltd.	1,681,400	33,512,134
Total Japan		177,624,370

AUSTRALIA: 4.9%

CSL, Ltd.	448,874	47,638,765
Brambles, Ltd.	4,238,855	31,696,332
Insurance Australia Group, Ltd.	5,886,381	30,677,668
Domino's Pizza Enterprises, Ltd.	759,157	30,378,103
Total Australia		140,390,868

TAIWAN: 4.8%

Taiwan Semiconductor Manufacturing Co., Ltd.	11,282,187	77,082,308
Chunghwa Telecom Co., Ltd. ADR	1,226,825	43,208,776
Taiwan Semiconductor Manufacturing Co., Ltd. ADR	477,024	16,676,759
Total Taiwan		136,967,843

	Shares	Value
INDONESIA: 3.9%		
PT Telekomunikasi Indonesia Persero ADR	1,435,400	\$48,329,918
PT Bank Rakyat Indonesia Persero	35,607,600	40,629,487
PT Perusahaan Gas Negara Persero	139,319,300	23,497,913
Total Indonesia		112,457,318

MALAYSIA: 3.4%

Genting Malaysia BHD	47,850,100	61,300,920
British American Tobacco Malaysia BHD	3,498,400	35,386,190
Total Malaysia		96,687,110

UNITED STATES: 3.2%

ResMed, Inc.	589,000	45,865,430
Broadcom, Ltd.	196,700	45,840,935

Total United States		91,706,365
INDIA: 1.7%		
Bharti Infratel, Ltd.	8,473,114	49,082,753
Total India		49,082,753
VIETNAM: 1.5%		
Vietnam Dairy Products JSC	6,294,291	43,639,975
Total Vietnam		43,639,975
NORWAY: 1.5%		
Telenor ASA	2,542,183	42,175,432
Total Norway		42,175,432
NEW ZEALAND: 1.4%		
SKYCITY Entertainment Group, Ltd.	13,775,057	41,199,718
Total New Zealand		41,199,718
THAILAND: 1.2%		
Glow Energy Public Co., Ltd.	15,554,000	36,045,578
Total Thailand		36,045,578
PHILIPPINES: 1.0%		
Globe Telecom, Inc.	742,500	30,135,553
Total Philippines		30,135,553
TOTAL COMMON EQUITIES:		2,336,236,302

(Cost \$2,010,691,958)

Table of Contents

Matthews Asian Growth and Income Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***CONVERTIBLE CORPORATE BONDS: 10.2%****PREFERRED EQUITIES: 3.1%**

	Face Amount*	Value
CHINA/HONG KONG: 6.3%		
Shine Power International, Ltd., Cnv. 0.000%, 07/28/19	HKD 446,000,000	\$57,481,957
Johnson Electric Holdings, Ltd., Cnv. 1.000%, 04/02/21	49,750,000	54,849,375
Hengan International Group Co., Ltd., Cnv. 0.000%, 06/27/18	HKD 339,000,000	45,699,620
Haitian International Holdings, Ltd., Cnv. 2.000%, 02/13/19	21,500,000	23,596,250
Total China/Hong Kong		181,627,202
SINGAPORE: 2.5%		
CapitaLand, Ltd., Cnv. 1.950%, 10/17/23	SGD 96,500,000	71,774,832
Total Singapore		71,774,832
THAILAND: 1.4%		
CP Foods Holdings, Ltd., Cnv. 0.500%, 09/22/21	27,200,000	27,948,000
Bangkok Dusit Medical Services Public Co., Ltd., Cnv. 0.000%, 09/18/19	THB 385,000,000	11,999,374
Total Thailand		39,947,374
TOTAL CONVERTIBLE CORPORATE BONDS		293,349,408

(Cost \$298,038,029)

	Shares	Value
SOUTH KOREA: 3.1%		
LG Household & Health Care, Ltd., Pfd.	99,637	\$54,073,592
Hyundai Motor Co., Ltd., Pfd.	355,983	35,162,206

Total South Korea	89,235,798
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TOTAL PREFERRED EQUITIES	89,235,798
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(Cost \$21,226,632)

TOTAL INVESTMENTS: 94.4%	2,718,821,508
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(Cost \$2,329,956,619^e)

CASH AND OTHER ASSETS, LESS LIABILITIES: 5.6%	160,844,837
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NET ASSETS: 100.0%	\$2,879,666,345
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a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Illiquid security, trading was halted at June 30, 2017.

c Non-income producing security.

d 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. At June 30, 2017, the aggregate value is \$3,769,315, which is 0.13% of net assets.

e Cost for federal income tax purposes is \$2,330,194,338 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$560,949,317
Gross unrealized depreciation	(172,322,147)
Net unrealized appreciation	\$388,627,170

* All values are in USD unless otherwise noted.

ADR American Depositary Receipt

BHD Berhad

Cnv. Convertible

HKD Hong Kong Dollar

JSC Joint Stock Co.

Pfd. Preferred

REIT Real Estate Investment Trust

SGD Singapore Dollar

THB Thai Baht

USD U.S. Dollar
See accompanying notes to financial statements.

20 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Yu Zhang, CFA**

Lead Manager

Vivek Tanneeru

Co-Manager

Robert Horrocks, PhD

Lead Manager

FUND FACTS

	Investor	Institutional
Ticker	MAPIX	MIPIX
CUSIP	577125107	577130750
Inception	10/31/06	10/29/10
NAV	\$18.30	\$18.29
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.06%	0.94%
After Fee Waiver and Reimbursement ²	1.06%*	0.93%
Portfolio Statistics		
Total # of Positions		69
Net Assets		\$6.0 billion
Weighted Average Market Cap		\$49.6 billion
Portfolio Turnover ³		39.76%
Benchmark		
MSCI AC Asia Pacific Index		

OBJECTIVE

Total return with an emphasis on providing 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 equity securities of companies located in Asia. Asia consists of all countries and markets in Asia, and includes developed, emerging and frontier countries and markets in the Asian region. The Fund may also invest in convertible debt and equity securities.

Matthews Asia Dividend Fund

Portfolio Manager Commentary (unaudited)

For the first half of 2017, the Matthews Asia Dividend Fund returned 19.02% (Investor Class) and 19.03% (Institutional Class), outperforming its benchmark, the MSCI All Country Asia Pacific Index, which returned 15.91% over the same period. For the quarter ending June 30, 2017, the Fund returned 6.57% (Investor Class) and 6.54% (Institutional Class) compared to the benchmark return of 5.87% over the same period.

Market Environment:

Asian equity markets further extended strong year-to-date performance during the second quarter of the year, owing to improving macroeconomic conditions and a positive, but benign, inflation environment. While most individual markets delivered solid returns, Australia and China's domestic A-share market were laggards amid the rally. In China, this resulted from liquidity tightening by its central bank in an effort to deleverage its financial system. In Australia, there were increased market concerns about an overheated property market and the potential risks to Australian banks with exposure to the mortgage market.

Meanwhile, investor exuberance toward Chinese technology companies, including names like Tencent and Alibaba, drove some of those stocks to record-setting market capitalizations.

Performance Contributors and Detractors:

Despite the lackluster performance of China's A-share market, top contributors to portfolio returns during the second quarter included home appliance manufacturer Midea Group and liquor maker Kweichou Moutai—both A-share stocks. Both stocks appeared to receive a boost from anticipation over being included in index provider MSCI's global indices. However, we believe their strong fundamentals were more likely the key drivers of their performance. MSCI announced in late June its long-awaited decision to include China A-shares into its Emerging Market Index. We believe A-share companies with unique business models and strong fundamentals could attract the attention of more global long-term investors—which would be a positive development for the A-share market.

Our position in Hyundai Mobis, a South Korean auto parts company, which was initiated recently, was the biggest detractor to returns during the quarter. As part of the Hyundai Motor Group, Hyundai Mobis's business is facing some clear challenges, mostly related to the poor sales performance by its main original equipment manufacturing (OEM) customers, including Hyundai Motors and Kia Motors. At the current distressed valuation multiples, we believe most of the negatives already have been factored into the share price. On the other hand, South Korea's family-run chaebol companies are likely to face increasing scrutiny from the newly elected government, which has vowed to reform corporate governance. Given Hyundai Mobis's strategic position within the Hyundai Group, especially its 20% stake in Hyundai Motor, any potential group-level restructuring could start unlocking the value of its investment holdings. We like its strong free-cash-flow generation and net-cash balance sheet and believe they may help Mobis increase shareholder returns, including higher dividend payouts.

Notable Changes to Portfolio:

During the quarter, we initiated a few new names, including Chinese life insurer Ping An Insurance. The company, which manages one of the most efficient life

(continued)

*Reimbursement was below 0.01%

1 Prospectus expense ratios.

2

Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2018 and may be terminated at any time (i) by the Trust on behalf of the Fund or by the Board of Trustees upon 60 days' prior written notice to Matthews; or (ii) by Matthews upon 60 days' prior written notice to the Trust, in each case without payment of any penalty.

³The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF
JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MAPIX)	6.57%	19.02%	16.37%	6.81%	9.81%	8.37%	9.65%	10/31/06
Institutional Class (MIPIX)	6.54%	19.03%	16.43%	6.94%	9.94%	n.a.	7.50%	10/29/10
MSCI AC Asia Pacific Index ⁴	5.87%	15.91%	23.00%	4.76%	8.59%	2.83%	4.18% ⁵	
Lipper International Equity Income Funds Category Average ⁶	5.17%	13.07%	16.10%	-0.61%	5.77%	0.84%	2.69%	

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 matthewsasiasia.com.

INCOME DISTRIBUTION HISTORY

	2017					2016				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Investor (MAPIX)	\$ 0.02	\$ 0.15	n.a.	n.a.	n.a.	\$ 0.01	\$ 0.19	\$ 0.06	\$ 0.04	\$ 0.29
Inst 1 (MIPIX)	\$ 0.03	\$ 0.15	n.a.	n.a.	n.a.	\$ 0.02	\$ 0.19	\$ 0.07	\$ 0.05	\$ 0.32

Totals may differ by \$0.01 due to rounding and a return of capital. For distribution history please visit matthewsasiasia.com.

30-DAY YIELD:

1.46% (Investor Class) 1.58% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 6/30/17, 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

DIVIDEND YIELD: 2.66%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 6/30/17 divided by the current price of each equity as of 6/30/17. 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.

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.

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\$.

4 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 91 for index definition.

5 Calculated from 10/31/06.

6 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 HOLDINGS⁷

	Sector	Country	% of Net Assets
Mint Group, Ltd.	Consumer Discretionary	China/Hong Kong	4.1%
HSBC Holdings PLC	Financials	China/Hong Kong	2.9%
Shenzhou International Group Holdings, Ltd.	Consumer Discretionary	China/Hong Kong	2.8%
Mitsubishi UFJ Financial Group, Inc.	Financials	Japan	2.8%
LG Chem, Ltd., Pfd.	Materials	South Korea	2.7%
Sumitomo Mitsui Financial Group, Inc.	Financials	Japan	2.7%
Ping An Insurance Group Co. of China, Ltd.	Financials	China/Hong Kong	2.5%
Hyundai Mobis Co., Ltd.	Consumer Discretionary	South Korea	2.5%
Samsung Electronics Co., Ltd., Pfd.	Information Technology	South Korea	2.5%
Midea Group Co., Ltd.	Consumer Discretionary	China/Hong Kong	2.4%
% OF ASSETS IN TOP TEN			27.9%

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

22 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Dividend Fund

Portfolio Manager Commentary (unaudited) (continued)

insurance businesses in China, has been benefiting from rising affluence in China and has focused on growing its business. Shareholder returns were not among its top priorities. After our recent interactions with the firm, however, management sent a clear message that the company is now in a position to deliver both growth and shareholder returns via higher dividend payouts. As the interest rate yield curve in China is steepening with the central bank's measures to tighten liquidity, including squeezing out rogue players in the insurance market, large players like Ping An are likely to see both higher investment returns and improving competitive conditions. The initiation in Ping An Insurance, alongside a few other new positions, was partially funded by exiting our positions in Jiangsu Expressway and PICC Property & Casualty, whose business fundamentals look less attractive today.

Outlook:

After two years of disappointing earnings, Asian companies delivered both strong positive earnings-per-share growth and free cash flow growth during the first quarter of the year. Notwithstanding strong year-to-date share performance, valuations for the region remain at long-term averages. As managers of a total-return dividend strategy, we believe Asian companies today are better-positioned to deliver both attractive dividend yield and higher dividend growth.

COUNTRY ALLOCATION (%)^{8,9}

China/Hong Kong	33.3
Japan	26.8
South Korea	13.8
Singapore	7.5
India	4.4
Taiwan	2.7
Indonesia	2.6
Thailand	2.1
Australia	1.4
Vietnam	1.4
Luxembourg	1.4
Philippines	1.0
Cash and Other Assets, Less Liabilities	1.6

SECTOR ALLOCATION (%)⁹

Consumer Discretionary	20.3
Consumer Staples	20.0
Financials	18.9
Industrials	10.3
Information Technology	6.5
Telecommunication Services	5.7
Energy	4.2
Real Estate	3.8
Materials	3.7
Health Care	2.7

Utilities	2.3
Cash and Other Assets, Less Liabilities	1.6

MARKET CAP EXPOSURE (%)⁹

Mega Cap (over \$25B)	38.2
Large Cap (\$10B - \$25B)	23.6
Mid Cap (\$3B - 10B)	23.7
Small Cap (under \$3B)	13.0
Cash and Other Assets, Less Liabilities	1.6

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

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.

Table of Contents

Matthews Asia Dividend Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 93.3%**

	Shares	Value
CHINA/HONG KONG: 33.3%		
Minth Group, Ltd.	57,319,000	\$242,821,512
Shenzhou International Group Holdings, Ltd.	25,854,000	169,999,690
Ping An Insurance Group Co. of China, Ltd. H Shares	23,135,500	152,402,772
Midea Group Co., Ltd. A Shares	22,819,730	144,858,326
HSBC Holdings PLC	14,318,000	133,019,814
China Petroleum & Chemical Corp. H Shares	168,640,000	132,045,415
Sands China, Ltd.	27,533,600	126,036,153
Kweichow Moutai Co., Ltd. A Shares	1,657,292	115,391,551
China Construction Bank Corp. H Shares	131,449,000	102,220,835
China Gas Holdings, Ltd.	47,510,000	95,915,068
Fuyao Glass Industry Group Co., Ltd. H Shares ^b	21,248,000	81,339,958
China Mobile, Ltd. ADR	1,509,825	80,156,609
Yuexiu Transport Infrastructure, Ltd.	92,646,000	66,443,763
Far East Horizon, Ltd.	67,294,000	58,705,627
Dairy Farm International Holdings, Ltd.	7,424,400	58,504,272
Café de Coral Holdings, Ltd.	17,330,000	56,141,373
Henan Shuanghui Investment & Development Co., Ltd. A Shares	13,214,900	46,294,546
HKBN, Ltd.	45,415,623	45,449,152
HSBC Holdings PLC ADR	855,800	39,700,562
China Conch Venture Holdings, Ltd.	19,200,500	35,151,536
China Petroleum & Chemical Corp. ADR	153,000	12,025,800
Total China/Hong Kong		1,994,624,334
JAPAN: 26.8%		
Mitsubishi UFJ Financial Group, Inc.	24,719,900	166,736,924
Sumitomo Mitsui Financial Group, Inc.	4,069,100	158,875,830
Hoya Corp.	2,370,300	123,401,071
Pigeon Corp.	3,077,300	111,876,228
Japan Tobacco, Inc.	3,123,500	109,785,109
MISUMI Group, Inc.	4,617,000	105,819,998
Seven & I Holdings Co., Ltd.	2,162,900	89,250,869
Kao Corp.	1,402,700	83,402,218
Seven Bank, Ltd.	23,009,400	82,499,203
Sohgo Security Services Co., Ltd.	1,758,100	79,360,800

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Mitsubishi Pencil Co., Ltd.	2,628,400	74,183,014
Kyushu Railway Co.	2,142,300	69,483,599
Anritsu Corp.	7,080,000	63,970,616
ITOCHU Corp.	4,152,500	61,826,275
Fuji Seal International, Inc.	2,138,600	59,123,835
NTT DoCoMo, Inc.	2,367,700	55,997,729
Nifco, Inc.	689,800	37,100,959
LIXIL VIVA Corp.	1,999,900	36,041,763
Suntory Beverage & Food, Ltd.	643,600	29,915,059
Skylark Co., Ltd.	424,500	6,099,101

Total Japan **1,604,750,200**

SOUTH KOREA: 8.7%

Hyundai Mobis Co., Ltd.	682,941	149,298,982
BGF Retail Co., Ltd.	1,531,424	135,298,371
KT&G Corp.	978,858	100,129,043
Woori Bank	4,866,238	78,389,696
Samsung Electronics Co., Ltd.	27,949	58,212,788

Total South Korea **521,328,880**

	Shares	Value
SINGAPORE: 7.5%		
United Overseas Bank, Ltd.	8,576,000	\$143,979,388
CapitaLand, Ltd.	50,207,800	127,579,014
Singapore Technologies Engineering, Ltd.	28,460,000	76,032,427
CapitaLand Retail China Trust, REIT	48,605,700	57,899,654
Ascendas India Trust	53,470,700	44,031,497

Total Singapore **449,521,980**

INDIA: 4.4%

ITC, Ltd.	20,701,500	103,557,961
Bharti Infratel, Ltd.	17,014,689	98,562,084
Gujarat Pipavav Port, Ltd.	21,381,946	49,379,677
Shriram City Union Finance, Ltd.	348,532	12,854,232
Minda Industries, Ltd.	93,673	927,089

Total India **265,281,043**

TAIWAN: 2.7%

Taiwan Semiconductor Manufacturing Co., Ltd. ADR	3,027,940	105,856,782
St. Shine Optical Co., Ltd.	1,965,000	41,111,372
Taiwan Semiconductor Manufacturing Co., Ltd.	2,336,469	15,963,255

Total Taiwan **162,931,409**

INDONESIA: 2.6%

PT United Tractors	51,000,100	104,968,756
PT Cikarang Listrindo ^b	443,866,500	39,965,470
PT Hanjaya Mandala Sampoerna	25,476,200	7,340,357

Total Indonesia **152,274,583**

THAILAND: 2.1%

Thai Beverage Public Co., Ltd.	189,041,400	123,578,083
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Total Thailand **123,578,083**

AUSTRALIA: 1.4%

Breville Group, Ltd.	10,644,019	85,484,086
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Total Australia **85,484,086**

VIETNAM: 1.4%

Vietnam Dairy Products JSC	11,887,938	82,422,200
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Total Vietnam **82,422,200**

LUXEMBOURG: 1.4%

L Occitane International SA	35,557,750	81,557,941
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Total Luxembourg **81,557,941**

PHILIPPINES: 1.0%

Globe Telecom, Inc.	1,447,730	58,758,443
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Total Philippines **58,758,443**

TOTAL COMMON EQUITIES: **5,582,513,182**

(Cost \$4,417,086,648)

24 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Dividend Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***PREFERRED EQUITIES: 5.1%**

	Shares	Value
SOUTH KOREA: 5.1%		
LG Chem, Ltd., Pfd.	909,328	\$160,563,145
Samsung Electronics Co., Ltd., Pfd.	90,196	147,064,410
Total South Korea		307,627,555
TOTAL PREFERRED EQUITIES		307,627,555
(Cost \$195,924,175)		
TOTAL INVESTMENTS: 98.4%		5,890,140,737
(Cost \$4,613,010,823 ^C)		
CASH AND OTHER ASSETS, LESS LIABILITIES : 1.6%		93,363,674
NET ASSETS: 100.0%		\$5,983,504,411

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. At June 30, 2017, the aggregate value is \$121,305,428, which is 2.03% of net assets.

c Cost for federal income tax purposes is \$4,618,478,562 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$1,368,121,068
Gross unrealized depreciation	(96,458,893)

Net unrealized appreciation \$1,271,662,175

Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

ADR American Depositary Receipt

JSC Joint Stock Co.

Pfd. Preferred

REIT Real Estate Investment Trust
See accompanying notes to financial statements.

Table of Contents**PORTFOLIO MANAGERS****Yu Zhang, CFA**

Lead Manager

Sherwood Zhang, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MCDFX	MICDX
CUSIP	577125305	577130735
Inception	11/30/09	10/29/10
NAV	\$16.30	\$16.30
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.22%	1.06%
Portfolio Statistics		
Total # of Positions		45
Net Assets		\$238.0 million
Weighted Average Market Cap		\$54.6 billion
Portfolio Turnover ²		72.96%
Benchmark		
MSCI China Index		

OBJECTIVE

Total return with an emphasis on providing 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 equity securities of companies located in China. China includes its administrative and other districts, such as Hong Kong. The Fund may also invest in convertible debt and equity securities.

Matthews China Dividend Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews China Dividend Fund returned 17.11% (Investor Class) and 17.19% (Institutional Class) while its benchmark, the MSCI China Index, returned 24.96%. For the quarter ending June 30, 2017, the Fund returned 8.13% (Investor Class) and 8.14% (Institutional Class) compared to the benchmark return of 10.66% over the same period.

Market Environment:

Chinese equities continued to perform well over the second quarter of the year, particularly within the information technology sector as two internet giants, Tencent and Alibaba, reported strong earnings and guidance. During the quarter, the U.S. Federal Reserve also announced an additional interest rate hike, though emerging markets remained stable and China's currency appreciated to a new high for the year. In late June, global index provider MSCI announced its decision to include a select number of China A-share stocks into its emerging market index, concluding a three-year evaluation. The initial weighting of A-shares in the index will be minimal, representing about 0.73% of the index. The inclusion, however, serves as a vote of confidence in China's reform efforts and policies toward opening and developing its capital markets. The domestic A-Share market rallied strongly on the back of this news.

