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Alibaba 101:

An Overview of the
World's Largest
E-Commerce Company



Alibaba.com[™]



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KraneShares is dedicated to raising awareness of opportunities in China's economy & capital markets among global investors



Why is Alibaba Important?

- On September 19th, 2014 Alibaba Group Holdings' initial public offering became the biggest ever at \$25 billion.¹
- The company generates more sales than Amazon and eBay combined²
- China has the largest number of internet users globally despite only 45% of the population having access to the Internet today³
- E-Commerce in China will likely surpass the United States as measured by Gross Merchandise Value (GMV)⁴
- We believe the Company will be a case study for graduate schools globally due to their continued innovation and growth since their founding in 1999



1. Bloomberg News, <http://www.bloomberg.com/news/2014-09-22/alibaba-s-banks-said-to-increase-ipo-size-to-record-25-billion.html>
2. Companies' 2014 filings
3. China Internet Network Information Center
4. iResearch



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Jack Ma, Company Timeline & Primer on Core Businesses



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Jack Ma Official Biography¹

Jack Yun MA is Alibaba's lead founder and, since May 2013, has served as its executive chairman. From its founding in 1999 and until May 2013, Jack served as the chairman and chief executive officer. Jack currently serves on the board of SoftBank Corp., one of Alibaba's major shareholders and a Japanese corporation listed on the Tokyo Stock Exchange. He is also a director of Huayi Brothers Media Corporation, an entertainment group in China listed on The Shenzhen Stock Exchange, as well as chair of The Nature Conservancy's China board of directors and a director of its global board of directors. In September 2013, he joined the Breakthrough Prize in Life Sciences Foundation as a director. Jack graduated from Hangzhou Teacher's Institute with a major in English language education.

Source: 1.) Alibaba SEC Filing

Photo Source: "Jack Ma 2008" by World Economic Forum - Copyright World Economic Forum (www.weforum.org)/Photo by Natalie Behring/Uploaded to Wikipedia (cc-by-sa-3.0,2.5,2.0,1.0; GFDL)from Flickr Jack Ma (cc-by-sa-2.0). Licensed under Creative Commons Attribution-Share Alike 3.0-2.5-2.0-1.0 via Wikimedia Commons - http://commons.wikimedia.org/wiki/File:Jack_Ma_2008.jpg#mediaviewer/File:Jack_Ma_2008.jpg



Jack Yun MA 马云
Alibaba Founder
& Executive Chairman



The Size & Scale of Alibaba Is Immense

Active Buyers

in millions



	US\$296 billion (RMB1,833 billion) Total GMV		US\$5.8 billion (RMB38.2 billion) GMV settled through Alipay on Singles Day 2013
	279 million Annual active buyers		8.5 million Annual active sellers
	14.5 billion Annual orders		52 Annual average orders per active buyer
	US\$71 billion (RMB442 billion) Mobile GMV		32.8% Of total GMV from mobile transactions ⁽¹⁾
	87.2% Of total mobile retail GMV in China ⁽²⁾		188 million Mobile MAUs ⁽³⁾
	6.1 billion Packages generated on our China retail marketplaces ⁽⁴⁾		3.6 million Transactions per minute processing capability ⁽⁵⁾
	3.6 million+ Paying customer relationships ⁽⁶⁾		190+ Countries where buyers are located ⁽⁷⁾

Source: Alibaba SEC Filing, Unless otherwise indicated, all figures in the above charts are for the twelve months ended, or as of June 30, 2014. 1) For the three months ended June 30, 2014. 2) According to iResearch for the three months ended March 30, 2014. 3) For the month ended June 30, 2014. 4) For the twelve months ended June 30, 2014. Representing 54% of the 11.3 billion packages delivered in the twelve months ended June 30, 2014 by delivery services in China meeting certain minimum revenue thresholds, according to the State Post Bureau of the PRC. 5) Alibaba Cloud Computing processing capability as of December 31, 2013. 6) The sum of merchants on our (i) China retail marketplaces who paid fees and/or commissions to us in the twelve months ended June 30, 2014, plus (ii) wholesale marketplaces with current paid memberships as of June 30, 2014. 7) Includes registered countries and territories of (i) buyers that sent at least one inquiry to a seller on Alibaba.com and (ii) buyers that settled at least one transaction on AliExpress through Alipay, in each case in the twelve months ended June 30, 2014.