Performance Contributors and Detractors:

During the first half of the year, our lower allocation to the information technology sector versus the benchmark was the biggest detractor to our relative performance. While Tencent, China's leading social media and gaming operator, continued to be the top performer for the second quarter, we maintained a lower allocation to the technology sector as many such companies tend to be lacking in terms of making regular dividend payments. The portfolio also underperformed the benchmark in the second quarter due to its lower allocation in auto-related industries.

Hangzhou Hikvision Digital Technology, a global leader in video surveillance equipment, was another strong performer during the second quarter. It benefited from market excitement over technology it has developed, which is being increasingly adopted into artificial intelligence applications.

In terms of detractors to Fund performance, Guangshen Railway was the largest detractor to performance during the quarter, as it faces greater competition from a newly built high speed railway connecting Hong Kong Shenzhen Guangzhou, while its ability to raise ticket prices still lags behind our initial expectation. HKBN, a local Hong Kong telecom operator, was the second-largest detractor to Fund performance as the company failed to deliver on its most recent acquisition, while the market started to worry about pricing competition. We are closely watching both companies and reviewing their portfolio positions.

Notable Changes to Portfolio:

During the second quarter, we initiated another position in the A-share stocks of Midea Group, a leader in manufacturing electrical appliances. With an impressive portfolio of home appliances ranging from small appliances to larger white goods the company should be well-poised to benefit from China's ongoing trend of urbanization. Its acquisition of Kuka, a global leader of industrial robotics, could also provide more upside potential if well-integrated. Within the financials sector, we swapped life insurance provider AIA group for Ping An Insurance Group, as we believe Ping An could deliver stronger earnings growth while also being more attractively valued compared to AIA.

(continued)

¹ Prospectus expense ratio.

² The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

26 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Year	5 Year			
Investor Class (MCDFX)	8.13%	17.11%	24.88%	11.40%	12.46%	10.39%	11/30/09	
Institutional Class (MICDX)	8.14%	17.19%	25.05%	11.58%	12.68%	9.08%	10/29/10	
MSCI China Index ³	10.66%	24.96%	32.34%	8.29%	9.20%	4.46% ⁴		
Lipper China Region Funds Category Average ⁵	8.83%	21.85%	25.75%	6.93%	8.79%	5.04%		

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

INCOME DISTRIBUTION HISTORY

	2017			2016		
	June	December	Total	June	December	Total
Investor (MCDFX)	\$ 0.20	n.a.	n.a.	\$ 0.21	\$ 0.07	\$ 0.28
Inst 1 (MICDX)	\$ 0.21	n.a.	n.a.	\$ 0.22	\$ 0.08	\$ 0.30

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

30-DAY YIELD:

2.13% (Investor Class) 2.28% (Institutional Class)

The 30-Day Yield represents net investment income earned by the Fund over the 30-day period ended 6/30/17, 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.

DIVIDEND YIELD: 2.92%

The dividend yield (trailing) for the portfolio is the weighted average sum of the dividends paid by each equity security held by the Fund over the 12 months ended 6/30/17 divided by the current price of each equity as of 6/30/17. 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.

Source: BNY Mellon Investment Servicing (US) Inc.

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 91 for index definition.

4 Calculated from 11/30/09.

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 HOLDINGS⁶

	Sector	% of Net Assets
Tencent Holdings, Ltd.	Information Technology	6.2%
HSBC Holdings PLC	Financials	4.0%
Midea Group Co., Ltd.	Consumer Discretionary	3.5%
WH Group, Ltd.	Consumer Staples	3.2%
Ping An Insurance Group Co. of China, Ltd.	Financials	3.1%
China Petroleum & Chemical Corp.	Energy	2.9%
China Everbright, Ltd.	Financials	2.9%
Chow Tai Fook Jewellery Group, Ltd.	Consumer Discretionary	2.9%
PICC Property & Casualty Co., Ltd.	Financials	2.9%
Bank of China, Ltd.	Financials	2.8%
% OF ASSETS IN TOP TEN		34.4%

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

Table of Contents**COUNTRY ALLOCATION (%)^{7,8}**

China/Hong Kong	92.1
Taiwan	2.6
Singapore	2.0
Cash and Other Assets, Less Liabilities	3.3

SECTOR ALLOCATION (%)⁸

Financials	18.5
Consumer Discretionary	17.3
Information Technology	16.2
Industrials	12.6
Telecommunication Services	7.5
Health Care	7.2
Consumer Staples	6.3
Real Estate	3.9
Energy	2.9
Materials	2.3
Utilities	2.0
Cash and Other Assets, Less Liabilities	3.3

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	30.2
Large Cap (\$10B - \$25B)	13.0
Mid Cap (\$3B - 10B)	22.7
Small Cap (under \$3B)	30.9
Cash and Other Assets, Less Liabilities	3.3

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.

Matthews China Dividend Fund

Portfolio Manager Commentary (unaudited) (continued)

We also exited China Machinery Engineering during the quarter. While we believe the company appears to benefit from China's so-called "One Belt, One Road" development strategy to push infrastructure investment in developing countries, increasing domestic competition may negatively impact profitability.

Outlook:

For the remainder of the year, we believe the market will again turn its attention to China's headline GDP growth figure, which will be compared to the high base set by last year's strong second half. We believe GDP headline growth has more impact on short term sentiment than it does on long-term investments. In the meantime, U.S.-China tensions could also get further attention due to trade and other geopolitical issues. As long as China remains committed to globalization and open trade, we believe it will present more investment opportunities, rather than becoming a casualty of a trade war.

28 MATTHEWS ASIA FUNDS

Table of Contents

Matthews China Dividend Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 96.7%**

	Shares	Value
FINANCIALS: 18.5%		
Banks: 8.8%		
HSBC Holdings PLC	1,031,600	\$9,583,967
Bank of China, Ltd. H Shares	13,509,000	6,624,366
Dah Sing Financial Holdings, Ltd.	578,000	4,851,729
		21,060,062
Insurance: 6.8%		
Ping An Insurance Group Co. of China, Ltd. H Shares	1,136,500	7,486,579
PICC Property & Casualty Co., Ltd. H Shares	4,110,000	6,864,149
Fanhua, Inc. ADR	213,900	1,830,984
		16,181,712
Capital Markets: 2.9%		
China Everbright, Ltd.	3,180,000	6,916,204
Total Financials		44,157,978
CONSUMER DISCRETIONARY: 17.3%		
Hotels, Restaurants & Leisure: 4.1%		
China International Travel Service Corp., Ltd. A Shares	1,153,360	5,126,093
Shanghai Jin Jiang International Hotels Group Co., Ltd. H Shares	14,574,000	4,553,790
		9,679,883
Diversified Consumer Services: 3.6%		
China Maple Leaf Educational Systems, Ltd.	5,920,000	4,836,261
Tarena International, Inc. ADR	207,300	3,712,743
		8,549,004
Household Durables: 3.5%		
Midea Group Co., Ltd. A Shares	1,302,411	8,267,630

Specialty Retail: 2.9%

Chow Tai Fook Jewellery Group, Ltd.	6,490,600	6,876,665
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Auto Components: 1.7%

Weifu High-Technology Group Co., Ltd. B Shares	1,725,512	4,084,706
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Textiles, Apparel & Luxury Goods: 1.5%

Shenzhou International Group Holdings, Ltd.	563,000	3,701,935
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Total Consumer Discretionary**41,159,823****INFORMATION TECHNOLOGY: 16.2%****Internet Software & Services: 8.7%**

Tencent Holdings, Ltd.	412,100	14,784,071
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NetEase, Inc. ADR	20,200	6,072,726
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20,856,797**Electronic Equipment, Instruments & Components: 2.9%**

Hangzhou Hikvision Digital Technology Co., Ltd. A Shares	1,182,800	5,640,944
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Aurora Corp.	603,000	1,174,992
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6,815,936**IT Services: 2.6%**

TravelSky Technology, Ltd. H Shares	2,099,000	6,182,611
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Semiconductors & Semiconductor Equipment: 2.0%

Hua Hong Semiconductor, Ltd. ^c	3,462,000	4,695,698
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Total Information Technology**38,551,042****Shares****Value****INDUSTRIALS: 12.6%****Transportation Infrastructure: 5.9%**

Guangdong Provincial Expressway Development Co., Ltd. B Shares	8,325,006	\$6,301,774
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Shanghai International Airport Co., Ltd. A Shares	825,005	4,540,676
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Qingdao Port International Co., Ltd. H Shares ^c	5,546,000	3,186,346
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14,028,796**Marine: 2.0%**

SITC International Holdings Co., Ltd.	6,144,000	4,828,732
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Machinery: 1.6%		
China Conch Venture Holdings, Ltd.	2,033,500	3,722,854
Road & Rail: 1.4%		
Guangshen Railway Co., Ltd. H Shares	5,854,000	2,901,151
Guangshen Railway Co., Ltd. ADR	14,400	357,984
		3,259,135
Electrical Equipment: 1.0%		
Xin Point Holdings, Ltd. ^b	5,415,000	2,385,875
Professional Services: 0.7%		
Sporton International, Inc.	343,000	1,736,423
Total Industrials		29,961,815
TELECOMMUNICATION SERVICES: 7.5%		
Diversified Telecommunication Services: 4.8%		
HKBN, Ltd.	5,839,957	5,844,268
CITIC Telecom International Holdings, Ltd.	17,186,000	5,501,277
		11,345,545
Wireless Telecommunication Services: 2.7%		
China Mobile, Ltd. ADR	121,330	6,441,410
Total Telecommunication Services		17,786,955
HEALTH CARE: 7.2%		
Health Care Providers & Services: 3.5%		
China National Accord Medicines Corp., Ltd. B Shares	733,413	4,270,403
Universal Medical Financial & Technical Advisory Services Co., Ltd. ^c	5,097,000	4,073,452
		8,343,855
Health Care Equipment & Supplies: 2.2%		
Shandong Weigao Group Medical Polymer Co., Ltd. H Shares	6,568,000	5,152,781
Pharmaceuticals: 1.5%		
Luye Pharma Group, Ltd.	6,589,500	3,612,509
Total Health Care		17,109,145
CONSUMER STAPLES: 6.3%		

Food Products: 3.2%

WH Group, Ltd. ^c	7,652,000	7,726,773
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Food & Staples Retailing: 3.1%

Shanghai Bailian Group Co., Ltd. B Shares ^b	2,717,024	4,110,857
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Taiwan FamilyMart Co., Ltd.	487,000	3,274,940
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7,385,797

Total Consumer Staples

15,112,570

Table of Contents

Matthews China Dividend Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***COMMON EQUITIES** *(continued)*

	Shares	Value
REAL ESTATE: 3.9%		
Equity REITs: 2.1%		
CapitaLand Retail China Trust, REIT	4,087,100	\$4,868,599
Real Estate Management & Development: 1.8%		
Red Star Macalline Group Corp., Ltd. H Shares ^c	4,213,600	4,317,517
Total Real Estate		9,186,116
ENERGY: 2.9%		
Oil, Gas & Consumable Fuels: 2.9%		
China Petroleum & Chemical Corp. H Shares	8,926,000	6,989,074
Total Energy		6,989,074
MATERIALS: 2.3%		
Containers & Packaging: 2.3%		
Greatview Aseptic Packaging Co., Ltd.	8,609,000	5,369,803
Total Materials		5,369,803
UTILITIES: 2.0%		
Gas Utilities: 2.0%		
China Gas Holdings, Ltd.	2,394,000	4,833,102
Total Utilities		4,833,102
TOTAL INVESTMENTS: 96.7%		230,217,423
(Cost \$209,111,394 ^d)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 3.3%		7,761,717

NET ASSETS: 100.0%

\$237,979,140

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c 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. At June 30, 2017, the aggregate value is \$23,999,786, which is 10.08% of net assets.
- d Cost for federal income tax purposes is \$209,157,094 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$27,886,219
Gross unrealized depreciation	(6,825,890)
Net unrealized appreciation	\$21,060,329

ADR American Depositary Receipt

REIT Real Estate Investment Trust
See accompanying notes to financial statements.

30 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Beini Zhou, CFA**

Lead Manager

Michael B. Han, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MAVRX	MAVAX
CUSIP	577130693	577130685
Inception	11/30/15	11/30/15
NAV	\$12.11	\$11.99
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	11.48%	11.26%
After Fee Waiver and Reimbursement ²	1.50%	1.25%
Portfolio Statistics		
Total # of Positions		43
Net Assets		\$20.1 million
Weighted Average Market Cap		\$25.5 billion
Portfolio Turnover ³		19.60%
Benchmark		
MSCI AC Asia ex Japan Index		

OBJECTIVE

Long term capital appreciation.

STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in common stock, preferred stock and other equity securities, and convertible securities of companies located in Asia. The Fund seeks to create an investable universe of value companies that it believes trade at market values with discounts to their intrinsic value, have strong financial and market positions, have strong management and are oriented to creating value for their shareholders. Matthews assesses companies within this universe according to each of these factors.

Matthews Asia Value Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Value Fund returned 21.59% (Investor Class) and 21.73% (Institutional Class) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 22.93%. For the quarter ending June 30, 2017, the Fund returned 10.49% (Investor Class) and 10.61% (Institutional Class) compared to the benchmark return of 8.40% over the same period.

Market Environment:

The second quarter of the year was relatively uneventful compared with the general market movements of recent years. It might be hard to believe but Brexit took place a year ago, followed immediately by a global market plunge. In contrast to the panic that ensued back then, Asia's emerging markets, led by stocks in the information technology sector, continued to move upward in the second quarter. These markets shook off warning signs, including lingering concerns about China's growth and its currency, nuclear tensions on the Korean peninsula, uncertainty over Brexit in Europe and the as yet untested young Trump administration. As widely expected, the U.S. Federal Reserve raised its benchmark interest rate in June for the second time this year, though most Asian currencies are still up against the U.S. dollar year to date.

Performance Contributors and Detractors:

Yamada Consulting, a management consulting firm serving mostly small and midsize enterprises in Japan, was by far the biggest contributor during the quarter. A growing portion of its business comes from higher-margin mergers and acquisition advisory work, which will continue to be a booming area in Japan due to a lack of succession planning among family businesses set up decades ago. Yamada Consulting reported good full-year numbers during the quarter. In Yamada, we believed we had found the rare alignment of a good shareholder-return policy at a bargain valuation which led this to be our top position in the Fund. We initiated our position in early 2016 at 6x earnings, before interest and taxes (EBIT)*, and we were pleased with the share price run over the quarter. Its share price remained at less than 10x EBIT a reasonable valuation relative to what we see as the company's growth prospects.

In Korea, both Samsung Electronics and Samsung SDI did well during the quarter. Samsung Electronics is the flagship electronics company within the Samsung group. Moving past its Galaxy Note 7 smartphone recall late last year, it successfully launched its new smartphones series (Galaxy S8) in April this year, and it expects to continue dominating the booming memory-chip market. Samsung SDI, the Samsung Group's battery company, is one of the biggest battery suppliers for electric vehicles globally along with LG Chemical and Panasonic. Samsung SDI's share price has rebounded strongly after a poor 2016 as the company is expected to finally turn profitable later this year. During the quarter, we saw few significant detractors. However, Taro pharmaceutical was among the relative laggards. The generic drug maker a subsidiary of India's Sun Pharmaceutical Industries continued to experience pricing pressure in its main market, the U.S. Its absolute negative contribution to the portfolio, however, was minimal and we continue to own the stock as we believe its depressed share price has already factored in news of the pricing challenges.

* Earnings Before Interest and Tax (EBIT): Earnings before interest and tax is an indicator of a company's profitability, often calculated as revenue minus expenses, excluding tax and interest.

(continued)

1 Prospectus expense ratios.

- 2 Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.
- 3 The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns Since				Inception Date
	3 Months	YTD	1 Year	Inception	
Investor Class (MAVRX)	10.49%	21.59%	26.51%	17.36%	11/30/15
Institutional Class (MAVAX)	10.61%	21.73%	26.87%	17.69%	11/30/15
MSCI AC Asia ex Japan Index ⁴	8.40%	22.93%	27.06%	17.71%	
Lipper Pacific Region Funds Category Average ⁵	6.61%	17.21%	18.61%	13.26%	

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 matthewsasiasia.com.

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 gain distributions or redemption of Fund shares. Values are in US\$.

4 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 91 for index definition.

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 HOLDINGS⁶

	Sector	Country	% of Net Assets
YAMADA Consulting Group Co., Ltd.	Industrials	Japan	5.7%
Baidu, Inc.	Information Technology	China/Hong Kong	5.7%

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Samsung Electronics Co., Ltd., Pfd.	Information Technology	South Korea	4.6%
MPHB Capital BHD	Financials	Malaysia	3.6%
CK Hutchison Holdings, Ltd.	Industrials	China/Hong Kong	3.6%
Kukbo Design Co., Ltd.	Consumer Discretionary	South Korea	3.6%
Samsung SDI Co., Ltd., Pfd.	Information Technology	South Korea	3.3%
DGB Financial Group, Inc.	Financials	South Korea	3.1%
Shinyoung Securities Co., Ltd.	Financials	South Korea	3.1%
Hyundai Greenfood Co., Ltd.	Consumer Staples	South Korea	3.1%
% OF ASSETS IN TOP TEN			39.4%

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

32 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Value Fund

*Portfolio Manager Commentary (unaudited) (continued)***Notable Portfolio Changes:**

We exited more companies than usual in the quarter as some had already been diluted to tiny position sizes following a large cash inflow into the Fund. Rather than adding to the positions in which we had valuation concerns, we exited them. We enjoyed substantial gains upon selling our holdings of Cognizant and ARA Asset Management.

Among the companies in which we initiated positions, we bought two names that are classic value stocks in terms of valuation. We bought stakes in Cosco Shipping International at a price well below the cash value on its balance sheet. This is an asset-light service subsidiary of Cosco Shipping, the Chinese shipping giant. Its share price has been depressed primarily due to a current slump in the global shipping industry. We bought the B shares of Jiangling Motors at a little above its cash value on the balance sheet. It is one of two Ford joint-venture partners in China and is effectively managed by Ford and focused more on commercial rather than passenger vehicles. Its profit took a dive last year due to its higher spending on new car model launches and transitions between models. We believe the share price was attractive because in our view it included its core operating business more or less for free.

Outlook:

Rather than spending an undue amount of time discussing the outlook or growth prospects in management meetings, we often like to evaluate past track records, and see how management has handled various situations in the past. History doesn't repeat itself but it can certainly rhyme.

In the face of uncertainty, we wait patiently, aiming to react to bad news only opportunistically. We then always ask ourselves if the bad news has been more than discounted in an already depressed share price. We firmly believe to do so would be a winning formula over the long run.

B-Shares: B-Shares are mainland Chinese companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors.

COUNTRY ALLOCATION (%)^{7,8}

South Korea	34.6
China/Hong Kong	26.0
Japan	11.0
Taiwan	5.1
Malaysia	4.6
Singapore	4.3
United States	1.5
Switzerland	1.5
Israel	1.0
Cash and Other Assets, Less Liabilities	10.4

SECTOR ALLOCATION (%)⁸

Consumer Discretionary	23.6
Industrials	18.2
Information Technology	16.3
Financials	13.0
Consumer Staples	8.1
Health Care	5.7
Materials	4.7
Cash and Other Assets, Less Liabilities	10.4

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	18.4
Large Cap (\$10B - \$25B)	3.3
Mid Cap (\$3B - 10B)	7.3
Small Cap (under \$3B)	60.6
Cash and Other Assets, Less Liabilities	10.4

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.

Table of Contents

Matthews Asia Value Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 80.3%**

	Shares	Value
CHINA/HONG KONG: 26.0%		
Baidu, Inc. ADR ^b	6,400	\$1,144,704
CK Hutchison Holdings, Ltd.	58,000	727,874
Clear Media, Ltd.	498,000	588,100
Texwinca Holdings, Ltd.	894,000	543,884
Shandong Weigao Group Medical Polymer Co., Ltd. H Shares	584,000	458,164
COSCO SHIPPING International Hong Kong Co., Ltd.	968,000	386,811
Goldlion Holdings, Ltd.	773,000	344,548
Anhui Gujing Distillery Co., Ltd. B Shares	75,500	326,267
Jiangling Motors Corp., Ltd. B Shares	96,779	202,910
Sohu.com, Inc. ^b	4,300	193,758
Qualcomm, Inc.	3,500	193,270
Kweichow Moutai Co., Ltd. A Shares	1,700	118,365
Total China/Hong Kong		5,228,655
SOUTH KOREA: 25.3%		
Kukbo Design Co., Ltd.	48,811	720,958
DGB Financial Group, Inc.	60,895	627,809
Shinyoung Securities Co., Ltd.	12,995	624,678
Hyundai Greenfood Co., Ltd.	40,374	624,520
Kwangju Bank Co., Ltd.	54,049	618,860
CMS Edu Co., Ltd.	14,104	355,616
Kangnam Jevisco Co., Ltd.	9,744	335,545
Geumhwa PSC Co., Ltd.	10,576	332,305
POSCO Chemtech Co., Ltd.	17,957	241,028
Grand Korea Leisure Co., Ltd.	12,298	240,768
Hy-Lok Corp.	9,185	202,227
Nice Information & Telecommunication, Inc.	7,007	160,760
Total South Korea		5,085,074
JAPAN: 11.0%		
YAMADA Consulting Group Co., Ltd.	17,100	1,147,225
Honma Golf, Ltd. ^{b,c}	311,500	301,412

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San-A Co., Ltd.	4,500	199,044
Ohashi Technica, Inc.	15,600	195,057
Naigai Trans Line, Ltd.	17,100	195,002
Asante, Inc.	9,300	160,917
Total Japan		2,198,657

TAIWAN: 5.1%

Tehmag Foods Corp.	43,000	357,683
P-Duke Technology Co., Ltd.	150,000	342,334
Lumax International Corp., Ltd.	171,000	330,749

Total Taiwan 1,030,766

MALAYSIA: 4.6%

MPHB Capital BHD ^b	1,931,400	733,389
Genting BHD	89,700	196,630

Total Malaysia 930,019

SINGAPORE: 4.3%

Haw Par Corp., Ltd.	60,200	489,426
Straits Trading Co., Ltd.	210,800	375,153

Total Singapore 864,579

	Shares	Value
UNITED STATES: 1.5%		
News Corp. Class B	21,400	\$302,810
Total United States		302,810

SWITZERLAND: 1.5%

Cie Financiere Richemont SA	3,640	301,206
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Total Switzerland 301,206

ISRAEL: 1.0%

Taro Pharmaceutical Industries, Ltd. ^b	1,700	190,502
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Total Israel 190,502

TOTAL COMMON EQUITIES: 16,132,268

(Cost \$15,567,727)

PREFERRED EQUITIES: 9.3%**SOUTH KOREA: 9.3%**

Samsung Electronics Co., Ltd., Pfd.	569	927,753
Samsung SDI Co., Ltd., Pfd.	9,050	653,020
Hyundai Motor Co., Ltd., 2nd Pfd.	2,840	289,173
Total South Korea		1,869,946

TOTAL PREFERRED EQUITIES	1,869,946
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(Cost \$1,673,776)

TOTAL INVESTMENTS: 89.6%	18,002,214
---------------------------------	-------------------

(Cost \$17,241,503^d)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 10.4%**

2,089,814

NET ASSETS: 100.0%	\$20,092,028
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- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c 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. At June 30, 2017, the aggregate value is \$301,412, which is 1.50% of net assets.
- d Cost for federal income tax purposes is \$17,244,237 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$817,431
Gross unrealized depreciation	(59,454)
Net unrealized appreciation	\$757,977

ADR American Depositary Receipt
 BHD Berhad
 Pfd. Preferred

See accompanying notes to financial statements.

34 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Kenneth Lowe, CFA**

Lead Manager

S. Joyce Li, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MAFSX	MIFSX
CUSIP	577125701	577125800
Inception	4/30/13	4/30/13
NAV	\$10.82	\$10.85
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	2.47%	2.29%
After Fee Waiver and Reimbursement ²	1.50%	1.25%
Portfolio Statistics		
Total # of Positions		32
Net Assets		\$12.0 million
Weighted Average Market Cap		\$73.5 billion
Portfolio Turnover ³		21.10%
Benchmark		
MSCI AC Asia ex Japan Index		

OBJECTIVE

Long term capital appreciation.

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 the common and preferred stocks of companies located in Asia excluding Japan, but including all other developed, emerging and frontier countries and markets in the Asian region. The Fund is currently expected to hold stocks of between 25 and 35 companies under normal market conditions.

Matthews Asia Focus Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Focus Fund returned 20.49% (Investor Class) and 20.69% (Institutional Class) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 22.93%. For the quarter ending June 30, 2017, the Fund returned 7.34% (Investor Class) and 7.43% (Institutional Class) compared to the benchmark return of 8.40% over the same period.

Market Environment:

The second quarter saw continued strong performance in Asian equity markets as sentiment appears to have meaningfully improved. The negative views of the past few years have made way for more constructive conversations from asset allocators. To a large degree, this has been driven by fundamentals as the earnings misses over the period preceding this rally have been replaced by rising earnings expectations. Base effects have played a role alongside a strong technology cycle and reflation in China although it remains to be seen if this uplift is sustainable. Beyond this, risk assets have benefited from a perceived reduction in potential fat tail events, such as rising protectionism in the U.S. and European political risk. The latter is true given the election of new French President and Europhile Emmanuel Macron, although U.S. policy remains uncertain.

From a longer-term perspective, the most meaningful event of the quarter was the introduction of China's domestic A-shares into MSCI benchmarks. This process will start in May 2018 and will see 222 large capitalization stocks make up a small 0.73% of the emerging markets index. This is an important step for China and further liberalization should follow. A combination of this and the strength of internet stocks led to China's markets being the region's strongest performer during the quarter.

Performance Contributors and Detractors:

The largest contributor to returns during the quarter came from the portfolio's holdings in the financials sector. AIA Group was the strongest of these, as the Pan-Asian life insurer once again beat growth expectations, with the important measurement of new business growing an impressive 55% in constant currency terms during the first quarter. The company's cash generation continues to grow as demand for closing protection gaps across the region remains strong. Bank Rakyat Indonesia, the largest microfinance provider in the archipelago, also rose as a new CEO refocuses on micro and away from corporate lending, which has been challenging for the company. It also appears that loan growth and new non-performing loan formation also have improved.

Beyond the financial sector, information technology stocks contributed to performance. Tencent Holdings was particularly strong as first quarter results from the internet giant were stellar. All divisions reported attractive revenue growth with revenues in mobile gaming, social networking, advertising and payments delivering.

However, the strategy's underweight to the sector hurt relative performance as it has become such a meaningful component of the overall benchmark, and many internet and hardware stocks performed well. At a stock-specific level, our holdings

(continued)

¹ Prospectus expense ratios.

² Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving

non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

³The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30,
2017**

	Average Annual Total Returns					
	3 Months	YTD	1 Year	3 Years	Since Inception	Inception Date
Investor Class (MAFSX)	7.34%	20.49%	18.39%	3.06%	2.95%	4/30/13
Institutional Class (MIFSX)	7.43%	20.69%	18.60%	3.33%	3.20%	4/30/13
MSCI AC Asia ex Japan Index ⁴	8.40%	22.93%	27.06%	5.32%	5.89%	
Lipper Pacific ex Japan Funds Category Average ⁵	7.97%	22.02%	21.94%	4.36%	4.95%	

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 matthewsasiasia.com.

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 gain distributions or redemption of Fund shares. Values are in US\$.

4 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 91 for index definition.

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 HOLDINGS⁶

Sector	Country	% of Net Assets
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AIA Group, Ltd.	Financials	China/Hong Kong	6.9%
Tencent Holdings, Ltd.	Information Technology	China/Hong Kong	5.6%
Samsung Electronics Co., Ltd.	Information Technology	South Korea	4.3%
Techtronic Industries Co., Ltd.	Consumer Discretionary	China/Hong Kong	4.1%
PT Bank Rakyat Indonesia Persero	Financials	Indonesia	3.9%
Singapore Telecommunications, Ltd.	Telecommunication Services	Singapore	3.6%
Samsonite International SA	Consumer Discretionary	China/Hong Kong	3.2%
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	Taiwan	3.2%
United Overseas Bank, Ltd.	Financials	Singapore	3.2%
LG Household & Health Care, Ltd.	Consumer Staples	South Korea	3.1%
% OF ASSETS IN TOP TEN			41.1%

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

36 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Focus Fund

Portfolio Manager Commentary (unaudited) (continued)

in consumer companies Tata Motors and Kangwon Land also detracted from performance. The former sputtered following frustration over a lack of delivery in cash flow growth due to some foreign exchange challenges and execution missteps despite solid volume growth for Jaguar Land Rover. Kangwon Land was weak due to poor first quarter results and a concern that it could lose its monopoly over being the only casino that local residents are allowed to gamble in.

Notable Changes to Portfolio:

We added one new holding to the portfolio during the quarter, U.S. listed fabless semiconductor company Broadcom. The business was formed through the merger of Avago Technologies and Broadcom last year and has headquarters in the U.S. and in Singapore. Much of the company's product suite in areas like RF components, wireless connectivity, network switching, data center storage, etc. have a strong market position and are mission critical to its customers. This enables high margins and strong free cash flow. We believe that both wired and wireless products have a solid sustainable growth outlook that should lead to attractive dividend growth to accompany already reasonable valuations.

Outlook:

As we have noted, an improvement in earnings expectations as well as reduced tail risks* have led to a turn in sentiment for Asian equities. However, strong performance has resulted in valuations that are now at levels comparable with medium-term averages as forward price-to-earnings ratios are about 13.5x. Further, although Chinese authorities recognize the risk that such high debt levels domestically entails and are de-risking the most dangerous parts of the system, this does remain a concern. Ongoing low levels of volatility are unlikely to persist in perpetuity, especially in light of an increasingly coordinated global monetary policy tightening cycle.

With this backdrop, earnings, cash flow and dividends are likely to pay shareholders over the medium term as the period of expanding multiples may be ending. We will continue to avoid chasing beta in an upward market and focus on disconnects where high quality businesses are trading at valuations that we believe are below a company's intrinsic value.

* Tail risk: The small statistical probability that an asset price will move more than three standard deviations from its current and/or average price level.

Price-to-Earnings (P/E) Ratio: Price-to-Earnings Ratio (P/E Ratio) is a valuation ratio of a company's current share price compared to its per-share earnings.

Beta: Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

COUNTRY ALLOCATION (%)^{7,8}

China/Hong Kong	33.8
South Korea	13.5
Singapore	12.4
Taiwan	7.3
Malaysia	5.3

United States	5.2
India	4.3
Indonesia	3.9
Thailand	2.7
Japan	2.6
Switzerland	2.4
Australia	2.1
Cash and Other Assets, Less Liabilities	4.5

SECTOR ALLOCATION (%)⁸

Financials	21.3
Consumer Discretionary	20.9
Information Technology	19.5
Consumer Staples	11.1
Industrials	10.7
Telecommunication Services	7.6
Health Care	2.7
Real Estate	1.7
Cash and Other Assets, Less Liabilities	4.5

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	50.5
Large Cap (\$10B - \$25B)	18.0
Mid Cap (\$3B - 10B)	17.7
Small Cap (under \$3B)	9.4
Cash and Other Assets, Less Liabilities	4.5

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.

Table of Contents

Matthews Asia Focus Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 95.5%**

	Shares	Value
CHINA/HONG KONG: 33.8%		
AIA Group, Ltd.	112,200	\$820,896
Tencent Holdings, Ltd.	18,800	674,449
Techtronic Industries Co., Ltd.	108,000	496,260
Samsonite International SA	93,000	388,535
CK Hutchison Holdings, Ltd.	26,728	335,424
Jardine Matheson Holdings, Ltd.	5,100	327,400
HSBC Holdings PLC	34,000	315,873
China Mobile, Ltd.	25,000	265,045
Baidu, Inc. ADR ^b	1,237	221,250
Hang Lung Group, Ltd.	50,000	206,880
Total China/Hong Kong		4,052,012
SOUTH KOREA: 13.5%		
Samsung Electronics Co., Ltd.	250	520,706
LG Household & Health Care, Ltd.	434	377,104
Coway Co., Ltd.	4,044	367,526
Kangwon Land, Inc.	11,355	346,015
Total South Korea		1,611,351
SINGAPORE: 12.4%		
Singapore Telecommunications, Ltd.	152,300	430,108
United Overseas Bank, Ltd.	22,500	377,744
Singapore Technologies Engineering, Ltd.	135,300	361,461
Sheng Siong Group, Ltd.	436,800	314,102
Total Singapore		1,483,415
TAIWAN: 7.3%		
Taiwan Semiconductor Manufacturing Co., Ltd.	56,000	382,604
Aerospace Industrial Development Corp.	217,000	255,369
Ennoconn Corp.	19,000	240,536

Total Taiwan		878,509
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MALAYSIA: 5.3%

Heineken Malaysia BHD	73,700	317,624
Genting Malaysia BHD	243,400	311,821

Total Malaysia		629,445
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UNITED STATES: 5.2%

ResMed, Inc.	4,100	319,267
Broadcom, Ltd.	1,300	302,965

Total United States		622,232
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INDIA: 4.3%

Tata Motors, Ltd.	46,144	308,209
Bharti Infratel, Ltd.	36,411	210,920

Total India		519,129
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INDONESIA: 3.9%

PT Bank Rakyat Indonesia Persero	410,400	468,280
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Total Indonesia		468,280
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	Shares	Value
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THAILAND: 2.7%

Kasikornbank Public Co., Ltd.	55,500	\$324,011
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Total Thailand		324,011
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JAPAN: 2.6%

Japan Tobacco, Inc.	9,000	316,333
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Total Japan		316,333
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SWITZERLAND: 2.4%

Cie Financiere Richemont SA	3,467	286,890
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Total Switzerland		286,890
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AUSTRALIA: 2.1%

Insurance Australia Group, Ltd.	48,086	250,607
Total Australia		250,607

TOTAL INVESTMENTS: 95.5% (Cost \$10,168,187 ^c)	11,442,214
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CASH AND OTHER ASSETS, LESS LIABILITIES: 4.5%	536,422
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NET ASSETS: 100.0%	\$11,978,636
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a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Non-income producing security.

c Cost for federal income tax purposes is \$10,209,721 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$1,648,396
Gross unrealized depreciation	(415,903)
Net unrealized appreciation	\$1,232,493

ADR American Depositary Receipt

BHD Berhad

See accompanying notes to financial statements.

38 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Taizo Ishida**

Lead Manager

Sharat Shroff, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MPACX	MIAPX
CUSIP	577130867	577130776
Inception	10/31/03	10/29/10
NAV	\$25.05	\$25.24
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.14%	0.96%
Portfolio Statistics		
Total # of Positions		54
Net Assets		\$711.7 million
Weighted Average Market Cap		\$25.1 billion
Portfolio Turnover ²		13.61%
Benchmark		
MSCI AC Asia Pacific Index		

OBJECTIVE

Long-term capital appreciation.

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 the common and preferred stocks of companies located in Asia. Asia consists of all countries and markets in Asia, and includes developed, emerging and frontier countries and markets in the Asian region. The Fund may also invest in the convertible securities, of any duration or quality, of Asian companies.

Matthews Asia Growth Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Growth Fund returned 19.00% (Investor Class) and 19.11% (Institutional Class), outperforming its benchmark, the MSCI All Country Asia Pacific Index, which returned 15.91% over the same period. For the quarter ending June 30, 2017, the Fund returned 9.87% (Investor Class) and 9.93% (Institutional Class) compared to the benchmark return of 5.87% over the same period.

Market Environment:

Asian markets were strong during the second quarter, following robust first quarter performance. In fact, this was the first time we saw two consecutive quarters of solid gains over the last three years. Despite significant global events such as the presidential elections in France and South Korea, and tensions stemming from North Korean provocations, Northeast Asian countries performed much better than Southeast Asian nations. The ASEAN (Association of Southeast Asian Nations) markets had mixed results. Indonesia and Philippines performed well, while Thailand did not. Frontier markets generally underperformed with the exception of Sri Lanka, which has struggled in recent years. The value rally we saw over the previous two quarters appeared to fade as more quality, growth names came back in favor during the second quarter, coinciding with a diminished Trump reflation story.

Performance Contributors and Detractors:

The strongest performance came from Chinese internet firms, including Baozun, a relatively new name for the portfolio. Baozun is an e-commerce solutions firm that is becoming an essential partner to global brands, such as Nike, for online business in China. Autohome, the largest internet auto website in China, was another good performer on the back of cheap valuations and constant upward earnings revisions. Lanka ORIX Leasing of Sri Lanka also rebounded during the quarter after faltering over the past six months. The company's focus on Cambodia's microfinancing business began to bolster its enterprise value, and its expansion plans into Pakistan and Indonesia helped to boost its stock price.

On the negative contribution side, among the relatively few detractors were two Indian pharmaceutical names. One was Lupin and the other Sun Pharmaceutical. Both stocks suffered from pricing pressure from powerful third-party administrators called pharmacy benefit managers who are hired by insurers, employers and unions to negotiate discounts from drug makers. Another factor was ever-intensifying competition in the U.S. generic drug industry. It appears that the high growth stage of India's pharmaceutical companies is ending as some large Indian generic drug makers are stepping up their focus on more complex (and more costly) generic products in order to seek further growth opportunities. We think that large and resourceful companies such as Lupin and Sun Pharmaceutical ultimately will prevail, although it may take some time.

Notable Portfolio Changes:

During the quarter, no major additions or deletions were made in the portfolio. We did add to our position in Japan's Softbank during the quarter as we found valuations to be very attractive. While Softbank is categorized as a telecommunications firm and its valuation tends to be treated as a mere utility holding, the firm's business profile is much broader and includes large and diversified tech investments.

(continued)

¹ Prospectus expense ratios.

² The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns							Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	
Investor Class (MPACX)	9.87%	19.00%	15.86%	5.47%	10.11%	5.95%	9.32%	10/31/03
Institutional Class (MIAPX)	9.93%	19.11%	16.06%	5.68%	10.32%	n.a.	6.79%	10/29/10
MSCI AC Asia Pacific Index ³	5.87%	15.91%	23.00%	4.76%	8.59%	2.83%	7.26% ⁴	
Lipper Pacific Region Funds Category Average ⁵	6.61%	17.21%	18.61%	4.51%	8.36%	2.88%	7.52%	

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

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 91 for index definition.

4 Calculated from 10/31/03.

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 HOLDINGS⁶

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	Sector	Country	% of Net Assets
PT Bank Rakyat Indonesia Persero	Financials	Indonesia	4.7%
PT Astra International	Consumer Discretionary	Indonesia	4.1%
Shenzhou International Group Holdings, Ltd.	Consumer Discretionary	China/Hong Kong	4.0%
HDFC Bank, Ltd.	Financials	India	4.0%
Start Today Co., Ltd.	Consumer Discretionary	Japan	3.5%
M3, Inc.	Health Care	Japan	3.5%
ITC, Ltd.	Consumer Staples	India	3.1%
ORIX Corp.	Financials	Japan	3.0%
Baozun, Inc.	Information Technology	China/Hong Kong	2.9%
China Lodging Group, Ltd. ADS	Consumer Discretionary	China/Hong Kong	2.8%
% OF ASSETS IN TOP TEN			35.6%

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

40 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia Growth Fund

*Portfolio Manager Commentary (unaudited) (continued)***Outlook:**

We remain cautious about the trajectory of global economic growth. As the price of oil and other commodities remain depressed, inflationary pressures are still benign. For the time being, global trade appears to be shrugging off the potential for protectionist policies by the Trump administration. However, without any meaningful macro growth anywhere, the market may refocus on micro company earnings reports.

Large Chinese e-commerce companies are now expanding to Southeast Asian countries, which were previously not considered e-commerce friendly markets due to logistical challenges relating to poor infrastructure and isolated islands in Indonesia and the Philippines. However, the expansion of the e-commerce firms seems to be a testament to their further growth potential. We will continue to monitor this industry.

Given arguably slower top-line growth for some technology firms, we see firms continuing to look toward artificial intelligence and robotics technology in order to increase efficiencies. Here, we continue seeing investment opportunities in our search to add more quality growth names to the portfolio.

COUNTRY ALLOCATION (%)^{7,8}

Japan	38.0
China/Hong Kong	16.5
Indonesia	14.9
India	10.6
Australia	4.5
Sri Lanka	3.5
Vietnam	2.9
Philippines	2.9
Bangladesh	2.9
Pakistan	1.4
Thailand	1.1
Taiwan	0.5
Cash and Other Assets, Less Liabilities	0.3

SECTOR ALLOCATION (%)⁸

Consumer Discretionary	21.4
Health Care	18.4
Consumer Staples	17.7
Financials	17.2
Information Technology	11.0
Industrials	7.0
Telecommunication Services	2.2
Materials	2.0
Energy	1.8

Real Estate	1.0
Cash and Other Assets, Less Liabilities	0.3

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	28.6
Large Cap (\$10B - \$25B)	12.6
Mid Cap (\$3B - 10B)	33.7
Small Cap (under \$3B)	24.8
Cash and Other Assets, Less Liabilities	0.3

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.

Table of Contents

Matthews Asia Growth Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 99.7%**

	Shares	Value
JAPAN: 38.0%		
Start Today Co., Ltd.	1,009,800	\$24,886,209
M3, Inc.	891,000	24,579,467
ORIX Corp.	1,358,300	21,134,959
Pigeon Corp.	544,900	19,810,014
Nidec Corp.	178,600	18,349,365
SoftBank Group Corp.	194,000	15,770,288
Nitori Holdings Co., Ltd.	111,800	14,965,913
Nitto Denko Corp.	171,400	14,154,442
Ariake Japan Co., Ltd.	194,800	13,574,937
PeptiDream, Inc. ^b	384,400	12,169,336
TechnoPro Holdings, Inc.	257,800	10,376,904
CYBERDYNE, Inc. ^b	768,500	10,240,661
Systemex Corp.	163,500	9,786,083
Sosei Group Corp. ^b	86,600	9,526,150
Kakaku.com, Inc.	626,200	9,001,582
Komatsu, Ltd.	288,200	7,397,359
Rinnai Corp.	76,400	7,137,773
Seven & I Holdings Co., Ltd.	165,200	6,816,886
Daiken Medical Co., Ltd.	911,500	6,514,222
Gunosy, Inc. ^b	281,000	5,827,319
FANUC Corp.	29,600	5,728,954
HEALIOS KK ^b	203,200	2,783,858
Total Japan		270,532,681
CHINA/HONG KONG: 16.5%		
Shenzhou International Group Holdings, Ltd.	4,378,000	28,786,982
Baozun, Inc. ADR ^b	918,100	20,354,277
China Lodging Group, Ltd. ADS ^b	245,900	19,839,212
Autohome, Inc. ADR ^b	409,600	18,579,456
Alibaba Group Holding, Ltd. ADR ^b	116,200	16,372,580
Baidu, Inc. ADR ^b	44,600	7,977,156
Shanghai Haohai Biological Technology Co., Ltd. H Shares ^c	959,400	5,210,224
Total China/Hong Kong		117,119,887

INDONESIA: 14.9%		
PT Bank Rakyat Indonesia Persero	29,535,100	33,700,557
PT Astra International	43,107,700	28,882,046
PT Indofood CBP Sukses Makmur	23,574,000	15,578,221
PT Ace Hardware Indonesia	154,466,000	12,285,422
PT Mayora Indah	47,580,700	7,909,173
PT Arwana Citramulia	214,668,400	7,704,532
Total Indonesia		106,059,951

INDIA: 10.6%		
HDFC Bank, Ltd.	1,102,893	28,172,918
ITC, Ltd.	4,455,774	22,289,731
Emami, Ltd. ^b	805,608	13,406,007
Lupin, Ltd.	420,088	6,887,473
Sun Pharmaceutical Industries, Ltd.	510,687	4,387,268
Total India		75,143,397

AUSTRALIA: 4.5%		
CSL, Ltd.	181,525	19,265,154
Oil Search, Ltd.	2,481,915	12,996,729
Total Australia		32,261,883

	Shares	Value
SRI LANKA: 3.5%		
Sampath Bank PLC	8,533,267	\$15,936,407
Lanka Orix Leasing Co. PLC ^b	12,121,473	8,915,928
Total Sri Lanka		24,852,335

VIETNAM: 2.9%		
Vietnam Dairy Products JSC	2,597,160	18,006,793
Taisun International Holding Corp. ^b	648,000	2,931,757
Total Vietnam		20,938,550

PHILIPPINES: 2.9%		
Jollibee Foods Corp.	2,007,890	8,112,797
Vista Land & Lifescapes, Inc.	58,472,700	6,739,650
Emperador, Inc.	37,942,500	5,669,569
Total Philippines		20,522,016

BANGLADESH: 2.9%		
Square Pharmaceuticals, Ltd.	4,382,312	15,738,075
BRAC Bank, Ltd.	4,545,139	4,564,937
Total Bangladesh		20,303,012
PAKISTAN: 1.4%		
Habib Bank, Ltd.	4,001,000	10,270,187
Total Pakistan		10,270,187
THAILAND: 1.1%		
Major Cineplex Group Public Co., Ltd.	7,714,400	7,664,439
Total Thailand		7,664,439
TAIWAN: 0.5%		
St. Shine Optical Co., Ltd.	173,000	3,619,475
Total Taiwan		3,619,475
TOTAL INVESTMENTS: 99.7%		709,287,813
(Cost \$501,081,590 ^d)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 0.3%		2,372,053
NET ASSETS: 100.0%		\$711,659,866

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c 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. At June 30, 2017, the aggregate value is \$5,210,224 which is 0.73% of net assets.
- d Cost for federal income tax purposes is \$501,081,590 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$238,628,077
Gross unrealized depreciation	(30,421,854)
Net unrealized appreciation	\$208,206,223

ADR American Depositary Receipt

ADS American Depositary Share

JSC Joint Stock Co.