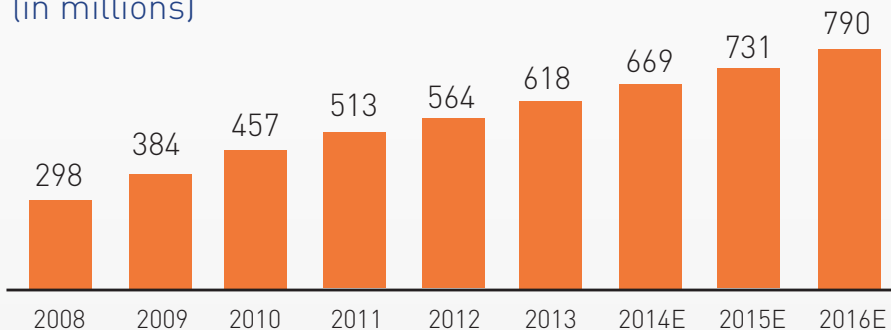


Alibaba was founded by Jack Ma in 1999

The Company has Evolved To Meet the Growing Demands of Consumers

Alibaba's Rise and Growth Coincides with the Continued Adoption of the Internet within China

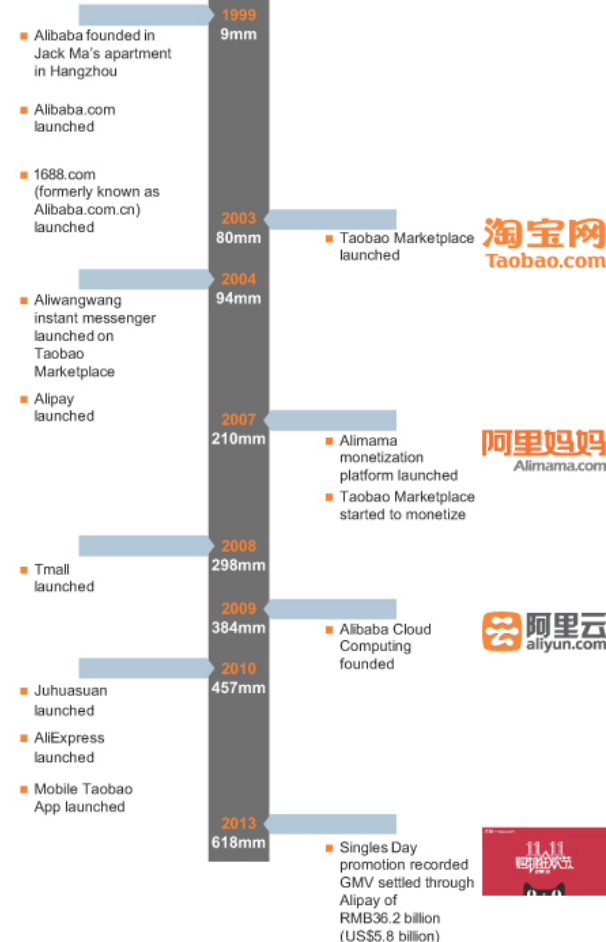
China Internet User Population (in millions)



Source: Both Charts from Alibaba's SEC Filing *Source for China Internet Population: CNNIC, estimates from iResearch according to Filing



Year and China Internet Population*





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Alibaba's Core Businesses



Source: Alibaba SEC Filing; *Our related company **Our 48% owned affiliate



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Alibaba's Core Businesses:

Alibaba.com (Business2Business)
& **1688.com** (Business2Consumer)

Alibaba began operations in 1999 with Alibaba.com, an English-language marketplace for global trade. Alibaba.com was founded to help small exporters engaged in manufacturing and trading, primarily located in China, to reach global buyers.

In 1999, Alibaba also launched a Chinese-language wholesale marketplace for domestic China trade among small businesses, now called 1688.com. This domestic platform has since evolved into a wholesale channel for merchants doing business on their retail marketplaces to source products.





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Alibaba's Core Businesses:

Taobao.com (Consumer2Consumer)

In 2003, Taobao Marketplace was established as a free platform for buyers to explore and discover products and for sellers to establish a low-cost online presence. According to iResearch, Taobao Marketplace was the number one consumer-to-consumer, or C2C, marketplace in terms of gross merchandise volume in China in 2013.

淘宝网
Taobao.com



Alibaba's Core Businesses:

Alipay (PayPal-like service)

In 2004, Alipay was established to address the issue of trust between buyers and sellers online. Buyers were unwilling to effect payment before receiving and inspecting their purchases, and sellers were unwilling to ship the products until they were assured that payment was forthcoming. This lack of trust posed a stifling challenge for the development of online commerce in China. Alipay introduced its escrow service as a solution to this problem. Since 2011, Alibaba no longer controls nor has an ownership interest in Alipay, although Alibaba continues to participate in some of the economic benefits of Alipay through contractual arrangements. Alibaba has entered into contractual arrangements with Alipay through which they are able to facilitate the provision of payment and escrow services for Alibaba customers.





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Alibaba's Core Businesses:

Aliwangwang & Alimama

In 2004, Aliwangwang was launched, a personal computer-based instant messenger that facilitates text, audio and video communication between buyers and sellers, on the Taobao Marketplace.



In 2007, Alimama was launched as an online marketing technology platform that offers sellers on Alibaba's marketplaces online marketing services for both personal computers and mobile devices. Alimama also offers sellers these marketing services through third-parties through the Taobao Affiliate Network, which Alibaba believes is the largest online marketing affiliate network in China in terms of revenue shared with affiliates. In 2007, the company also started to monetize the Taobao Marketplace through pay for pay marketing services and display marketing.



Source: Alibaba SEC Filing

Alibaba's Core Businesses:

Tmall (Premium Goods Online Market)

In 2008, Alibaba launched Tmall as they recognized that Chinese consumers had developed an increased demand for branded products and a premium online shopping experience.

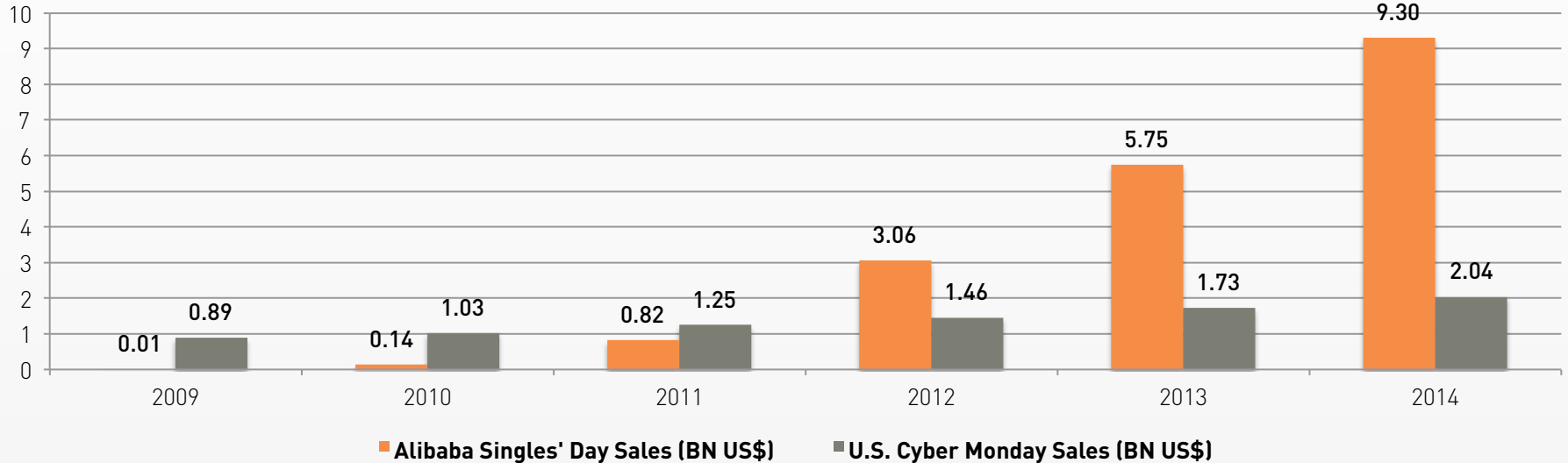




Singles Day – November 11th Is a Very Important Day for Alibaba

Alibaba's e-commerce platforms offer deep discounts to capture singles buying themselves a gift on November 11th (11/11) celebrating one's single status. In 2014, Singles Day generated US \$9.3 billion in sales based on 278.5 million transactions.