See accompanying notes to financial statements.

42 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Sharat Shroff, CFA**

Lead Manager

Rahul Gupta

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MAPTX	MIPTX
CUSIP	577130107	577130834
Inception	9/12/94	10/29/10
NAV	\$27.55	\$27.55
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.09%	0.91%
After Fee Waiver and Reimbursement ²	1.08%	0.90%
Portfolio Statistics		
Total # of Positions		66
Net Assets		\$8.2 billion
Weighted Average Market Cap		\$49.1 billion
Portfolio Turnover ³		5.73%
Benchmark		
MSCI AC Asia ex Japan Index		

OBJECTIVE

Long-term capital appreciation.

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 the common and preferred stocks of companies located in Asia ex Japan, which consists of all countries and markets in Asia excluding Japan, but including all other developed, emerging and frontier countries and markets in the Asian region.

Matthews Pacific Tiger Fund

Portfolio Manager Commentary (unaudited)

For the first half of 2017, the Matthews Pacific Tiger Fund returned 20.20% (Investor Class) and 20.31% (Institutional Class), while its benchmark, the MSCI All Country Asia ex Japan Index, returned 22.93%. For the quarter ending June 30, 2017, the Fund returned 6.62% (Investor Class) and 6.66% (Institutional Class) compared to benchmark return of 8.40% over the same period.

Market Environment:

Asian markets have performed well so far this year, including during the second quarter, due to earnings upgrades that have continued over the past 12 months reflecting an improved market environment compared with more than a year ago.

In India, optimism surrounds ongoing reforms, including its Goods and Services Tax (GST) to be implemented starting in the third quarter. During the second quarter, however, we also saw a setback in policy direction when India's largest state government announced it would forgive farm loans, which could amount to about 2.6% of the state's GDP. We are wary of such populist measures despite our confidence in the direction of India's broader reform efforts.

A marquee event this quarter was index provider MSCI's inclusion of China's domestic A-shares in its global indices. The first-round weighting will be minimal and unlikely to lead to a large influx of capital. The inclusion is an encouraging sign, however, and we believe this market is a compelling source of opportunities that has been overlooked by global investors due to its relative inaccessibility. We believe the weighting should increase over time, acknowledging the growing importance of the Chinese economy.

During the quarter, there were a number of indicators of improvements to corporate governance, particularly in China and also in South Korea, where the new president has committed to reform the country's large family-controlled conglomerates known as *chaebol*.

Performance Contributors and Detractors:

The Fund performed strongly in absolute terms during the quarter but trailed its benchmark largely due to underweight positions in information technology stocks. Hardware industries did well amid a technology refresh cycle. Our portfolio's lack of exposure to semiconductors, however, posed a drag on relative performance. A handful of internet stocks also grew to quite sizable weights in the Index, which also affected relative performance. While we have held some strong internet stocks, we find it imprudent to carry outsized positions as the Index does. In addition, some detractors to performance also came from a few of our Indian holdings, particularly Sun Pharmaceutical Industries and Tata Power due to near-term business challenges.

Contribution to absolute performance returns was broad-based from a number of portfolio holdings. Key contributors included a mall operator in Thailand, private banks in India and insurance companies in China.

Notable Changes to Portfolio:

While there were no major additions or exits in the portfolio during the quarter, incremental allocations were made toward domestic demand businesses in China and toward more attractively valued ASEAN countries where economic performance is stabilizing. We are finding attractive opportunities that we believe may benefit from Asia's rising affluence.

(continued)

¹ Prospectus expense ratios.

- 2 Matthews has contractually agreed to waive a portion of its advisory fee and administrative and shareholder services fee if the Fund's average daily net assets are over \$3 billion, as follows: for every \$2.5 billion average daily net assets of the Fund that are over \$3 billion, the advisory fee rate and the administrative and shareholder services fee rate for the Fund with respect to such excess average daily net assets will be each reduced by 0.01%, in each case without reducing such fee rate below 0.00%. Any amount waived by Matthews pursuant to this agreement may not be recouped by Matthews. This agreement will remain in place until April 30, 2018 and may be terminated at any time (i) by the Trust on behalf of the Fund or by the Board of Trustees upon 60 days' prior written notice to Matthews; or (ii) by Matthews upon 60 days' prior written notice to the Trust, in each case without payment of any penalty.
- 3 The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns							Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	
Investor Class (MAPTX)	6.62%	20.20%	15.35%	6.22%	9.25%	6.97%	8.81%	9/12/94
Institutional Class (MIPTX)	6.66%	20.31%	15.57%	6.41%	9.44%	n.a.	6.24%	10/29/10
MSCI AC Asia ex Japan Index ⁴	8.40%	22.93%	27.06%	5.32%	8.27%	4.48%	4.46% ⁵	
Lipper Pacific ex Japan Funds Category Average ⁶	7.97%	22.02%	21.94%	4.36%	7.64%	4.15%	5.18%	

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 matthewsasiasia.com.

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\$.

4 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 91 for index definition.

5 Calculated from 8/31/94.

6 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 HOLDINGS⁷

	Sector	Country	% of Net Assets
Central Pattana Public Co., Ltd.	Real Estate	Thailand	3.1%
Ping An Insurance Group Co. of China, Ltd.	Financials	China/Hong Kong	3.1%
Kotak Mahindra Bank, Ltd.	Financials	India	3.0%
Baidu, Inc.	Information Technology	China/Hong Kong	2.6%
DKSH Holding, Ltd.	Industrials	Switzerland	2.6%
Vietnam Dairy Products JSC	Consumer Staples	Vietnam	2.6%
Tencent Holdings, Ltd.	Information Technology	China/Hong Kong	2.6%
Tata Power Co., Ltd.	Utilities	India	2.5%
Sinopharm Group Co., Ltd.	Health Care	China/Hong Kong	2.5%
Titan Co., Ltd.	Consumer Discretionary	India	2.4%
% OF ASSETS IN TOP TEN			27.0%

⁷ Holdings may combine more than one security from same issuer and related depositary receipts.

44 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Pacific Tiger Fund

*Portfolio Manager Commentary (unaudited) (continued)***Outlook:**

We have seen improvements in the market environment over the past two quarters. We still find sentiment around China, and Asia in general, to be only lukewarm. Given the strength and stabilization of the Chinese economy, including housing, we are beginning to see that authorities are tightening on the margin. Aggressive capital deployment by some insurance companies, for example, has come under greater scrutiny. In our view, this is a positive proactive approach. We continue to see Chinese authorities nudge the economy toward a much higher services mix. That should continue to provide us with attractive, long-term investment opportunities in the services sector.

In India, the balancing act has become a bit tighter. Markets have done well but earnings have not followed as strongly. Policymakers are trying to implement important changes that should help India's economy over the medium to long term, but are disrupters in the short term. The implementation of the GST could add to that turbulence, but we will believe these ultimately should be just growing pains.

Lastly, the long-term case for the Asian consumer remains resilient. Businesses focused on this segment of the region's economies continue to be well-represented in the portfolio.

COUNTRY ALLOCATION (%)^{8,9}

China/Hong Kong	31.4
India	19.9
South Korea	12.6
Indonesia	6.4
Thailand	5.8
Taiwan	5.7
Malaysia	3.5
United States	2.8
Switzerland	2.6
Vietnam	2.6
Philippines	2.4
Singapore	0.2
Japan	0.1
Cash and Other Assets, Less Liabilities	4.0

SECTOR ALLOCATION (%)⁹

Financials	19.9
Consumer Staples	19.3
Information Technology	18.0
Consumer Discretionary	9.9
Health Care	7.6
Real Estate	6.3

Utilities	5.0
Industrials	5.0
Telecommunication Services	3.6
Materials	1.4
Cash and Other Assets, Less Liabilities	4.0

MARKET CAP EXPOSURE (%)⁹

Mega Cap (over \$25B)	32.6
Large Cap (\$10B - \$25B)	23.1
Mid Cap (\$3B - 10B)	34.0
Small Cap (under \$3B)	6.4
Cash and Other Assets, Less Liabilities	4.0

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

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.

Table of Contents

Matthews Pacific Tiger Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 95.9%**

	Shares	Value
CHINA/HONG KONG: 31.4%		
Ping An Insurance Group Co. of China, Ltd. H Shares	38,343,000	\$252,580,643
Baidu, Inc. ADR ^b	1,211,800	216,742,548
Tencent Holdings, Ltd.	5,886,500	211,177,955
Sinopharm Group Co., Ltd. H Shares	45,134,400	203,913,236
China Resources Beer Holdings Co., Ltd.	75,359,775	190,052,025
Alibaba Group Holding, Ltd. ADR ^b	1,291,700	182,000,530
AIA Group, Ltd.	22,790,800	166,745,721
Hengan International Group Co., Ltd.	19,471,500	143,643,713
China Resources Land, Ltd.	47,814,000	139,294,921
China Mobile, Ltd. ADR	2,380,026	126,355,580
Inner Mongolia Yili Industrial Group Co., Ltd. A Shares	38,503,482	122,713,504
Fuyao Glass Industry Group Co., Ltd. H Shares ^c	31,836,000	121,872,124
Dairy Farm International Holdings, Ltd.	15,454,946	121,784,974
Tasly Pharmaceutical Group Co., Ltd. A Shares	14,569,795	89,276,004
Guangdong Advertising Group Co., Ltd. A Shares	62,473,566	73,953,055
Hong Kong Exchanges & Clearing, Ltd.	2,603,000	67,246,926
Lenovo Group, Ltd.	73,394,000	46,321,297
Yum China Holdings, Inc. ^b	1,174,410	46,306,986
Shandong Weigao Group Medical Polymer Co., Ltd. H Shares	36,796,000	28,867,501
Swire Pacific, Ltd. A Share Class	1,363,000	13,305,139
Fuyao Glass Industry Group Co., Ltd. A Shares	2,589,387	9,948,477
Guotai Junan Securities Co., Ltd. H Shares ^{b,c}	3,806,400	7,956,560
Total China/Hong Kong		2,582,059,419
INDIA: 19.9%		
Kotak Mahindra Bank, Ltd.	16,873,409	249,333,405
Tata Power Co., Ltd.	164,620,436	204,993,040
Titan Co., Ltd. ^b	24,643,894	199,845,941
HDFC Bank, Ltd.	6,223,409	158,974,253
GAIL India, Ltd.	26,059,477	145,618,564
ITC, Ltd.	28,102,500	140,581,001
Housing Development Finance Corp., Ltd.	4,935,685	123,263,891
Container Corp. of India, Ltd.	6,839,995	121,174,644
Sun Pharmaceutical Industries, Ltd.	12,045,017	103,477,710

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Dabur India, Ltd.	21,117,482	95,392,515
Thermax, Ltd.	5,310,034	76,764,518
Just Dial, Ltd. ^b	3,557,718	20,438,099
Total India		1,639,857,581

SOUTH KOREA: 12.6%

Samsung Electronics Co., Ltd.	95,105	198,086,773
Dongbu Insurance Co., Ltd.	3,159,380	187,755,541
Naver Corp.	244,116	178,944,552
Orion Corp. ^d	217,080	151,121,738
Green Cross Corp.	776,872	118,518,293
Cheil Worldwide, Inc.	6,954,297	111,853,311
Amorepacific Corp.	345,972	91,885,577
Total South Korea		1,038,165,785

	Shares	Value
INDONESIA: 6.4%		
PT Telekomunikasi Indonesia Persero	421,304,300	\$143,071,377
PT Bank Central Asia	100,580,000	137,172,886
PT Indofood CBP Sukses Makmur	191,522,600	126,562,372
PT Perusahaan Gas Negara Persero	298,485,100	50,343,182
PT Astra International	66,745,900	44,719,579
PT Telekomunikasi Indonesia Persero ADR	728,140	24,516,474
Total Indonesia		526,385,870

THAILAND: 5.8%

Central Pattana Public Co., Ltd.	126,625,200	257,940,393
The Siam Cement Public Co., Ltd.	7,522,950	111,573,857
Kasikornbank Public Co., Ltd.	18,431,800	107,605,594
Total Thailand		477,119,844

TAIWAN: 5.7%

President Chain Store Corp.	21,486,608	193,062,448
Delta Electronics, Inc.	31,251,182	170,954,693
Synnex Technology International Corp.	95,600,921	107,098,852
Total Taiwan		471,115,993

MALAYSIA: 3.4%

Genting BHD	52,881,000	115,919,565
Public Bank BHD	17,846,594	84,469,130
IHH Healthcare BHD	47,676,300	63,884,398

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IHH Healthcare BHD	11,543,000	15,762,368
Total Malaysia		280,035,461
UNITED STATES: 2.8%		
Cognizant Technology Solutions Corp. Class A	2,186,600	145,190,240
Yum! Brands, Inc.	1,174,410	86,624,482
Total United States		231,814,722
SWITZERLAND: 2.6%		
DKSH Holding, Ltd.	2,638,062	214,480,394
Total Switzerland		214,480,394
VIETNAM: 2.6%		
Vietnam Dairy Products JSC	30,834,534	213,783,932
Total Vietnam		213,783,932
PHILIPPINES: 2.4%		
SM Prime Holdings, Inc.	164,670,771	107,593,353
GT Capital Holdings, Inc.	3,897,540	93,342,085
Total Philippines		200,935,438
SINGAPORE: 0.2%		
Hyflux, Ltd.	35,190,730	14,058,399
Total Singapore		14,058,399
JAPAN: 0.1%		
LINE Corp. ADR ^b	195,200	6,789,056
Total Japan		6,789,056
TOTAL COMMON EQUITIES		7,896,601,894

(Cost \$5,386,026,733)

Table of Contents

Matthews Pacific Tiger Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***WARRANTS: 0.1%**

	Shares	Value
MALAYSIA: 0.1%		
Genting BHD, expires 12/18/18 ^b	12,253,875	\$4,653,027
Total Malaysia		4,653,027
TOTAL WARRANTS		4,653,027

(Cost \$5,593,674)

TOTAL INVESTMENTS: 96.0%	7,901,254,921
(Cost \$5,391,620,407 ^c)	

CASH AND OTHER ASSETS, LESS LIABILITIES: 4.0%	328,625,248
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NET ASSETS: 100.0%	\$8,229,880,169
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a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Non-income producing security.

c 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. At June 30, 2017, the aggregate value is \$129,828,684 which is 1.58% of net assets.

d Illiquid security, trading was halted at June 30, 2017.

e Cost for federal income tax purposes is \$5,393,356,757 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$2,878,141,706
Gross unrealized depreciation	(370,243,542)
Net unrealized appreciation	\$2,507,898,164

Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

ADR American Depositary Receipt

BHD Berhad

JSC Joint Stock Co.

See accompanying notes to financial statements.

Table of Contents**PORTFOLIO MANAGERS****Vivek Tanneeru**

Lead Manager

Winnie Chwang

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MASGX	MISFX
CUSIP	577130727	577130719
Inception	4/30/15	4/30/15
NAV	\$10.69	\$10.64
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	3.54%	3.36%
After Fee Waiver and Reimbursement ²	1.48%	1.25%
Portfolio Statistics		
Total # of Positions		57
Net Assets		\$13.1 million
Weighted Average Market Cap		\$17.3 billion
Portfolio Turnover ³		16.10%
Benchmark		
MSCI AC Asia ex Japan Index		

OBJECTIVE

Long term capital appreciation.

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 the common and preferred stocks of companies of any market capitalization located in Asia that Matthews believes satisfy one or more of its environmental, social and governance (ESG) standards. Asia consists of all countries and markets in Asia and includes developed, emerging, and frontier countries and markets in the Asia region. The Fund may also invest in convertible securities and fixed-income securities, of any duration or quality, including high yield securities of Asian companies.

Matthews Asia ESG Fund

Portfolio Manager Commentary (unaudited)

For the period ending June 30, 2017

For the first half of 2017, the Matthews ESG Fund returned 19.18% (Investor Class) and 19.28% (Institutional Class) while its benchmark, the MSCI All Country Asia ex Japan Index, returned 22.93%. For the quarter ending June 30, 2017, the Fund returned 6.16% (Investor Class) and 6.19% (Institutional Class) compared to the benchmark return of 8.40% over the same period.

Market Environment:

Asia's markets further built on the strong start to the year, rising during the second quarter. As near-term risks, such as an adverse outcome in the French presidential election, receded and confidence in global growth increased, global markets continue to inch up.

South Korea and China/Hong Kong were the best-performing markets during the second quarter, while Pakistan and Japan were the worst-performing. The second quarter saw a continuation of strong performance from the information technology sector, while the energy sector gave back some of the recent gains. South and Southeast Asian currencies generally appreciated against the U.S. dollar, led by the Malaysian ringgit, which saw a 3% appreciation, while the South Korean won depreciated by 2.2%.

Performance Contributors and Detractors:

During the quarter, stock selection in India and Taiwan detracted from the Fund's relative performance. The Fund's underweight allocation to the information technology sector, especially within the Chinese internet and e-commerce areas, proved a drag as did an overweight allocation to the health care sector.

Samsung SDI, a South Korean battery and electronic materials company, was the biggest contributor to performance during the quarter. The company's stock price corrected sharply toward the end of 2016 as its smartphone battery recall affected the company's profitability and provided a very attractive entry point. We remain confident in the company's long-term growth prospects. Profitability is normalizing for Samsung's phone battery unit, its automotive batteries continue to gain scale and its electronic materials business is growing. Samsung SDI also has a minority stake in the world's largest organic light-emitting diode (OLED) display panel company. We believe Samsung SDI should benefit as the adoption of OLED panels, especially in smartphones, is poised for a sharp pickup over the coming years.

Lupin, an Indian pharmaceutical company, was the biggest detractor to performance during the quarter. The company faltered as distributor and retailer consolidation in the U.S., a key market for Lupin, led to increased pricing pressures on generic drug manufacturers globally. We expect that over the medium term the channel consolidation will lead weaker players to exit the market as prices are driven to unsustainably low levels. The company also has been increasing its spending on research and development to diversify into higher value-added products. We remain positive on the company's long-term prospects given its strong development pipeline and attractive valuations.

(continued)

¹ Prospectus expense ratio.

² Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses

such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

³The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

48 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns				
	3 Months	YTD	1 Year	Since Inception	Inception Date
Investor Class (MASGX)	6.16%	19.18%	19.18%	4.02%	4/30/15
Institutional Class (MISFX)	6.19%	19.28%	19.46%	4.27%	4/30/15
MSCI AC Asia ex Japan Index ⁴	8.40%	22.93%	27.06%	2.40%	
Lipper Pacific Region Funds Category Average ⁵	6.61%	17.21%	18.61%	3.34%	

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 matthewsasiasia.com.

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 gain distributions or redemption of Fund shares. Values are in US\$.

4 It is not possible to invest directly in an index. Source: Index data from Morgan Stanley Capital International; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 91 for index definition.

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 HOLDINGS⁶

	Sector	Country	% of Net Assets
Samsung SDI Co., Ltd., Pfd.	Information Technology	South Korea	4.7%
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	Taiwan	4.2%
	Consumer Staples	China/Hong Kong	3.4%

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Inner Mongolia Yili Industrial Group Co., Ltd.			
PT Bank Rakyat Indonesia Persero	Financials	Indonesia	3.4%
Total Access Communication Public Co., Ltd. NVDR	Telecommunication Services	Thailand	3.3%
Shriram City Union Finance, Ltd.	Financials	India	3.3%
BRAC Bank, Ltd.	Financials	Bangladesh	3.2%
Hanon Systems	Consumer Discretionary	South Korea	2.7%
Lupin, Ltd.	Health Care	India	2.6%
JD.com, Inc.	Consumer Discretionary	China/Hong Kong	2.5%
% OF ASSETS IN TOP TEN			33.3%

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

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Table of Contents**COUNTRY ALLOCATION (%)⁷**

China/Hong Kong	22.0
South Korea	13.7
Japan	13.4
Taiwan	12.2
India	12.1
Bangladesh	5.8
Philippines	4.9
Thailand	4.4
Indonesia	3.4
Pakistan	2.6
Singapore	2.5
Luxembourg	1.6
Sri Lanka	1.1
Cash and Other Assets, Less Liabilities	0.3

SECTOR ALLOCATION (%)⁸

Financials	20.3
Health Care	17.8
Information Technology	13.0
Industrials	12.8
Consumer Discretionary	11.6
Consumer Staples	8.5
Telecommunication Services	6.7
Utilities	4.7
Materials	3.0
Real Estate	1.3
Cash and Other Assets, Less Liabilities	0.3

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	17.9
Large Cap (\$10B - \$25B)	12.6
Mid Cap (\$3B - 10B)	24.0
Small Cap (under \$3B)	45.2
Cash and Other Assets, Less Liabilities	0.3

⁷ Not all countries 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.

Matthews Asia ESG Fund

Portfolio Manager Commentary (unaudited) (continued)

Notable Portfolio Changes:

During the quarter, the Fund added a position in Wuxi Biologics Cayman, a Chinese biologics contract development and manufacturing organization. Wuxi helps biotech companies convert a product idea into a commercial reality in a cost-effective and expedient fashion, leading to better health care outcomes for patients globally. Wuxi is a global top five player and the leader in the Chinese biologics outsourcing market with dominant market share. It is favorably exposed to fast-growing global biologics outsourcing services in general and to the Chinese outsourcing market in particular. We like the company in part for its strong employee equity participation and training programs.

During the quarter, we took profits after the strong performance of Japan's Nakanishi, a dental equipment maker, and Taiwan's Lumax International, an industrials sector holding, and exited our small positions in them.

Outlook:

We continue to watch for early signs of trouble for the Trump administration in pushing its agenda, in areas such as health care and on punitive trade policies, through Congress. Despite the related risks, we take comfort in economic fundamentals that appear to be improving globally as well as positive nominal GDP growth prospects in Asia. Furthermore, Asian consumers are increasingly focusing on products and services with positive environmental and social impacts, while Asian governments and regulators are pushing companies to strive for better environmental and governance standards regardless of whether the U.S. retains policies established by the Obama administration. We believe such a push provides an encouraging backdrop for pursuing ESG-focused investing in Asia.

We employ a fundamental, bottom-up investment process in managing a portfolio of companies that make a positive environmental, social and economic impact while aiming to generate profitable growth. We will be on the lookout for market dislocations in Asia as they often present an opportunity to buy high-quality companies with best-in-class ESG attributes at reasonable prices.

50 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Asia ESG Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 95.0%**

	Shares	Value
CHINA/HONG KONG: 22.0%		
Inner Mongolia Yili Industrial Group Co., Ltd. A Shares	138,200	\$440,454
JD.com, Inc. ADR ^b	8,400	329,447
Wuxi Biologics Cayman, Inc. ^{b,c}	82,000	308,257
MTR Corp., Ltd.	54,500	306,690
AIA Group, Ltd.	38,200	279,485
HKBN, Ltd.	270,000	270,199
CSPC Pharmaceutical Group, Ltd.	126,000	184,037
China Conch Venture Holdings, Ltd.	95,000	173,922
Hong Kong Exchanges & Clearing, Ltd.	6,400	165,340
Guangdong Investment, Ltd.	106,000	146,085
Haier Electronics Group Co., Ltd.	55,000	142,995
Beijing Urban Construction Design & Development Group Co., Ltd. H Shares ^c	231,000	124,529
Total China/Hong Kong		2,871,440
JAPAN: 13.4%		
Fuji Seal International, Inc.	9,900	273,696
Tsukui Corp.	46,200	271,167
Daikin Industries, Ltd.	2,600	266,739
Sohgo Security Services Co., Ltd.	5,900	266,327
Hoya Corp.	3,200	166,596
Bunka Shutter Co., Ltd.	18,800	144,409
Koito Manufacturing Co., Ltd.	2,600	134,447
Ain Holdings, Inc.	1,600	115,791
LINE Corp. ADR ^b	3,200	111,297
Total Japan		1,750,469
TAIWAN: 12.2%		
Taiwan Semiconductor Manufacturing Co., Ltd.	80,000	546,577
Sitronix Technology Corp.	73,000	225,097
Zhen Ding Technology Holding, Ltd.	85,000	201,256
Tehmag Foods Corp.	21,000	174,682

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Merida Industry Co., Ltd.	25,000	133,808
CHC Resources Corp.	64,000	116,257
ECOVE Environment Corp.	17,000	99,195
Sporton International, Inc.	18,247	92,375

Total Taiwan **1,589,247**

INDIA: 12.1%

Shriram City Union Finance, Ltd.	11,642	429,369
Lupin, Ltd.	20,770	340,531
Bharat Financial Inclusion, Ltd. ^b	21,869	243,707
Power Grid Corp. of India, Ltd. ^b	68,252	222,241
Ipsca Laboratories, Ltd. ^b	27,668	210,717
Sanofi India, Ltd.	2,005	128,817

Total India **1,575,382**

SOUTH KOREA: 9.0%

Hanon Systems	38,444	346,232
KT Skylife Co., Ltd.	14,719	210,383
iMarketKorea, Inc.	16,719	198,845
DGB Financial Group, Inc.	18,921	195,070
Samjin Pharmaceutical Co., Ltd.	5,932	171,006
Samsung Biologics Co., Ltd. ^{b,c}	210	53,569

Total South Korea **1,175,105**

	Shares	Value
BANGLADESH: 5.8%		
BRAC Bank, Ltd.	413,907	\$415,710
GrameenPhone, Ltd.	40,983	175,036
Square Pharmaceuticals, Ltd.	46,337	166,409
Total Bangladesh		757,155

PHILIPPINES: 4.9%

Puregold Price Club, Inc.	271,200	239,436
Energy Development Corp.	1,980,000	237,241
Security Bank Corp.	37,580	161,599

Total Philippines **638,276**

THAILAND: 4.4%

Total Access Communication Public Co., Ltd. NVDR	280,300	432,770
Kasikornbank Public Co., Ltd. NVDR	24,100	140,697

Total Thailand **573,467**

INDONESIA: 3.4%		
PT Bank Rakyat Indonesia Persero	385,300	439,640
Total Indonesia		439,640
PAKISTAN: 2.6%		
Bank Alfalah, Ltd. ^b	457,500	175,408
Abbott Laboratories Pakistan, Ltd.	18,350	164,751
Total Pakistan		340,159
SINGAPORE: 2.5%		
Parkway Life REIT	87,000	169,356
Raffles Medical Group, Ltd.	165,500	161,191
Total Singapore		330,547
LUXEMBOURG: 1.6%		
L Occitane International SA	91,750	210,445
Total Luxembourg		210,445
SRI LANKA: 1.1%		
Nestle Lanka PLC	10,717	141,864
Total Sri Lanka		141,864
TOTAL COMMON EQUITIES		12,393,196

(Cost \$10,983,695)

Table of Contents

Matthews Asia ESG Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***PREFERRED EQUITIES: 4.7%**

	Shares	Value
SOUTH KOREA: 4.7%		
Samsung SDI Co., Ltd., Pfd.	8,541	\$616,292
Total South Korea		616,292
TOTAL PREFERRED EQUITIES		616,292

(Cost \$434,248)

TOTAL INVESTMENTS: 99.7%	13,009,488
(Cost \$11,417,943 ^d)	

CASH AND OTHER ASSETS, LESS LIABILITIES: 0.3%	42,213
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NET ASSETS: 100.0%	\$13,051,701
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a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).

b Non-income producing security.

c 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. At June 30, 2017, the aggregate value is \$486,355, which is 3.73% of net assets.

d Cost for federal income tax purposes is \$11,432,555 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$1,969,666
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Gross unrealized depreciation	(392,733)
Net unrealized appreciation	\$1,576,933

ADR American Depositary Receipt

NVDR Non-voting Depositary Receipt

Pfd. Preferred

REIT Real Estate Investment Trust
See accompanying notes to financial statements.

52 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Taizo Ishida**

Lead Manager

Robert Harvey, CFA

Lead Manager

FUND FACTS

	Investor	Institutional
Ticker	MEASX	MIASX
CUSIP	577125883	577125875
Inception	4/30/13	4/30/13
NAV	\$14.66	\$14.71
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.77%	1.62%
After Fee Waiver and Reimbursement ²	1.47%	1.25%
Portfolio Statistics		
Total # of Positions		77
Net Assets		\$376.8 million
Weighted Average Market Cap		\$2.4 billion
Portfolio Turnover ³		34.90%
Benchmark		
MSCI Emerging Markets Asia Index		
Redemption Fee		
2% within first 90 calendar days of purchase		

OBJECTIVE

Long term capital appreciation.

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 the common and preferred stocks of companies located in Asia excluding Japan, South Korea, Hong Kong and Singapore. The Fund may also invest in the convertible securities, of any duration or quality of companies located in Asia excluding Japan, South Korea, Hong Kong and Singapore. Under normal market conditions, the Fund is expected to invest a substantial portion of its net assets in the emerging countries and markets in the Asian region, including, but not limited to, Bangladesh, Cambodia, China (including Taiwan, but excluding Hong Kong), India, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, and Vietnam.

Matthews Emerging Asia Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Emerging Asia Fund returned 11.23% (Investor Class) and 11.27% (Institutional Class) while its benchmark, the MSCI Emerging Markets Asia Index, returned 23.31%. For the quarter ending June 30, 2017, the Fund returned 6.54% (Investor Class) and 6.52% (Institutional Class) compared with the benchmark return of 8.74% over the same period.

Market Environment:

The first half of 2017 delivered relatively strong returns for Asian investors, despite concerns at the start of the year over growth, as well as the controversial election rhetoric and policy uncertainties of the Trump administration. Since then, we have seen little to no traction on Trump's plans for health care or tax reform. We have also seen China fortifying islands in the South China Sea and North Korea firing missiles into the ocean off the coast of Japan – an interesting backdrop for such solid performance. In the second quarter, the strongest-performing markets in the Asia region have been South Korea, China and Taiwan. This was the result of a change in investor growth expectations combined with low valuations in these markets. The Indian market – where valuations were arguably expensive at the start of the year – has performed surprisingly well, even while delivering relatively soft earnings.

Frontier and smaller markets in Southeast Asia have broadly been ignored in the first half of the year. Markets like Vietnam and Bangladesh delivered solid economic growth and stable currencies. Meanwhile, Pakistan and Sri Lanka faced headwinds from macro concerns, especially with regard to their external accounts. Strong imports have overshadowed relatively weak export performance and soft remittance data has caused concerns for both the Sri Lankan and Pakistani rupee.

Performance Contributors and Detractors:

Emerging Asia underperformed the benchmark for both the second quarter and first half of the year, primarily due to differences in asset allocation. The majority of the benchmark's performance has been driven by strong returns from three countries: South Korea, Taiwan and China. These three countries account for approximately 70% weighting in the benchmark while Emerging Asia, during the second quarter, saw a combined weighting in these markets of about 8%.

We continue to view South Korea and Taiwan as developed – rather than emerging – markets and will continue to offer our clients exposure to the least-developed parts of Asia that we believe have the most growth potential.

The main detractors to Fund performance were The Searle Company and K-Electric, both of Pakistan. Pharmaceutical firm Searle had become expensive and we reduced our position earlier in the year, while K-Electric faces the possibility of a tariff reduction after the latest regulatory review. The firm has appealed the decision and we await the outcome. Hong Kong-listed Tongda Group also was a notable detractor after it was featured in a short-sellers research report. The share price of this high-precision component maker has since stabilized and investors are now awaiting developments before the stock can move upward.

(continued)

¹ Prospectus expense ratios.

Matthews has contractually agreed (i) to waive fees and reimburse expenses to the extent needed to limit Total Annual Fund Operating Expenses (excluding Rule 12b-1 fees, taxes, interest, brokerage commissions, short sale dividend expenses, expenses incurred in connection with any merger or reorganization or extraordinary expenses such as litigation) of the Institutional Class to 1.25% first by waiving class specific expenses (*i.e.*, shareholder service fees specific to a particular class) of the Institutional Class and then, to the extent necessary, by waiving non-class specific expenses of the Institutional Class, and (ii) if any Fund-wide expenses (*i.e.*, expenses that apply to both the Institutional Class and the Investor Class) are waived for the Institutional Class to maintain the 1.25% expense limitation, to waive an equal amount (in annual percentage terms) of those same expenses for the Investor Class. The Total Annual Fund Operating Expenses After Fee Waiver and Expense Reimbursement for the Investor Class may vary from year to year and will in some years exceed 1.25%. If the operating expenses fall below the expense limitation in a year within three years after Matthews has made a waiver or reimbursement, the Fund may reimburse Matthews up to an amount that does not cause the expenses for that year to exceed the lesser of (i) the expense limitation applicable at the time of that fee waiver and/or expense reimbursement or (ii) the expense limitation in effect at the time of recoupment. This agreement will remain in place until April 30, 2018 and may be terminated at any time by the Board of Trustees on behalf of the Fund on 60 days' written notice to Matthews. Matthews may decline to renew this agreement by written notice to the Trust at least 30 days before its annual expiration date.

³The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns					Inception Date
	3 Months	YTD	1 Year	3 Years	Since Inception	
Investor Class (MEASX)	6.54%	11.23%	19.88%	10.65%	10.36%	4/30/13
Institutional Class (MIASX)	6.52%	11.27%	20.11%	10.89%	10.60%	4/30/13
MSCI Emerging Markets Asia Index ⁴	8.74%	23.31%	28.26%	5.37%	6.07%	
Lipper Emerging Markets Funds Category Average ⁵	5.79%	17.73%	20.22%	0.28%	1.37%	

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 matthewsasiasia.com.*

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 gain distributions or redemption of Fund shares. Values are in US\$.

4 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 91 for index definition.

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 HOLDINGS⁶

	Sector	Country	% of Net Assets
Saigon Beer Alcohol Beverage Corp.	Consumer Staples	Vietnam	3.6%
Shenzhou International Group Holdings, Ltd.	Consumer Discretionary	China/Hong Kong	2.8%
BRAC Bank, Ltd.	Financials	Bangladesh	2.8%

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British American Tobacco Bangladesh Co., Ltd.	Consumer Staples	Bangladesh	2.6%
PC Jeweller, Ltd.	Consumer Discretionary	India	2.5%
Phu Nhuan Jewelry JSC	Consumer Discretionary	Vietnam	2.5%
Indus Motor Co., Ltd.	Consumer Discretionary	Pakistan	2.4%
PT Bank Mandiri Persero	Financials	Indonesia	2.4%
Vinh Hoan Corp.	Consumer Staples	Vietnam	2.3%
Balkrishna Industries, Ltd.	Consumer Discretionary	India	2.2%
% OF ASSETS IN TOP TEN			26.1%

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

54 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Emerging Asia Fund

Portfolio Manager Commentary (unaudited) (continued)

By country, Vietnam, India and Indonesia were top contributors to Fund performance during the quarter, while Thailand and Myanmar delivered negative returns. The portfolio's small weighting in these countries, however, limited the impact of the declines.

The largest contributor to returns during the quarter came from Vietnam's Phu Nhuan Jewelry, which continued to deliver strong earnings from an expanding store base. Another notable contributor in Vietnam was Military Commercial Bank. The bank performed well, appreciating by about 61% since the start of the year, as investors seemed more optimistic about banks in general. Military Commercial Bank had an attractive valuation and also delivered solid earnings growth during the quarter.

Notable Portfolio Changes:

During the quarter, we initiated a sizable new position in Saigon Beer Alcohol Beverage, Vietnam's dominant brewery. The country's beer market has grown significantly over the past decade. We believe the company has significant potential for further growth along with operational efficiencies. We also added to our position in Indus Motor in Pakistan and Tongda Group following share price weakness induced by market short sellers.

Prior to the second quarter, we had already begun to trim our position in DHG Pharmaceuticals following sharp price appreciation—the share price having doubled in the first six months of the year—and ultimately we began to exit our position as we believe its valuation had become too rich versus our more moderate growth expectations.

Outlook:

In our view, growth opportunities in more developed markets remain relatively limited, broadly speaking, as compared with the opportunities we are finding in the emerging and frontier markets. Valuations in some stocks and some markets are now higher, making the opportunities less attractive. We will focus on offering investors exposure to the least developed markets in Asia, driven by a bottom-up fundamental process.

In the shorter term, the outlook is clouded by the ever-shifting sentiment of international investors. In the medium term, high debt levels globally remain a concern and a headwind to growth. We remain concerned about the potential impact on oil prices from political tensions across the world and in the Middle East. A prolonged disruption to oil supply could lead to a sharp and sustained recovery in oil prices, which would negatively affect Emerging Asian economies.

Looking forward, Asian frontier markets are likely to continue to attract foreign direct investment, create new manufacturing jobs, receive growing remittance flows and increase their share of global exports off a low base. We believe these factors should lead to a relatively bright future for patient investors.

COUNTRY ALLOCATION (%)^{7,8}

Vietnam	20.4
Pakistan	18.0
Indonesia	12.3
India	12.3

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Bangladesh	11.7
China/Hong Kong	8.1
Sri Lanka	6.7
Philippines	5.2
Australia	0.6
Singapore	0.6
Thailand	0.5
Cash and Other Assets, Less Liabilities	3.6

SECTOR ALLOCATION (%)⁸

Consumer Staples	27.2
Consumer Discretionary	24.2
Financials	16.2
Health Care	8.8
Industrials	7.5
Materials	4.9
Real Estate	2.8
Information Technology	2.2
Energy	1.4
Utilities	1.2
Cash and Other Assets, Less Liabilities	3.6

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	0.0
Large Cap (\$10B - \$25B)	4.6
Mid Cap (\$3B - 10B)	13.9
Small Cap (under \$3B)	77.9
Cash and Other Assets, Less Liabilities	3.6

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.

Table of Contents

Matthews Emerging Asia Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 96.4%**

	Shares	Value
VIETNAM: 20.4%		
Saigon Beer Alcohol Beverage Corp.	1,462,000	\$13,397,326
Phu Nhuan Jewelry JSC	2,063,683	9,242,134
Vinh Hoan Corp.	3,315,820	8,606,457
Masan Group Corp.	3,610,260	6,670,666
Tien Phong Plastic JSC	1,861,224	5,485,989
Thien Long Group Corp.	906,250	5,481,913
National Seed JSC	979,585	4,697,319
Mobile World Investment Corp.	1,020,454	4,619,450
Domesco Medical Import Export JSC ^b	787,290	4,502,560
Military Commercial Joint Stock Bank	4,483,600	4,398,587
Nam Long Investment Corp.	3,272,278	4,102,763
Lix Detergent JSC	1,047,635	2,396,596
Dinh Vu Port Investment & Development JSC	517,550	1,593,540
Taisun International Holding Corp. ^b	293,000	1,325,625
DHG Pharmaceutical JSC	30,000	164,049
Total Vietnam		76,684,974
PAKISTAN: 18.0%		
Indus Motor Co., Ltd.	536,030	9,158,964
PAK Suzuki Motor Co., Ltd.	1,081,900	8,052,184
Hascol Petroleum, Ltd.	2,365,500	7,715,551
Shifa International Hospitals, Ltd.	2,172,451	6,837,471
The Searle Company, Ltd.	1,220,869	5,961,473
Habib Bank, Ltd.	1,885,000	4,838,616
ICI Pakistan, Ltd.	451,900	4,717,474
K-Electric, Ltd. ^b	66,568,500	4,393,959
Akzo Nobel Pakistan, Ltd.	1,854,100	4,244,006
Pakistan Petroleum, Ltd.	2,127,300	3,005,176
National Foods, Ltd.	958,500	2,477,382
Meezan Bank, Ltd.	3,276,000	2,468,326
Hum Network, Ltd. ^b	17,939,500	2,008,676
GlaxoSmithKline Consumer Healthcare Pakistan, Ltd. ^b	973,957	1,941,505
Total Pakistan		67,820,763

INDONESIA: 12.3%

PT Bank Mandiri Persero	9,531,400	9,136,046
PT Gudang Garam	1,393,100	8,191,558
PT Matahari Department Store	7,077,200	7,526,402
PT Hexindo Adiperkasa	18,901,100	5,460,081
PT Adira Dinamika Multi Finance	8,203,300	4,176,895
PT Mayora Indah	24,273,200	4,034,849
PT Kino Indonesia	16,629,000	2,841,769
PT Catur Sentosa Adiprana	70,131,000	2,503,205
PT Sumber Alfaria Trijaya	50,991,700	2,180,849
PT BFI Finance Indonesia	7,965,000	310,771
Total Indonesia		46,362,425

INDIA: 12.3%

PC Jeweller, Ltd.	1,249,637	9,466,827
Balkrishna Industries, Ltd.	324,532	8,347,045
Kwality, Ltd.	2,533,204	5,782,081
Caplin Point Laboratories, Ltd.	489,805	4,186,477
Praj Industries, Ltd. ^b	3,594,497	4,173,796
Shriram Transport Finance Co., Ltd.	268,352	4,145,941
	Shares	Value
Supreme Industries, Ltd.	178,934	\$3,395,760
VST Industries, Ltd.	60,083	3,315,940
Cipla India, Ltd.	311,919	2,681,301
Poly Medicure, Ltd.	234,582	796,971
Total India		46,292,139

BANGLADESH: 11.7%

BRAC Bank, Ltd.	10,465,792	10,511,381
British American Tobacco Bangladesh Co., Ltd.	278,950	9,792,583
Square Pharmaceuticals, Ltd.	2,236,661	8,032,458
Berger Paints Bangladesh, Ltd.	235,998	6,149,213
The City Bank, Ltd.	9,945,509	4,615,200
Olympic Industries, Ltd.	757,426	2,612,330
Marico Bangladesh, Ltd.	191,945	2,433,280
Total Bangladesh		44,146,445

CHINA/HONG KONG: 8.1%

Shenzhou International Group Holdings, Ltd.	1,630,000	10,717,858
Tongda Group Holdings, Ltd.	27,650,000	8,249,092
Luk Fook Holdings International, Ltd.	1,822,000	6,229,824
Red Star Macalline Group Corp., Ltd. H Shares ^c	2,429,000	2,488,905
Future Bright Holdings, Ltd.	18,612,000	1,669,574

The 13 Holdings, Ltd. ^b	5,608,000	1,156,444
Total China/Hong Kong		30,511,697

SRI LANKA: 6.7%

Ceylon Cold Stores PLC	1,350,000	7,794,078
Sampath Bank PLC	3,248,392	6,066,574
Teejay Lanka PLC	14,268,292	3,907,719
National Development Bank PLC	3,502,989	3,287,293
Expolanka Holdings PLC	73,732,547	3,269,416
Ceylon Tobacco Co. PLC	90,306	585,765
Lanka Orix Leasing Co. PLC ^b	573,466	421,812

Total Sri Lanka		25,332,657
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PHILIPPINES: 5.2%

STI Education Systems Holdings, Inc.	235,681,000	6,679,030
Cosco Capital, Inc.	34,548,800	5,405,692
San Miguel Pure Foods Co., Inc.	753,370	4,726,852
Vista Land & Lifescapes, Inc.	12,519,100	1,442,970
Emperador, Inc.	9,266,300	1,384,619

Total Philippines		19,639,163
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AUSTRALIA: 0.6%

Oil Search, Ltd.	467,309	2,447,098
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Total Australia		2,447,098
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SINGAPORE: 0.6%

Yoma Strategic Holdings, Ltd.	5,491,766	2,333,706
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Total Singapore		2,333,706
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Table of Contents

Matthews Emerging Asia Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***COMMON EQUITIES** (continued)

	Shares	Value
THAILAND: 0.5%		
SNC Former Public Co., Ltd.	4,002,800	\$1,707,973
Total Thailand		1,707,973
TOTAL INVESTMENTS: 96.4%		363,279,040
(Cost \$307,535,416 ^d)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 3.6%		13,527,714
NET ASSETS: 100.0%		\$376,806,754

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

b Non-income producing security.

c 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. At June 30, 2017, the aggregate value is \$2,488,905, which is 0.66% of net assets.

d Cost for federal income tax purposes is \$307,535,416 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$71,118,412
Gross unrealized depreciation	(15,374,788)
Net unrealized appreciation	\$55,743,624

Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

JSC Joint Stock Co.