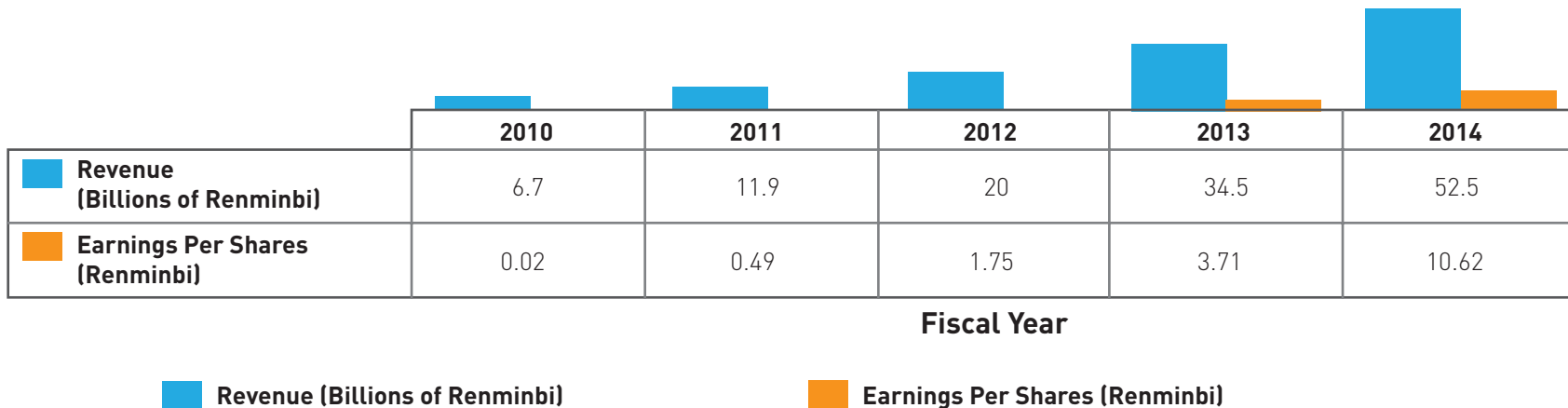
Alibaba Singles Day vs. US Cyber Monday Sales Growth





Alibaba Has Become a Very Profitable Company

Alibaba's Revenue & Earnings Per Share



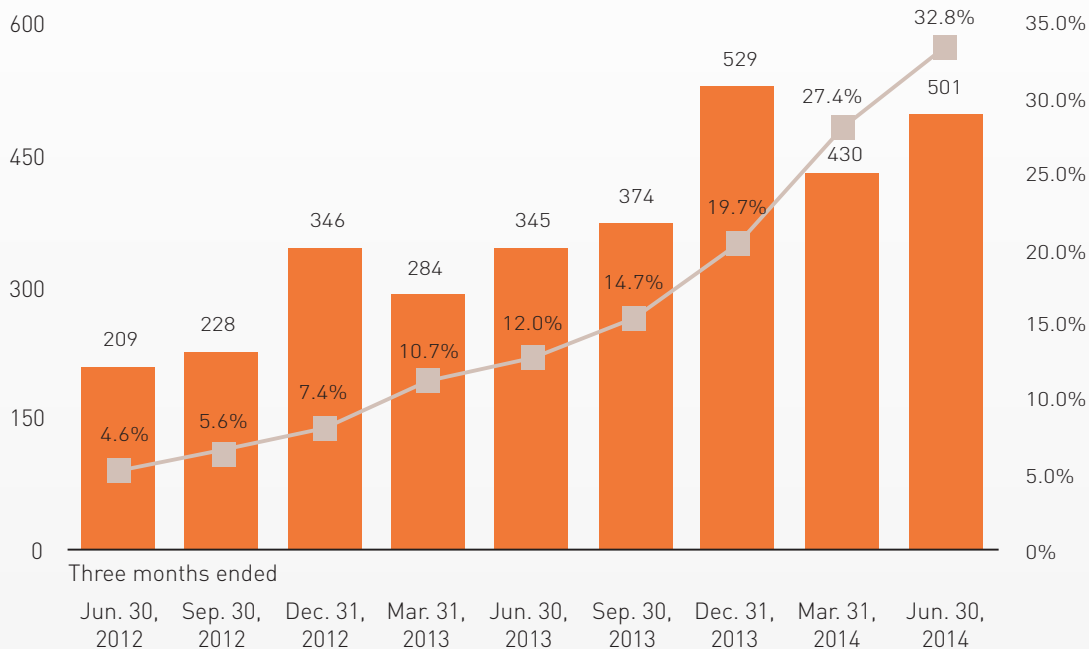
What is Next For Alibaba?