See accompanying notes to financial statements.

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Table of Contents**PORTFOLIO MANAGERS****Michael J. Oh, CFA**

Lead Manager

Lydia So, CFA

Co-Manager

Robert Harvey, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MATFX	MITEX
CUSIP	577130883	577125859
Inception	12/27/99	4/30/13
NAV	\$13.14	\$13.21
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.24%	1.01%
Portfolio Statistics		
Total # of Positions		45
Net Assets		\$149.3 million
Weighted Average Market Cap		\$76.5 billion
Portfolio Turnover ²		92.25%
Benchmark		
MSCI AC Asia ex Japan Index		

OBJECTIVE

Long-term capital appreciation.

STRATEGY

Under normal market conditions, the Fund seeks to achieve its investment objective by investing at least 80% of its net assets, which include borrowings for investment purposes, in the common and preferred stocks of companies located in Asia that Matthews believes are innovators in their products, services, processes, business models, management, use of technology, or approach to creating, expanding or servicing their markets. Asia consists of all countries and markets in Asia, including developed, emerging, and frontier countries and markets in the Asian region.

Matthews Asia Innovators Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Asia Innovators Fund returned 30.10% (Investor Class) and 30.28% (Institutional Class), outperforming its benchmark, the MSCI All Country Asia ex Japan Index, which returned 22.93% over the same period. For the quarter ending June 30, 2017, the Fund returned 13.57% (Investor Class) and 13.68% (Institutional Class) compared with the benchmark return of 8.40% over the same period.

Market Environment:

Asia's equity markets generally showed strong performance during the second quarter despite rising geopolitical risks caused by North Korea's nuclear ambitions and uncertainties stemming from the Trump administration's unclear policies toward Asia and the rest of the world. North Asian markets performed particularly well during the quarter, mostly led by strong earnings momentum from the technology and consumer sectors. Asia's markets comfortably digested the second rate hike from the U.S. Federal Reserve and the overall improvement in the global economy seems to have had a positive impact on the Asian economy.

Performance Contributors and Detractors:

The biggest contributor during the quarter was Hugel, a South Korea-based biopharmaceutical company that focuses on developing beauty-related products, including botulinum toxin (botox). Hugel's main target markets are emerging economies. We added this holding to the portfolio after an onsite visit in March 2016. The share price was strong during the second quarter as a result of strong earnings growth, and on the back of news that Bain Capital had agreed to acquire a majority stake in the company in order to gain control. Hugel's products are well positioned to benefit from rising disposable income in Asia as well as in other emerging countries elsewhere in the world. As discussed in our first quarter commentary, we have been increasing our exposure to China's e-commerce sector and that has benefited Fund performance during the second quarter as both Alibaba and JD.com performed well.

Notable Changes to Portfolio:

During the quarter, the Fund added three A-share (mainland China) listed companies: Midea Group, Wuliangye Yibin and Shenzhen Inovance Technology. Midea, one of China's major consumer appliance makers, recently acquired Kuka, a major German automation company. The automation market in China remains bright and we believe that Midea can play a major role in developing China's automation industry. Wuliangye Yibin is a high-end liquor-maker that is innovative in its development of new products based on traditional Chinese spirits. Shenzhen Inovance Technology manufactures key automation-related components. We also added more exposure to banks that are well positioned to lead the Fintech sector in the region.

Outlook:

Asian equity markets have been performing well on the back of strong earnings growth stemming mainly from information technology, consumer and financial companies. We view any volatility as a good opportunity to accumulate high-quality, innovative companies that are well-positioned to benefit from rising disposable income in the region. We believe the Asian market is primed to benefit from innovation. We will continue to focus on companies that can create products and services that capture opportunities created by long-term trends in the region.

¹ Prospectus expense ratios.

² The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

58 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns							Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	
Investor Class (MATFX)	13.57%	30.10%	24.21%	7.76%	14.61%	6.85%	3.44%	12/27/99
Institutional Class (MITEX)	13.68%	30.28%	24.51%	7.97%	n.a.	n.a.	13.57%	4/30/13
MSCI AC Asia ex Japan Index ³	8.40%	22.93%	27.06%	5.32%	8.27%	4.48%	6.40% ⁴	
Lipper Pacific ex Japan Funds Category Average ⁵	7.97%	22.02%	21.94%	4.36%	7.64%	4.15%	6.79%	

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

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 91 for index definition.

4 Calculated from 12/31/99.

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 HOLDINGS⁶

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	Sector	Country	% of Net Assets
Alibaba Group Holding, Ltd.	Information Technology	China/Hong Kong	4.5%
Tencent Holdings, Ltd.	Information Technology	China/Hong Kong	4.1%
Hugel, Inc.	Health Care	South Korea	3.9%
Taiwan Semiconductor Manufacturing Co., Ltd.	Information Technology	Taiwan	3.6%
Samsung Electronics Co., Ltd., Pfd.	Information Technology	South Korea	3.2%
Samsung Electronics Co., Ltd.	Information Technology	South Korea	3.2%
Jiangsu Hengrui Medicine Co., Ltd.	Health Care	China/Hong Kong	3.1%
NetEase, Inc.	Information Technology	China/Hong Kong	2.9%
Ping An Insurance Group Co. of China, Ltd.	Financials	China/Hong Kong	2.8%
Midea Group Co., Ltd.	Consumer Discretionary	China/Hong Kong	2.7%
% OF ASSETS IN TOP TEN			34.0%

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

COUNTRY ALLOCATION (%)^{7,8}

China/Hong Kong	41.4
South Korea	25.6
Taiwan	7.0
India	6.7
Indonesia	5.1
Vietnam	3.4
Thailand	3.3
Bangladesh	2.6
Philippines	2.6
Cash and Other Assets, Less Liabilities	2.3

SECTOR ALLOCATION (%)⁸

Information Technology	36.3
Financials	18.1
Consumer Discretionary	17.1
Health Care	13.1
Consumer Staples	10.4
Materials	1.4
Industrials	1.3
Cash and Other Assets, Less Liabilities	2.3

MARKET CAP EXPOSURE (%)⁸

Mega Cap (over \$25B)	40.1
Large Cap (\$10B - \$25B)	22.0
Mid Cap (\$3B - 10B)	9.1
Small Cap (under \$3B)	26.4
Cash and Other Assets, Less Liabilities	2.3

7 Not all countries are included in the benchmark index(es).

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.

Table of Contents

Matthews Asia Innovators Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 94.5%**

	Shares	Value
CHINA/HONG KONG: 41.4%		
Alibaba Group Holding, Ltd. ADR ^b	47,800	\$6,735,020
Tencent Holdings, Ltd.	172,500	6,188,431
Jiangsu Hengrui Medicine Co., Ltd. A Shares	624,995	4,663,392
NetEase, Inc. ADR	14,300	4,299,009
Ping An Insurance Group Co. of China, Ltd. H Shares	637,500	4,199,467
Midea Group Co., Ltd. A Shares	646,338	4,102,916
TAL Education Group ADR	31,600	3,864,996
JD.com, Inc. ADR ^b	97,300	3,816,106
Ctrip.com International, Ltd. ADR ^b	67,900	3,657,094
Wuliangye Yibin Co., Ltd. A Shares	397,976	3,267,088
China Construction Bank Corp. H Shares	3,850,000	2,993,938
Baidu, Inc. ADR ^b	16,000	2,861,760
China Biologic Products, Inc. ^b	25,000	2,827,500
Sino Biopharmaceutical, Ltd.	3,075,000	2,718,988
Tongda Group Holdings, Ltd.	6,610,000	1,972,025
Shenzhen Inovance Technology Co., Ltd. A Shares	513,280	1,932,825
Wuxi Biologics Cayman, Inc. ^b	480,000	1,804,430
Total China/Hong Kong		61,904,985
SOUTH KOREA: 22.4%		
Hugel, Inc. ^b	11,836	5,787,172
Samsung Electronics Co., Ltd.	2,277	4,742,585
Samsung SDI Co., Ltd.	25,760	3,867,182
Hana Financial Group, Inc.	96,420	3,807,867
KB Financial Group, Inc.	59,444	3,001,342
SK Hynix, Inc.	49,230	2,898,649
Naver Corp.	3,551	2,602,992
Hana Tour Service, Inc.	32,463	2,596,132
BGF Retail Co., Ltd.	25,400	2,244,041
LG Household & Health Care, Ltd.	2,211	1,921,145
Total South Korea		33,469,107

TAIWAN: 7.0%		
Taiwan Semiconductor Manufacturing Co., Ltd.	782,000	5,342,791
Wistron NeWeb Corp.	940,000	2,797,044
Ennoconn Corp.	187,162	2,369,436
Total Taiwan		10,509,271

INDIA: 6.7%		
IndusInd Bank, Ltd.	136,690	3,125,138
Info Edge India, Ltd.	171,922	2,749,350
Britannia Industries, Ltd.	35,934	2,051,288
Supreme Industries, Ltd.	106,077	2,013,100
Total India		9,938,876

INDONESIA: 5.1%		
PT Bank Mandiri Persero	3,122,900	2,993,365
PT Media Nusantara Citra ^b	17,757,900	2,448,066
PT Sumber Alfaria Trijaya	50,808,100	2,172,997
Total Indonesia		7,614,428

	Shares	Value
VIETNAM: 3.4%		
Mobile World Investment Corp.	707,470	\$3,202,616
Domesco Medical Import Export JSC ^b	315,410	1,803,849
Total Vietnam		5,006,465

THAILAND: 3.3%		
Kasikornbank Public Co., Ltd.	520,200	3,036,949
Major Cineplex Group Public Co., Ltd.	1,874,100	1,861,963
Total Thailand		4,898,912

BANGLADESH: 2.6%		
BRAC Bank, Ltd.	3,876,131	3,893,015
Total Bangladesh		3,893,015

PHILIPPINES: 2.6%		
Puregold Price Club, Inc.	2,569,600	2,268,642
San Miguel Pure Foods Co., Inc.	248,530	1,559,346
Total Philippines		3,827,988

TOTAL COMMON EQUITIES	141,063,047
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(Cost \$100,204,693)

PREFERRED EQUITIES: 3.2%**SOUTH KOREA: 3.2%**

Samsung Electronics Co., Ltd., Pfd.	2,942	4,796,926
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Total South Korea	4,796,926
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TOTAL PREFERRED EQUITIES	4,796,926
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(Cost \$2,989,622)

TOTAL INVESTMENTS: 97.7%	145,859,973
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(Cost \$103,194,315^c)**CASH AND OTHER ASSETS,****LESS LIABILITIES: 2.3%****3,482,497**

NET ASSETS: 100.0%	\$149,342,470
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a Certain securities were fair valued under the valuation polices approved by the Board of Trustees (Note 2-A).

b Non-income producing security.

c Cost for federal income tax purposes is \$103,485,316 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$42,833,119
Gross unrealized depreciation	(458,462)
Net unrealized appreciation	\$42,374,657

ADR American Depositary Receipt

JSC Joint Stock Co.

Pfd. Preferred

See accompanying notes to financial statements.

60 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Andrew Mattock, CFA**

Lead Manager

Henry Zhang, CFA

Co-Manager

Winnie Chwang

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MCHFX	MICFX
CUSIP	577130701	577130818
Inception	2/19/98	10/29/10
NAV	\$20.12	\$20.10
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.18%	1.03%
Portfolio Statistics		
Total # of Positions		47
Net Assets		\$654.4 million
Weighted Average Market Cap		\$116.0 billion
Portfolio Turnover ²		83.82%
Benchmark		
MSCI China Index		

OBJECTIVE

Long-term capital appreciation.

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 the common and preferred stocks of companies located in China. China includes its administrative and other districts, such as Hong Kong.

Matthews China Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews China Fund returned 30.06% (Investor Class) and 30.18% (Institutional Class), outperforming its benchmark, the MSCI China Index, which returned 24.96% over the same period. For the quarter ending June 30, 2017, the Fund returned 12.28% (Investor Class) and 12.35% (Institutional Class) compared with the benchmark return of 10.66% over the same period.

Market Environment:

China's second quarter GDP growth of 6.9% matched that of the first quarter of the year, and relieved concerns about China's ability to realize its target GDP growth rate of 6.5% for the year. The market trends we saw in the first quarter appeared to continue, and China's economic activity has continued to skew toward its newer economy sectors. While producer prices—a metric that tracks manufacturing activity—continued to decrease from the peak seen in the first quarter, other areas such as e-commerce, continued to register strong growth of more than 30% over the first five months of 2017. China has also continued efforts to deleverage its economy in the second quarter, and raised its borrowing rates for most of the second quarter. Elsewhere, high property prices in major Chinese cities continue to be of concern despite the restrictive policies already in place. Property prices in lower tier cities, however, remain priced at more reasonable levels. Equity valuations also continue to be reasonable given better-than-expected earnings growth thus far this year.

Performance Contributors and Detractors:

The Fund outperformed its benchmark during the quarter owing to good stock selection. The top three contributors to absolute performance were information technology holdings. Hangzhou Hikvision Digital Technology, a leader in the video surveillance industry, performed strongly during the quarter and was among the top contributors to performance. Investors were impressed by the firm's new product offerings in smart home, industrial robots and auto electronics, on top of solid core business growth. We used the rally to trim some of our exposure as the stock became fully valued. Ping An Insurance Group, a financial conglomerate and China's second-largest life insurer, was also a main contributor to Fund performance. The company is expected to maintain sustainable and quality growth as its efforts to push out long-term protection products and its success in consumer finance business start to bear fruit. While Tencent Holdings and Alibaba Group were also the top contributors to absolute Fund performance, they were relative detractors during the quarter as the two companies combined accounted for about 26% of the Index (versus 17.6% for the Fund).

Conversely, our holdings in the industrials sector performed poorly and were among the major detractors to Fund performance. China Everbright International, an environmental resource management conglomerate, corrected during the quarter as its rapid expansion has put a strain on cash flow.

Notable Changes to Portfolio:

During the second quarter, we exited our position in Chongqing Changan Automobile as we saw intensified competition among domestic auto brands and a lack of new models from its joint venture with Ford Motor. We initiated a position in Beijing Capital International Airport as we were attracted to its strong cash flow and the fact that it benefits from a new round of bidding for its duty free shop concession rights. We also added some positions to the materials, health care and

(continued)

¹ Prospectus expense ratios.

² The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

Table of Contents**PERFORMANCE AS OF JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MCHFX)	12.28%	30.06%	40.32%	8.38%	7.19%	4.98%	9.80%	2/19/98
Institutional Class (MICFX)	12.35%	30.18%	40.57%	8.52%	7.35%	n.a.	2.30%	10/29/10
MSCI China Index ³	10.66%	24.96%	32.34%	8.29%	9.20%	4.24%	4.26% ⁴	
Lipper China Region Funds Category Average ⁵	8.83%	21.85%	25.75%	6.93%	8.79%	3.47%	7.49%	

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

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 91 for index definition.

4 Calculated from 2/28/98.

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 HOLDINGS⁶		
	Sector	% of Net Assets
Tencent Holdings, Ltd.	Information Technology	10.9%
Alibaba Group Holding, Ltd.	Information Technology	6.7%
China Life Insurance Co., Ltd.	Financials	6.7%
Ping An Insurance Group Co. of China, Ltd.	Financials	5.0%
China Construction Bank Corp.	Financials	4.7%
Industrial & Commercial Bank of China, Ltd.	Financials	4.4%
China Merchants Bank Co., Ltd.	Financials	3.5%
Ctrip.com International, Ltd.	Consumer Discretionary	2.6%
SINA Corp.	Information Technology	2.4%
CITIC Securities Co., Ltd.	Financials	2.4%
% OF ASSETS IN TOP TEN		49.3%

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

62 MATTHEWS ASIA FUNDS

Table of Contents

Matthews China Fund

Portfolio Manager Commentary (unaudited) (continued)

consumer discretionary sectors. One such company, Beijing Oriental Yuhong Waterproof Technology, is well-known among Chinese property developers for its quality waterproofing products and brand name, and has consistently gained market share. We exited Fuyao Glass and Brilliance China Automotive as both stocks rallied and were no longer attractively priced.

Outlook:

China's ongoing transition toward service-oriented sectors continues to benefit a sustainably growing economy. We also note further progress on supply reforms and longer term, we anticipate that China's so-called "One Belt, One Road" development strategy will ultimately increase China's presence on the global stage. In late June, we were very encouraged by index provider MSCI's long-awaited decision to include China's domestic A-share stocks into its Emerging Markets Index after an evaluation period that took several years. This inclusion will initially be comprised of a list of 222 stocks, representing 0.73% of the MSCI Emerging Market Index and is projected to begin in June 2018. While this marks a relatively small and gradual rollout, the initial inclusion could spur about US\$8 billion to US\$10 billion in fund flows to China's A-share markets. It also marks a historic first step toward further inclusion in the future. At Matthews Asia, we believe that this is positive news for China's domestic equity markets and a testament to the country's progress in opening up its financial markets. In the long run, we believe that China's representation in global indices will continue to be enhanced and look forward to identifying good companies at reasonable valuations for our portfolios.

COUNTRY ALLOCATION (%)⁷

China/Hong Kong	98.9
Cash and Other Assets, Less Liabilities	1.1

SECTOR ALLOCATION (%)⁷

Information Technology	30.9
Financials	28.9
Consumer Discretionary	14.1
Energy	5.9
Industrials	4.1
Real Estate	3.8
Consumer Staples	3.8
Materials	3.5
Utilities	1.9
Telecommunication Services	1.5
Health Care	0.5
Cash and Other Assets, Less Liabilities	1.1

MARKET CAP EXPOSURE (%)⁷

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Mega Cap (over \$25B)	67.4
Large Cap (\$10B - \$25B)	6.7
Mid Cap (\$3B - 10B)	16.6
Small Cap (under \$3B)	8.3
Liabilities in Excess of Cash and Other Assets	1.1

7 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.

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Table of Contents

Matthews China Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 98.9%**

	Shares	Value
INFORMATION TECHNOLOGY: 30.9%		
Internet Software & Services: 24.9%		
Tencent Holdings, Ltd.	1,988,800	\$71,348,121
Alibaba Group Holding, Ltd. ADR ^b	312,200	43,988,980
SINA Corp. ^b	186,900	15,880,893
NetEase, Inc. ADR	38,610	11,607,324
Baidu, Inc. ADR ^b	58,100	10,391,766
Baozun, Inc. ADR ^b	384,541	8,525,274
Weibo Corp. ADR ^b	18,690	1,242,324
		162,984,682
Electronic Equipment, Instruments & Components: 2.6%		
Hangzhou Hikvision Digital Technology Co., Ltd. A Shares	2,875,700	13,714,629
Chaozhou Three-Circle Group Co., Ltd. A Shares	1,018,638	3,153,501
		16,868,130
IT Services: 1.8%		
Chinasoft International, Ltd.	21,998,000	11,654,166
Communications Equipment: 1.6%		
ZTE Corp. H Shares ^b	4,565,400	10,889,594
Total Information Technology		202,396,572
FINANCIALS: 28.9%		
Banks: 14.8%		
China Construction Bank Corp. H Shares	39,068,660	30,381,601
Industrial & Commercial Bank of China, Ltd. H Shares	42,445,000	28,645,397
China Merchants Bank Co., Ltd. H Shares	7,659,643	23,081,428
Bank of China, Ltd. H Shares	29,420,000	14,426,594
		96,535,020

Insurance: 11.7%

China Life Insurance Co., Ltd. H Shares	14,236,000	43,506,027
Ping An Insurance Group Co. of China, Ltd. H Shares	5,010,500	33,006,163
		76,512,190

Capital Markets: 2.4%

CITIC Securities Co., Ltd. H Shares	7,626,000	15,771,942
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Total Financials**188,819,152****CONSUMER DISCRETIONARY: 14.1%****Household Durables: 6.3%**

Gree Electric Appliances, Inc. of Zhuhai A Shares	2,228,200	13,534,708
Midea Group Co., Ltd. A Shares	2,046,772	12,992,790
Zhejiang Supor Cookware Co., Ltd. A Shares	1,837,769	11,126,659
Suofeiya Home Collection Co., Ltd. A Shares	564,743	3,415,037
		41,069,194

Internet & Direct Marketing Retail: 4.4%

Ctrip.com International, Ltd. ADR ^b	318,600	17,159,796
JD.com, Inc. ADR ^b	304,979	11,961,276
		29,121,072

Auto Components: 3.4%

	Shares	Value
Nexteer Automotive Group, Ltd.	6,449,000	\$10,102,726
Huayu Automotive Systems Co., Ltd. A Shares	1,925,450	6,885,202
Xinyi Glass Holdings, Ltd.	5,176,000	5,123,332
		22,111,260

Total Consumer Discretionary**92,301,526****ENERGY: 5.9%****Oil, Gas & Consumable Fuels: 5.9%**

China Petroleum & Chemical Corp. H Shares	19,166,000	15,007,012
Yanzhou Coal Mining Co., Ltd. H Shares	16,188,000	14,511,277
China Shenhua Energy Co., Ltd. H Shares	4,129,000	9,186,503

Total Energy**38,704,792**

INDUSTRIALS: 4.1%**Commercial Services & Supplies: 1.7%**

China Everbright International, Ltd.	9,046,000	11,282,247
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Construction & Engineering: 1.5%

China Railway Construction Corp., Ltd. H Shares	5,657,500	7,375,237
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China State Construction International Holdings, Ltd.	1,380,000	2,361,303
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9,736,540**Transportation Infrastructure: 0.9%**

Beijing Capital International Airport Co., Ltd. H Shares	3,998,000	5,631,019
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Total Industrials**26,649,806****REAL ESTATE: 3.8%****Real Estate Management & Development: 3.8%**

China Overseas Grand Oceans Group, Ltd.	20,951,000	11,186,819
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China Resources Land, Ltd.	2,954,000	8,605,789
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KWG Property Holding, Ltd.	7,640,500	5,118,135
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Total Real Estate**24,910,743****CONSUMER STAPLES: 3.8%****Food Products: 2.1%**

WH Group, Ltd. ^c	8,518,000	8,601,235
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Angel Yeast Co., Ltd. A Shares	1,332,281	5,087,717
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13,688,952**Beverages: 1.7%**

Wuliangye Yibin Co., Ltd. A Shares	884,949	7,269,811
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Wuliangye Yibin Co., Ltd. A Shares	452,841	3,717,489
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10,987,300**Total Consumer Staples****24,676,252****MATERIALS: 3.5%****Construction Materials: 2.7%**

China National Materials Co., Ltd. H Shares	37,937,000	12,676,724
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Beijing Oriental Yuhong Waterproof Technology Co., Ltd. A Shares	968,912	5,301,747
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17,978,471

Metals & Mining: 0.8%

MMG, Ltd.^b

14,056,000

5,184,752

Total Materials

23,163,223

64 MATTHEWS ASIA FUNDS

Table of Contents

Matthews China Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***COMMON EQUITIES** (continued)

	Shares	Value
UTILITIES: 1.9%		
Water Utilities: 1.9%		
Beijing Enterprises Water Group, Ltd.	15,746,000	\$12,219,420
Total Utilities		12,219,420
TELECOMMUNICATION SERVICES: 1.5%		
Diversified Telecommunication Services: 1.5%		
China Unicom Hong Kong, Ltd. ^b	6,802,000	10,096,699
Total Telecommunication Services		10,096,699
HEALTH CARE: 0.5%		
Pharmaceuticals: 0.5%		
Dong-E-E-Jiao Co., Ltd. A Shares	312,583	3,314,321
Total Health Care		3,314,321
TOTAL INVESTMENTS: 98.9%		647,252,506
(COST \$528,039,466 ^d)		
CASH AND OTHER ASSETS, LESS LIABILITIES : 1.1%		7,121,990
NET ASSETS: 100.0%		\$654,374,496

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

b Non-income producing security.

c 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. At June 30, 2017, the aggregate value is \$8,601,235, which is 1.31% of net assets.

d Cost for federal income tax purposes is \$536,694,800 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$126,611,948
Gross unrealized depreciation	(16,054,242)
Net unrealized appreciation	\$110,557,706

ADR American Depositary Receipt
See accompanying notes to financial statements.

Table of Contents**PORTFOLIO MANAGERS****Sunil Asnani**

Lead Manager

Sharat Shroff, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MINDX	MIDNX
CUSIP	577130859	577130768
Inception	10/31/05	10/29/10
NAV	\$31.34	\$31.52
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.12%	0.91%
Portfolio Statistics		
Total # of Positions		52
Net Assets		\$2.2 billion
Weighted Average Market Cap		\$16.5 billion
Portfolio Turnover ²		15.76%
Benchmark		
S&P Bombay Stock Exchange 100 Index		

OBJECTIVE

Long-term capital appreciation.

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 publicly traded common stocks, preferred stocks and convertible securities of companies located in India.

Matthews India Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews India Fund returned 22.18% (Investor Class) and 22.31% (Institutional Class) while its benchmark, the S&P Bombay Stock Exchange 100 Index, returned 24.55%. For the quarter ending June 30, 2017, the Fund returned 4.05% (Investor Class) and 4.13% (Institutional Class) compared with the benchmark return of 4.63% over the same period.

Market environment:

In the second quarter of the year, Indian equities continued to rally, led by strong performance in the financials and consumer staples sectors. Many state-owned banks reported better-than-expected earnings amid a moderation in loan loss provisions owing to the previous quarter's low base. This could reverse as more provisions are made toward nonperforming assets. Consumer stocks rallied in anticipation of the Goods and Services Tax (GST) reforms. The positive sentiment also was fueled by the strength of Prime Minister Narendra Modi's party in the elections in India's largest state, Uttar Pradesh, last quarter. Other factors that helped sentiments included excess liquidity in formal channels following India's demonetization program and U.S. Federal Reserve interest rate policy moves.

Performance Contributors and Detractors:

During the quarter, the portfolio's higher allocation to the information and health care sectors could have detracted from returns. Stock-specific factors, however, helped to mitigate pressures in these industries in export markets such as the U.S. Shares of Cognizant Technology, for example, rallied after the firm agreed to undergo operational improvements suggested by U.S. hedge fund Elliott Management, which owns a stake in the company. Cognizant's earnings results during the quarter also were positive, demonstrating its ability to sustain profitable growth amid sectoral headwinds.

The largest detractor to Fund performance during the quarter was industrials holding AIA Engineering, which provides chrome-based grinding media solutions for global utility and mining companies. The firm has been affected by both an increase in its raw material prices and an appreciating rupee, resulting in a compression of its gross margins. We believe AIA Engineering's long-term growth drivers remain intact, however, and that the company should be able to pass on the cost increase for raw materials to its customers.

The portfolio's lower allocation to the metals and energy sectors, and its higher allocation to consumer staples helped relative returns. Commodity prices have been in correction mode, while consumer staples companies have been recovering from a correction that was induced by last year's fears of demonetization.

Notable Portfolio Changes:

We added two new positions during the quarter: Suzuki Motor and Pidilite Industries. Suzuki Motor is the parent of Maruti Suzuki, which claims half of the market share in India's underpenetrated passenger-car segment and derives the majority of its earnings from the Indian subsidiary. Given the discrepancy in valuations of the two entities, we preferred to own the parent company rather than its Indian subsidiary. Pidilite is a high-quality branded adhesives and sealants company in an underpenetrated and growing market. We like that the firm has been undergoing a business transformation led by a professional management team as the family owners take a more hands-off approach.

(continued)

¹ Prospectus expense ratios.

² The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

66 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS
OF JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MINDX)	4.05%	22.18%	18.58%	13.61%	16.66%	7.92%	12.42%	10/31/05
Institutional Class (MIDNX)	4.13%	22.31%	18.85%	13.86%	16.87%	n.a.	6.84%	10/29/10
S&P Bombay Stock Exchange 100 Index ³	4.63%	24.55%	23.73%	7.23%	11.53%	4.90%	10.90% ⁴	
Lipper India Region Funds Category Average ⁵	4.64%	25.65%	23.34%	9.61%	12.82%	3.57%	9.27%	

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

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 S&P BSE 100 Index and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 91 for index definition.

⁴ Calculated from 10/31/05.

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 HOLDINGS⁶

	Sector	% of Net Assets
HDFC Bank, Ltd.	Financials	5.9%
ITC, Ltd.	Consumer Staples	5.2%
IndusInd Bank, Ltd.	Financials	4.9%
Kotak Mahindra Bank, Ltd.	Financials	4.6%
Eicher Motors, Ltd.	Industrials	4.1%
Suzuki Motor Corp.	Consumer Discretionary	4.1%
Cognizant Technology Solutions Corp.	Information Technology	4.0%
Taro Pharmaceutical Industries, Ltd.	Health Care	3.9%
Shriram City Union Finance, Ltd.	Financials	3.2%
VST Industries, Ltd.	Consumer Staples	3.0%
% OF ASSETS IN TOP TEN		42.9%

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

Table of Contents**COUNTRY ALLOCATION (%)⁷**

India	86.6
Japan	4.1
United States	4.0
Israel	3.9
Cash and Other Assets Les Liabilities	1.4

SECTOR ALLOCATION (%)⁷

Financials	32.6
Consumer Staples	17.9
Information Technology	12.4
Industrials	11.9
Health Care	10.7
Consumer Discretionary	9.4
Materials	3.7
Cash and Other Assets, Less Liabilities	1.4

MARKET CAP EXPOSURE (%)⁷

Mega Cap (over \$25B)	24.2
Large Cap (\$10B - \$25B)	16.7
Mid Cap (\$3B - 10B)	14.5
Small Cap (under \$3B)	43.3
Cash and Other Assets, Less Liabilities	1.4

⁷ 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.

Matthews India Fund

Portfolio Manager Commentary (unaudited) (continued)

Outlook:

India's market valuations remain ahead of fundamentals even though the near-term outlook for corporate earnings do not appear any better than they did in the recent past. If anything, metals and commodities companies could report disappointing results as the impact of a correction in global material prices is baked into upcoming financial results. A destocking by channel partners, amid the changing taxation regime, also could keep reported earnings growth low in the short term. The investment climate is likely to remain subdued until there is greater clarity on the GST and its resulting impact on various segments of the economy. Core infrastructure and banking reforms also are running

behind schedule. Despite all the challenges, we believe the central bank may need to take a more accommodative stance on its monetary policy in an environment of low inflationary expectations, decelerating industrial growth and high real interest rates. If it does, this could provide some support to valuations over the short run.

68 MATTHEWS ASIA FUNDS

Table of Contents

Matthews India Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 98.6%**

	Shares	Value
FINANCIALS: 32.6%		
Banks: 18.6%		
HDFC Bank, Ltd.	4,345,349	\$111,000,034
IndusInd Bank, Ltd.	4,625,934	105,762,553
Kotak Mahindra Bank, Ltd.	6,697,258	98,963,413
DCB Bank, Ltd.	12,139,846	37,281,976
Yes Bank, Ltd.	920,000	20,812,817
HDFC Bank, Ltd. ADR	206,922	17,996,006
IDFC Bank, Ltd.	13,650,467	11,541,250
		403,358,049
Consumer Finance: 7.3%		
Shriram City Union Finance, Ltd.	1,873,192	69,085,321
Bharat Financial Inclusion, Ltd. ^b	4,499,665	50,144,026
Cholamandalam Investment and Finance Co., Ltd.	1,359,532	23,641,568
Sundaram Finance, Ltd.	588,318	14,622,226
		157,493,141
Thriffs & Mortgage Finance: 4.2%		
Housing Development Finance Corp., Ltd.	2,458,810	61,406,368
GRUH Finance, Ltd.	4,266,010	29,378,503
		90,784,871
Capital Markets: 2.1%		
CRISIL, Ltd.	1,515,723	45,597,504
Diversified Financial Services: 0.4%		
IDFC, Ltd. ^b	11,350,467	9,690,561
Total Financials		706,924,126

CONSUMER STAPLES: 17.9%**Tobacco: 8.3%**

ITC, Ltd.	22,771,965	113,915,333
VST Industries, Ltd.	1,185,704	65,438,203
		179,353,536

Personal Products: 7.4%

Dabur India, Ltd.	11,252,176	50,828,663
Emami, Ltd. ^b	2,665,122	44,349,912
Bajaj Corp., Ltd.	6,199,447	36,558,215
Marico, Ltd.	6,222,328	30,239,280
		161,976,070

Food Products: 2.2%

Nestle India, Ltd.	244,636	25,492,064
Zydus Wellness, Ltd.	1,670,471	21,933,276
		47,425,340

Total Consumer Staples**388,754,946****INFORMATION TECHNOLOGY: 12.4%****IT Services: 10.0%**

Cognizant Technology Solutions Corp. Class A	1,300,300	86,339,920
eClerx Services, Ltd.	2,701,931	55,257,016
Mindtree, Ltd.	4,936,665	40,369,436
Tata Consultancy Services, Ltd.	950,000	34,699,683
		216,666,055

Shares**Value****Internet Software & Services: 2.4%**

Info Edge India, Ltd.	3,230,761	\$51,665,838
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Total Information Technology**268,331,893****INDUSTRIALS: 11.9%****Machinery: 8.9%**

Eicher Motors, Ltd. ^b	214,500	89,660,288
AIA Engineering, Ltd.	2,933,837	63,331,391
Ashok Leyland, Ltd. ^b	15,856,152	23,004,957
Thermax, Ltd.	1,161,822	16,795,882

		192,792,518
Air Freight & Logistics: 1.3%		
Blue Dart Express, Ltd.	380,973	27,748,751
Transportation Infrastructure: 0.9%		
Gujarat Pipavav Port, Ltd.	8,578,564	19,811,420
Road & Rail: 0.8%		
Container Corp. of India, Ltd.	1,002,568	17,761,098
Total Industrials		258,113,787
HEALTH CARE: 10.7%		
Pharmaceuticals: 10.1%		
Taro Pharmaceutical Industries, Ltd. ^b	759,400	85,098,364
Ajanta Pharma, Ltd.	2,426,230	57,964,847
Caplin Point Laboratories, Ltd.	3,028,687	25,886,886
Alembic Pharmaceuticals, Ltd.	2,640,862	20,664,945
Sun Pharma Advanced Research Co., Ltd. ^b	3,796,014	17,887,623
Sun Pharmaceutical Industries, Ltd.	1,352,917	11,622,794
		219,125,459
Health Care Equipment & Supplies: 0.6%		
Poly Medicure, Ltd.	4,153,464	14,111,014
Total Health Care		233,236,473
CONSUMER DISCRETIONARY: 9.4%		
Automobiles: 4.1%		
Suzuki Motor Corp.	1,857,900	88,506,592
Textiles, Apparel & Luxury Goods: 2.8%		
Page Industries, Ltd.	107,100	27,728,665
Titan Co., Ltd. ^b	3,178,691	25,777,115
Kewal Kiran Clothing, Ltd.	330,462	8,772,613
		62,278,393
Household Durables: 2.5%		
Symphony, Ltd.	2,023,202	42,598,547

LA Opala RG, Ltd.	1,481,323	11,770,139
		54,368,686
Total Consumer Discretionary		205,153,671

MATERIALS: 3.7%**Chemicals: 3.7%**

Supreme Industries, Ltd.	1,206,965	22,905,451
Pidilite Industries, Ltd.	1,800,000	22,443,961
Asian Paints, Ltd.	1,176,000	20,042,980
Castrol India, Ltd.	2,299,063	14,384,913
Total Materials		79,777,305

Table of Contents

Matthews India Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***COMMON EQUITIES** *(continued)*

	Value
TOTAL INVESTMENTS: 98.6% (Cost \$1,599,844,472 ^c)	\$2,140,292,201
CASH AND OTHER ASSETS, LESS LIABILITIES: 1.4%	30,059,317
NET ASSETS: 100.0%	\$2,170,351,518

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

b Non-income producing security.

c Cost for federal income tax purposes is \$1,599,947,578 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$605,468,470
Gross unrealized depreciation	(65,123,847)
Net unrealized appreciation	\$540,344,623

Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)

ADR American Depositary Receipt
See accompanying notes to financial statements.

70 MATTHEWS ASIA FUNDS

Table of Contents**PORTFOLIO MANAGERS****Kenichi Amaki**

Lead Manager

Taizo Ishida

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MJFOX	MIJFX
CUSIP	577130800	577130792
Inception	12/31/98	10/29/10
NAV	\$21.58	\$21.62
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	0.98%	0.88%
Portfolio Statistics		
Total # of Positions		61
Net Assets		\$3.5 billion
Weighted Average Market Cap		\$21.4 billion
Portfolio Turnover ²		55.15%
Benchmark		
MSCI Japan Index		

OBJECTIVE

Long-term capital appreciation.

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 the common and preferred stocks of companies located in Japan.

Matthews Japan Fund*

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Japan Fund returned 14.61% (Investor Class) and 14.63% (Institutional Class), outperforming its benchmark, the MSCI Japan Index, which returned 10.11% over the same period. For the quarter ending June 30, 2017, the Fund returned 6.73% (Investor Class) and 6.71% (Institutional Class) compared to the benchmark return of 5.23% over the same period.

Market Environment:

Japan's equity markets advanced steadily during the second quarter, and ended the first half of the year with a healthy double-digit gain. Market participants seem to have shifted their focus toward improving corporate fundamentals rather than political headlines for the time being. On the currency front, the yen reversed the strengthening trend seen in the first quarter amid talk of a Federal Reserve balance sheet unwind, though it remains stronger than it was at the beginning of the year.

The Japanese economy has continued to expand at a modest pace. First quarter GDP growth figures were revised down to 1% from the preliminary reading of 2.2% but were largely due to a decline in inventories of oil and other raw materials. Business spending and exports have been robust in recent quarters while consumption also showed some improvement. Demand for labor remains strong with the job offer-to-applicant ratio reaching 1.49x in May, levels not seen since 1974. Unemployment has edged up but largely due to discouraged workers returning to the labor force and should bode well for job creation.

Performance Contributors and Detractors:

For both the second quarter and half-year period, stock selection was the source of the Fund's relative outperformance versus its benchmark while sector allocation slightly detracted. During the second quarter, the consumer discretionary sector was the leading source of outperformance. Our decision to avoid mega-cap auto producers with large exposure to the saturated U.S. auto market has worked in our favor. Additionally, our holding Suzuki Motor performed well on the back of growth of its India business and margin improvements outside of India. Misumi Group, a manufacturer and distributor of machinery and factory automation components, was the single-largest contributor to returns. The stock performed well on the back of particularly robust monthly sales figures, aided by strong domestic demand and expansion overseas.

On the other hand, Mabuchi Motor, which makes micro-size motors for the auto industry, was the leading detractor. Mabuchi performed poorly due to concerns that its revenue and profits may decline this year due to weak auto-related motor sales. Automobiles account for roughly 70% of Mabuchi's revenue. We believe such concern is slightly short-sighted, however, as the number of motors per car is expected to continue growing along with electrification. Mabuchi also is expanding its product lineup into slightly larger and higher priced motors and is taking market share from existing players.

Notable Portfolio Changes:

During the quarter we added staffing and recruiting company Temp Holdings (renamed Persol Holdings as of July 2017). We believe Japan's labor market tightening is structural, with demand driven by service sectors jobs while supply remains constrained due to an aging population. Demand for staffing is growing at

(continued)

* The Matthews Japan Fund closed to most new investors effective after market closing on July 29, 2016, but will continue to accept investments from existing shareholders.

1 Prospectus expense ratios.

2 The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

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Table of Contents**PERFORMANCE AS OF
JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MJFOX)	6.73%	14.61%	8.27%	9.56%	13.74%	4.54%	6.19%	12/31/98
Institutional Class (MIJFX)	6.71%	14.63%	8.38%	9.68%	13.88%	n.a.	11.21%	10/29/10
MSCI Japan Index ³	5.23%	10.11%	19.58%	5.87%	9.86%	1.42%	3.37% ⁴	
Lipper Japanese Funds Category Average ⁵	6.14%	12.16%	20.37%	7.73%	11.47%	3.11%	4.66%	

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. For the Fund's most recent month-end performance, visit matthewsasiasia.com.

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 91 for index definitions.

4 Calculated from 12/31/98.

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 HOLDINGS⁶**Sector****% of Net Assets**

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Mitsubishi UFJ Financial Group, Inc.	Financials	3.6%
Suzuki Motor Corp.	Consumer Discretionary	3.0%
Murata Manufacturing Co., Ltd.	Information Technology	2.7%
Nitori Holdings Co., Ltd.	Consumer Discretionary	2.5%
Keyence Corp.	Information Technology	2.5%
Nidec Corp.	Industrials	2.5%
Sumitomo Mitsui Financial Group, Inc.	Financials	2.3%
SoftBank Group Corp.	Telecommunication Services	2.2%
MISUMI Group, Inc.	Industrials	2.1%
Ryohin Keikaku Co., Ltd.	Consumer Discretionary	2.1%
% OF ASSETS IN TOP TEN		25.5%

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

72 MATTHEWS ASIA FUNDS

Table of Contents

Matthews Japan Fund

Portfolio Manager Commentary (unaudited) (continued)

close to double-digit rates as companies seek to fulfill their labor needs. We also added human resource solution and marketing media company Recruit Holdings. Indeed, the U.S. based online job search engine is the crown jewel in Recruit's business portfolio. Indeed is aggressively expanding its footprint outside of the U.S., supported by Recruit's know-how in marketing and training. We also believe Recruit's capability to provide productivity enhancing technology solutions to business customers in Japan will become even more valuable as the labor shortage continues.