- Continued Mobile Presence
- Online to Offline (O2O)
- International Expansion

GMV and Mobile Penetration

GMV in billions of RMB

Mobile GMV as % of GMV





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Softbank and Yahoo!'s Investment In Alibaba

- Softbank is a Japanese technology company that made a \$20mm strategic investment in Alibaba in 2000 for a 34% ownership stake. Softbank had previously invested in Yahoo! in the mid-1990s.
- It is estimated the Softbank's Alibaba investment is worth \$50 billion today.
- Softbank introduced Jack Ma to then Yahoo! CEO and founder Jerry Yang. Yahoo! made a \$1 billion investment in Alibaba in return for a 40% ownership stake.
- Jerry Yang will sit on Alibaba's board of directors.

Source: KraneShares

Photo Source: "Jerry Yang" by Mitchell Aidelbaum from San Francisco, CA, USA - Chief Yahoo!'s!. Licensed under Creative Commons Attribution 2.0 via Wikimedia Commons - http://commons.wikimedia.org/wiki/File:Jerry_Yang.jpg#mediaviewer/File:Jerry_Yang.jpg



Jerry Yang

Yahoo founder and former CEO
will sit on the board of directors



Alibaba's E-Commerce & Internet Footprint

Alibaba entity	Deals in	US Company in a similar business
Alipay	Online Payments	PayPal
Aliyun	Cloud Services	Amazon Web Services
Aliyun App Store	Mobile Apps	Google play
AutoNavi	Online Maps	Google Maps
InTime	Retail Outlet	JC Penney
Juhuasuan	Group Buying	Groupon
Kanbox	Cloud Storage	Dropbox
Laiwang	Instant Messaging	WhatsApp
Lyft	Taxi Hailing	Uber

Alibaba entity	Deals in	US Company in a similar business
Taobao	C2C	eBay
Taobao Travel	Travel Booking	Orbitz
Tmall	B2C	Amazon
TutorGroup	E-Learning	Kaplan
Weibo	Microblogging	Twitter
Xiami	Music Streaming	Spotify
Youku Tudou	Streaming Video	Hulu
Yu'e Bao	Money Market Funds	ING Direct

Source: Quartz article titled "All the Western Companies you'd have to combine to get something like Alibaba", May 6 2014



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Thank You!

For Further Information Please Call

(646) 248-9852

Or Email

brendan.ahern@kraneshares.com



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KWEB's investments in Alibaba are investments in variable-interest entities (VIEs), which are investments in foreign-domiciled American Depositary Receipts (ADRs). Rather than owning Chinese-domiciled entities, the VIEs have contractual arrangements designed to provide the economic benefits related to certain Chinese-domiciled companies. The structure of VIEs presents some unique risks that should be considered.

VIE structures do not give investors ownership in the operating company, as stock does. With a VIE, an investor has no direct claim on the core, restricted business assets of the VIE operating company. As a result, investors may not exert as much influence over the subject company as they could if they were owners of common stock. Often, the voting rights in the VIE operating company, especially in matters of corporate governance, are controlled by the principals who established the VIE operating company.

In addition, there is no guarantee as to the enforceability of the VIE structure, as it has never received explicit approval from the Chinese government and is recognized as a structure put in place principally to work around Chinese restrictions on foreign investment.



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There is no guarantee that any security, including Alibaba, will be added to an index or a Fund.

Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' prospectus, which may be obtained by visiting www.kraneshares.com or by calling 1-855-8KRANE8.

Read the prospectus carefully before investing.

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its stated objective. The Funds focus their investments primarily with Chinese issuers and issuers with economic ties to China. The Funds are subject to political, social or economic instability within China which may cause decline in value. Fluctuations in currency of foreign countries may have an adverse effect on domestic currency values. Emerging markets involve heightened risk related to the same factors as well as increase volatility and lower trading volume. Current and future holdings are subject to risk.

Narrowly focused investments and investments in smaller companies typically exhibit higher volatility. Internet companies are subject to rapid changes in technology, worldwide competition, rapid obsolescence of products and services, loss of patent protections, evolving industry standards and frequent new product productions. Such changes may have an adverse impact on performance.

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