To fund these new positions, we exited railway operator Kyushu Railway and financial services firm Financial Products Group. We had subscribed to Kyushu Railway's IPO as the offer price was at a sizeable discount to other listed railway operators. With share price appreciation, the valuation gap with peers had closed and therefore we decided to exit the stock. With regards to Financial Products Group, we were a bit disappointed by slowing sales growth for its mainstay tax planning product in what seems to be a favorable business environment. The company seems to be taking a conservative approach as growth had been very robust in recent years. Additionally, tax authorities are starting to clamp down on tax loopholes, which may affect a portion of their business.

Outlook:

Prime Minister Shinzo Abe's approval ratings have declined sharply following much-reported turmoil amid allegations of cronyism. As a result, the Liberal Democratic Party was routed in the Tokyo Metropolitan Government elections, ceding seats to the new regional Tomin First Party. We don't believe this is an immediate threat to Abe's administration due to the lack of a credible opponent at the national level. But Abe will likely be desperate to score points on the economic front, including the possibility of an expanded fiscal spending package. If implemented, it should bode well for domestic demand and the inflation outlook. We are wary, however, of the political situation around Abe and his administration. If Abe were to be forced out of office, the resulting uncertainty may negatively affect corporate sentiment and equity valuations over the short term. We retain an optimistic view of Japanese equities as valuations remain among the most inexpensive in developed markets despite solid corporate earnings growth combined with the potential for further improvements in shareholder returns.

COUNTRY ALLOCATION (%)⁷

Japan	97.6
Cash and Other Assets, Less Liabilities	2.4

SECTOR ALLOCATION (%)⁷

Industrials	24.8
Consumer Discretionary	18.0
Financials	12.1
Consumer Staples	11.2
Information Technology	10.4
Health Care	9.9
Materials	5.7
Real Estate	3.3
Telecommunication Services	2.2

Cash and Other Assets, Less Liabilities	2.4
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MARKET CAP EXPOSURE (%)⁷

Mega Cap (over \$25B)	32.0
Large Cap (\$10B - \$25B)	19.4
Mid Cap (\$3B - 10B)	20.0
Small Cap (under \$3B)	26.1
Cash and Other Assets, Less Liabilities	2.4

⁷ 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.

Table of Contents

Matthews Japan Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: 97.6%**

	Shares	Value
INDUSTRIALS: 24.8%		
Professional Services: 6.8%		
TechnoPro Holdings, Inc.	1,755,600	\$70,665,994
Nihon M&A Center, Inc.	1,622,600	59,394,335
Temp Holdings Co., Ltd.	2,777,100	52,176,698
Recruit Holdings Co., Ltd.	3,006,900	51,748,400
		233,985,427
Machinery: 5.5%		
SMC Corp.	230,900	70,584,354
Komatsu, Ltd.	2,413,000	61,935,553
Harmonic Drive Systems, Inc.	1,685,300	58,467,029
		190,986,936
Electrical Equipment: 4.4%		
Nidec Corp.	833,400	85,623,520
Mabuchi Motor Co., Ltd.	1,300,300	64,992,726
		150,616,246
Trading Companies & Distributors: 4.2%		
MISUMI Group, Inc.	3,229,700	74,023,575
Mitsui & Co., Ltd.	5,054,600	72,360,830
		146,384,405
Building Products: 2.8%		
Daikin Industries, Ltd.	607,900	62,365,710
Aica Kogyo Co., Ltd.	1,169,300	35,704,935
		98,070,645

Construction & Engineering: 0.9%

Totetsu Kogyo Co., Ltd.	997,600	30,549,943
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Road & Rail: 0.2%

Trancom Co., Ltd.	164,400	8,034,008
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Total Industrials

		858,627,610
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CONSUMER DISCRETIONARY: 18.0%**Automobiles: 4.1%**

Suzuki Motor Corp.	2,155,900	102,702,708
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Subaru Corp.	1,166,900	39,567,314
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		142,270,022
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Specialty Retail: 3.7%

Nitori Holdings Co., Ltd.	649,800	86,984,347
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JINS, Inc.	761,500	42,424,677
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		129,409,024
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Auto Components: 3.5%

NGK Spark Plug Co., Ltd.	2,066,000	44,254,782
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Nifco, Inc.	786,000	42,275,086
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Nippon Seiki Co., Ltd.	1,660,000	33,466,250
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		119,996,118
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Multiline Retail: 2.1%

Ryohin Keikaku Co., Ltd.	289,300	72,406,222
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Internet & Direct Marketing Retail: 1.6%

Start Today Co., Ltd.	2,251,300	55,482,594
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Media: 1.0%

LIFULL Co., Ltd.	4,069,900	35,765,132
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Distributors: 1.0%

Doshisha Co., Ltd.	1,854,800	\$35,322,529
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	Shares	Value
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Hotels, Restaurants & Leisure: 1.0%

Kyoritsu Maintenance Co., Ltd.	1,158,500	33,741,748
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Total Consumer Discretionary		624,393,389
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FINANCIALS: 12.1%**Banks: 6.8%**

Mitsubishi UFJ Financial Group, Inc.	18,369,700	123,904,517
Sumitomo Mitsui Financial Group, Inc.	2,025,300	79,076,754
Seven Bank, Ltd.	9,537,500	34,196,291

		237,177,562
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Insurance: 3.8%

Tokio Marine Holdings, Inc.	1,670,400	69,510,812
Dai-ichi Life Holdings, Inc.	3,414,400	61,976,191

		131,487,003
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Diversified Financial Services: 1.5%

ORIX Corp.	3,209,500	49,939,372
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Total Financials		418,603,937
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CONSUMER STAPLES: 11.2%**Food & Staples Retailing: 3.4%**

Seven & I Holdings Co., Ltd.	1,656,600	68,358,680
San-A Co., Ltd.	1,131,900	50,066,289

		118,424,969
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Food Products: 2.6%

Ezaki Glico Co., Ltd.	956,300	51,490,343
Ariake Japan Co., Ltd.	535,100	37,289,264

		88,779,607
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Personal Products: 1.9%

Kao Corp.	1,129,100	67,134,415
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Tobacco: 1.8%

Japan Tobacco, Inc.	1,769,700	62,201,603
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Household Products: 1.5%

Pigeon Corp.	1,404,600	51,064,683
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Total Consumer Staples**387,605,277****INFORMATION TECHNOLOGY: 10.4%****Electronic Equipment, Instruments & Components: 6.7%**

Murata Manufacturing Co., Ltd.	619,800	94,622,409
Keyence Corp.	197,000	86,724,889
Horiba, Ltd.	843,600	51,459,260

232,806,558**Software: 1.7%**

Oracle Corp. Japan	912,800	59,375,555
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Internet Software & Services: 1.4%

Infomart Corp.	6,408,700	48,763,044
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Semiconductors & Semiconductor Equipment: 0.6%

Lasertec Corp.	1,453,700	20,248,574
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Total Information Technology**361,193,731****74 MATTHEWS ASIA FUNDS**

Table of Contents

Matthews Japan Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***COMMON EQUITIES** *(continued)*

	Shares	Value
HEALTH CARE: 9.9%		
Health Care Equipment & Supplies: 7.2%		
Hoya Corp.	1,345,400	\$70,043,371
Asahi Intecc Co., Ltd.	1,485,700	67,605,491
System Corp.	1,058,600	63,361,147
CYBERDYNE, Inc. ^b	2,719,000	36,232,086
Daiken Medical Co., Ltd.	1,660,000	11,863,532
		249,105,627
Health Care Technology: 1.6%		
M3, Inc.	1,981,400	54,659,658
Biotechnology: 0.6%		
PeptiDream, Inc. ^b	724,600	22,939,389
Health Care Providers & Services: 0.5%		
Japan Lifeline Co., Ltd.	423,700	17,921,350
Total Health Care		
		344,626,024
MATERIALS: 5.7%		
Chemicals: 5.7%		
Shin-Etsu Chemical Co., Ltd.	769,900	70,070,816
Nitto Denko Corp.	743,800	61,424,001
W-Scope Corp.	2,315,300	40,670,604
Fuso Chemical Co., Ltd.	792,800	25,799,376
Total Materials		
		197,964,797
REAL ESTATE: 3.3%		
Real Estate Management & Development: 3.3%		

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Relo Group, Inc.	3,661,400	71,283,888
Mitsui Fudosan Co., Ltd.	1,866,500	44,718,555
Total Real Estate		116,002,443

TELECOMMUNICATION SERVICES: 2.2%

Wireless Telecommunication Services: 2.2%

SoftBank Group Corp.	957,600	77,843,443
Total Telecommunication Services		77,843,443

TOTAL INVESTMENTS: 97.6%

3,386,860,651

(Cost \$2,906,660,943^c)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 2.4%**

83,058,473

NET ASSETS: 100.0%

\$3,469,919,124

- a Certain securities were fair valued under the valuation policies approved by the Board of Trustees (Note 2-A).
- b Non-income producing security.
- c Cost for federal income tax purposes is \$2,909,138,488 and net unrealized appreciation consists of:

Gross unrealized appreciation	\$531,716,703
Gross unrealized depreciation	(53,994,540)
Net unrealized appreciation	\$477,722,163

Affiliated Issuer, as defined under the Investment Company Act of 1940 (ownership of 5% or more of the outstanding voting securities of this issuer)
See accompanying notes to financial statements.

Table of Contents**PORTFOLIO MANAGERS****Michael J. Oh, CFA**

Lead Manager

Michael B. Han, CFA

Co-Manager

FUND FACTS

	Investor	Institutional
Ticker	MAKOX	MIKOX
CUSIP	577130305	577130826
Inception	1/3/95	10/29/10
NAV	\$6.66	\$6.70
Initial Investment	\$2,500	\$100,000
Gross Expense Ratio ¹	1.15%	0.97%
Portfolio Statistics		
Total # of Positions		45
Net Assets		\$201.7 million
Weighted Average		
Market Cap		\$60.8 billion
Portfolio Turnover ²		34.73%
Benchmark		
Korea Composite Stock Price Index		

OBJECTIVE

Long-term capital appreciation.

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 the common and preferred stocks of companies located in South Korea.

Matthews Korea Fund

Portfolio Manager Commentary (unaudited)

Period ended June 30, 2017

For the first half of 2017, the Matthews Korea Fund returned 26.86% (Investor Class) and 27.14% (Institutional Class), outperforming its benchmark, the Korea Composite Stock Price Index, which returned 24.66% over the same period. For the quarter ending June 30, 2017, the Fund returned 9.00% (Investor Class) and 9.12% (Institutional Class) compared with the benchmark return of 8.22% over the same period.

Market Environment:

During the first half of the year, the Korean market performed strongly thanks in part to a snap election that ended the recent political vacuum that followed the impeachment of the previous president. President Moon Jae-In won the election by a wide margin and was inaugurated a day after election without the traditional transition period. Given that this was his second bid for the presidency, we believe he seems well-prepared for the position. He showed his commitment for reform and change by appointing impressive figures for key cabinet positions. For example, he appointed a minority shareholder activist as a head of the country's Fair Trade Commission. The Korean public showed strong support for such moves through record high approval ratings that were well above 70%. We are optimistic that President Moon has strong political power to initiate reforms that we believe will benefit the Korean economy.

Performance Contributors and Detractors:

During the first six months, the top contributors were Samsung Electronics, SK Hynix and Modetour Network. Both Samsung Electronics and SK Hynix performed strongly as they are leaders in the memory semiconductor industry and benefited from an improving market position amid industry consolidation against robust demand. Modetour Network, an outbound tour operator, performed strongly as the leisure industry, especially outbound travel, continues to be strong.

Major detractors to the performance were Amorepacific Corp., Dong-A ST Co., and KEPCO Plant Service & Engineering Co., Ltd. Amorepacific, a leading cosmetics brand with sizable revenues coming from Chinese consumers, suffered from the recent diplomatic conflict with China on the deployment of a missile defense system. Dong-A ST, a pharmaceutical company, and KEPCO Plant Service & Engineering both suffered from weak earnings. In the first quarter, we swapped our preferred shares of Amorepacific Corp. with those of AMOREPACIFIC Group as we saw better opportunities with its holding company.

Notable Changes to Portfolio:

During the quarter, we initiated a position in Woori Bank, a major commercial bank. The company had been under government receivership for over a decade following the Asian Financial Crisis but was recently privatized. We found the valuations attractive while the new management may be more profit-oriented than the previous management. We exited positions in Silicon Works, a chip designer, and Daesang, a major food company, as both are undergoing restructuring, which often can take longer than anticipated.

Outlook:

President Moon seems to have secured solid political support from the public with his strong reform drive to boost transparency and improve overall governance. We believe that his reform measures benefit minority investors in South Korea. While the Moon administration is facing a difficult geopolitical environment, mostly

(continued)

¹ Prospectus expense ratios.

The lesser of fiscal year 2016 long-term purchase costs or sales proceeds divided by the average monthly market value of long-term securities.

76 MATTHEWS ASIA FUNDS

Table of Contents**PERFORMANCE AS OF
JUNE 30, 2017**

	Average Annual Total Returns						Since Inception	Inception Date
	3 Months	YTD	1 Year	3 Years	5 Years	10 Years		
Investor Class (MAKOX)	9.00%	26.86%	19.23%	8.84%	12.30%	5.57%	6.68%	1/3/95
Institutional Class (MIKOX)	9.12%	27.14%	19.31%	9.03%	12.42%	n.a.	10.12%	10/29/10
Korea Composite Stock Price Index ³	8.22%	24.66%	24.48%	3.51%	6.72%	2.52%	3.67% ⁴	
Lipper Pacific ex Japan Funds Category Average ⁵	7.97%	22.02%	21.94%	4.36%	7.64%	4.15%	6.53%	

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. For the Fund's most recent month-end performance, visit matthewsasia.com.

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 Korea Composite Stock Price Index performance data may be readjusted periodically by the Korea Exchange due to certain factors, including the declaration of dividends. It is not possible to invest directly in an index. Source: Index data from Korea Composite Stock Price Index and Bloomberg; total return calculations performed by BNY Mellon Investment Servicing (US) Inc. Please see page 91 for index definition.

4 Calculated from 1/3/95.

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 HOLDINGS⁶

	Sector	% of Net Assets
Samsung Electronics Co., Ltd., Pfd.	Information Technology	8.2%
Samsung Electronics Co., Ltd.	Information Technology	8.2%
SK Hynix, Inc.	Information Technology	4.5%
Hana Financial Group, Inc.	Financials	3.8%
KB Financial Group, Inc.	Financials	3.7%
Shinhan Financial Group Co., Ltd.	Financials	3.4%
Modetour Network, Inc.	Consumer Discretionary	3.2%
Naver Corp.	Information Technology	3.2%
LG Household & Health Care, Ltd., Pfd.	Consumer Staples	3.1%
Hyundai Motor Co., Ltd., 2nd Pfd.	Consumer Discretionary	3.0%
% OF ASSETS IN TOP TEN		44.3%

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

Table of Contents**COUNTRY ALLOCATION (%)⁷**

South Korea	98.5
Cash and Other Assets, Less Liabilities	1.5

SECTOR ALLOCATION (%)⁷

Information Technology	28.1
Financials	21.2
Consumer Discretionary	19.0
Consumer Staples	9.6
Materials	6.0
Health Care	5.5
Telecommunication Services	3.8
Energy	3.7
Industrials	1.6
Cash and Other Assets, Less Liabilities	1.5

MARKET CAP EXPOSURE (%)⁷

Mega Cap (over \$25B)	23.8
Large Cap (\$10B - \$25B)	36.9
Mid Cap (\$3B - 10B)	17.0
Small Cap (under \$3B)	20.8
Cash and Other Assets, Less Liabilities	1.5

⁷ 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.

Matthews Korea Fund

Portfolio Manager Commentary (unaudited) (continued)

stemming from North Korea's continuing nuclear and long-range missile development, the administration's pragmatic approach to pursuing dialogue might provide an alternative approach to previous administrations.

Consumer sentiment, after dropping significantly at the height of massive protest in November 2016, has significantly improved. The composite consumer sentiment index hit a multiyear high in June. Despite geopolitical uncertainty, a strong reform drive coupled with consumer optimism, we believe that Korea's economic outlook in the near term remains bright.

Table of Contents

Matthews Korea Fund

June 30, 2017

*Schedule of Investments^a (unaudited)***COMMON EQUITIES: SOUTH KOREA: 76.6%**

	Shares	Value
INFORMATION TECHNOLOGY: 19.3%		
Technology Hardware, Storage & Peripherals: 8.2%		
Samsung Electronics Co., Ltd.	7,921	\$16,498,032
Semiconductors & Semiconductor Equipment: 5.4%		
SK Hynix, Inc.	153,358	9,029,676
Koh Young Technology, Inc.	35,261	1,849,461
		10,879,137
Internet Software & Services: 3.1%		
Naver Corp.	8,678	6,361,241
Electronic Equipment, Instruments & Components: 2.6%		
Samsung SDI Co., Ltd.	34,435	5,169,503
Total Information Technology		38,907,913
FINANCIALS: 18.7%		
Banks: 13.2%		
Hana Financial Group, Inc.	193,005	7,622,252
KB Financial Group, Inc.	148,355	7,490,480
Shinhan Financial Group Co., Ltd.	158,869	6,854,432
Woori Bank	199,948	3,220,940
DGB Financial Group, Inc.	147,735	1,523,102
		26,711,206
Capital Markets: 3.6%		
Kiwoom Securities Co., Ltd.	51,053	4,164,002
Shinyoung Securities Co., Ltd.	63,434	3,049,312

		7,213,314
Insurance: 1.9%		
Dongbu Insurance Co., Ltd.	65,165	3,872,624
Total Financials		37,797,144
CONSUMER DISCRETIONARY: 16.0%		
Auto Components: 5.2%		
Hyundai Mobis Co., Ltd.	26,986	5,899,459
Hankook Tire Co., Ltd.	81,800	4,546,986
		10,446,445
Hotels, Restaurants & Leisure: 5.1%		
Modetour Network, Inc.	234,114	6,476,181
Kangwon Land, Inc.	128,193	3,906,360
		10,382,541
Specialty Retail: 1.7%		
LOTTE Himart Co., Ltd.	55,183	3,366,493
Media: 1.2%		
Innocean Worldwide, Inc.	44,713	2,495,566
Automobiles: 1.1%		
Kia Motors Corp.	65,541	2,188,786
Household Durables: 1.0%		
Cuckoo Electronics Co., Ltd.	15,695	1,988,388
Multiline Retail: 0.7%		
Hyundai Department Store Co., Ltd.	15,163	1,464,585
Total Consumer Discretionary		32,332,804
	Shares	Value
HEALTH CARE: 5.5%		
Biotechnology: 2.9%		
Hugel, Inc. ^b	11,909	\$5,822,865

Pharmaceuticals: 2.6%

Yuhan Corp.	14,793	3,180,292
DongKook Pharmaceutical Co., Ltd.	28,602	1,579,006
Dong-A ST Co., Ltd.	6,065	488,690

5,247,988**Total Health Care****11,070,853****CONSUMER STAPLES: 5.1%****Food & Staples Retailing: 2.8%**

BGF Retail Co., Ltd.	48,425	4,278,256
Hyundai Greenfood Co., Ltd.	87,793	1,358,014

5,636,270**Food Products: 2.3%**

Orion Corp. ^c	6,707	4,669,124
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Total Consumer Staples**10,305,394****MATERIALS: 4.1%****Metals & Mining: 4.1%**

POSCO	22,860	5,726,249
Korea Zinc Co., Ltd.	6,362	2,535,165

Total Materials**8,261,414****TELECOMMUNICATION SERVICES: 3.9%****Wireless Telecommunication Services: 2.1%**

SK Telecom Co., Ltd. ADR	159,000	4,081,530
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Diversified Telecommunication Services: 1.8%

KT Corp. ADR	220,400	3,667,456
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Total Telecommunication Services**7,748,986****ENERGY: 2.4%****Oil, Gas & Consumable Fuels: 2.4%**

SK Innovation Co., Ltd.	24,541	3,398,840
S-Oil Corp.	18,205	1,508,329

Total Energy**4,907,169**

INDUSTRIALS: 1.6%**Aerospace & Defense: 1.0%**

LIG Nex1 Co., Ltd.	29,375	1,900,374
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Commercial Services & Supplies: 0.6%

KEPCO Plant Service & Engineering Co., Ltd.	33,138	1,279,230
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Total Industrials

		3,179,604
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TOTAL COMMON EQUITIES

		154,511,281
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(Cost \$97,348,176)

PREFERRED EQUITIES: SOUTH KOREA: 21.9%**INFORMATION TECHNOLOGY: 8.8%****Technology Hardware, Storage & Peripherals: 8.2%**

Samsung Electronics Co., Ltd., Pfd.	10,149	16,547,926
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Table of Contents

Matthews Korea Fund

June 30, 2017

*Schedule of Investments^a (unaudited) (continued)***PREFERRED EQUITIES: SOUTH KOREA (continued)**

	Shares	Value
Electronic Equipment, Instruments & Components: 0.6%		
Samsung SDI Co., Ltd., Pfd.	17,470	\$1,260,580
Total Information Technology		17,808,506
CONSUMER STAPLES: 4.5%		
Personal Products: 4.5%		
LG Household & Health Care, Ltd., Pfd.	11,638	6,316,012
AMOREPACIFIC Group, Pfd.	51,316	2,783,403
Total Consumer Staples		9,099,415
CONSUMER DISCRETIONARY: 3.0%		
Automobiles: 3.0%		
Hyundai Motor Co., Ltd., 2nd Pfd.	59,135	6,021,213
Total Consumer Discretionary		6,021,213
FINANCIALS: 2.4%		
Insurance: 2.4%		
Samsung Fire & Marine Insurance Co., Ltd., Pfd.	28,572	4,869,589
Total Financials		