



KraneShares™

KWEB

KFYP

KBA

KCNY

KraneShares Investment Philosophy:

Understanding China's Capital Markets & Opportunities for Investors Today

Offshore China



Onshore China



Presented by:



Brendan Ahern
Chief Investment Officer

Contact Info:

(646) 218-9852
brendan.ahern@kraneshares.com



Contents:

I. **Introduction**

II. **Offshore Growth:**

- Domestic consumption and the rise of e-retailing
- KraneShares CSI China Internet ETF (Nasdaq : KWEB)

III. **Onshore Value:**

- Potential opportunities in the “opening up” of the mainland markets
- KraneShares Bosera MSCI China A ETF (NYSE : KBA)

IV. **Attractive Yield:**

- Understanding potential opportunities with China’s yield curve
- KraneShares E Fund China Commercial Paper ETF (NYSE: KCNY)

V. **Conclusion**



Why Might Investors Add China To Their Portfolios Today?

- New Leadership Regime Is A Political Catalyst
- Reform Agenda Presents Opportunities
- Investors Are Underweight China

“Our people love life and expect better education, more stable jobs, better income, more reliable social security, medical care of a higher standard, more comfortable living conditions, and a more beautiful environment.

They hope that their children can grow up better, work better and live better. People's yearning for a good and beautiful life is the goal for us to strive for.” – Xi Jinping



Xi Jinping – 习近平
President of the People's
Republic of China



China Is Home To Three of the World's Largest Stock Exchanges

- There are 119 active stock exchanges in the world
- The top 15 stock exchanges hold 83% of global market capitalization
- 15% of global market capitalization is held on the three Chinese stock exchanges

Source: www.world-exchanges.org as of 11/30/2014.
Based on equity exchanges with reported data.

Top 15 stock exchanges by market cap, 11/30/2014

Rank	Exchange	Market cap (USD bn)
1	NYSE	19,445,200
2	NASDAQ OMX	7,096,435
3	Japan Exchange Group - Tokyo	4,419,112
4	London SE Group	4,155,392
5	Euronext	3,464,413
6	Hong Kong Exchanges	3,287,852
7	Shanghai SE	3,275,055
8	TMX Group	2,130,600
9	Shenzhen SE	2,059,801
10	Deutsche Börse	1,798,368
11	SIX Swiss Exchange	1,634,636
12	BSE India	1,608,664
13	National Stock Exchange India	1,569,506
14	Australian SE	1,316,572
15	NASDAQ OMX Nordic Exchange	1,254,078



How KraneShares Views the Chinese Economy & Capital Markets

Offshore Market

Comprised of Chinese companies listed on the Hong Kong, Nasdaq & New York Stock Exchange

Hong Kong
Stock Exchange

NASDAQ

New York
Stock Exchange

Onshore Market

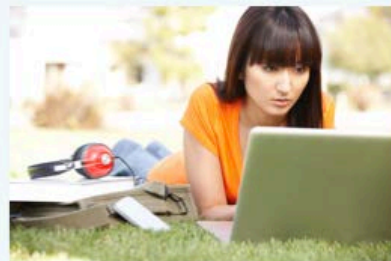
Comprised of Chinese companies listed on the Shanghai & Shenzhen Stock Exchange

Shanghai
Stock Exchange

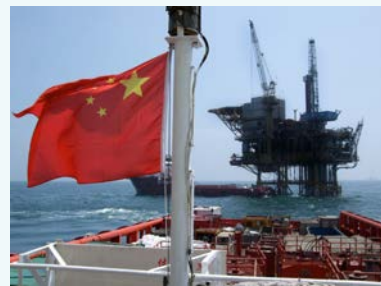
Shenzhen
Stock Exchange

There are Two Distinct Investment Opportunities Within the Onshore & Offshore Markets:

Growth Opportunity



Value Opportunity



While There Are Exceptions, We Believe:

Onshore = Value



Offshore = Growth





Offshore Growth

- Domestic consumption and the rise of e-retailing
- KraneShares CSI China Internet ETF (Nasdaq : KWEB)

China Domestic Marketplaces

淘宝网
Taobao.com

Taobao Marketplace
(online shopping destination)

聚划算
- juhuasuan.com -
品质团购每一天

Juhuasuan
(Group buying marketplace)

天猫 TMALL.COM™

Tmall.com
(Brands and retail platform)

支付宝
Alipay.com

Alipay*
(Payment Services)



CAINIAO 菜鸟网络

China Smart logistics**
(logistics information center)

Jack Ma 马云 (Alibaba founder)

AliExpress®

AliExpress
(Global consumer marketplace)

阿里巴巴
1688.com

1688.Com
(China wholesale marketplace)

Alibaba.com®
Global trade starts here.™

Alibaba.com
(Global wholesale marketplace)

Data Platform

阿里云
aliyun.com

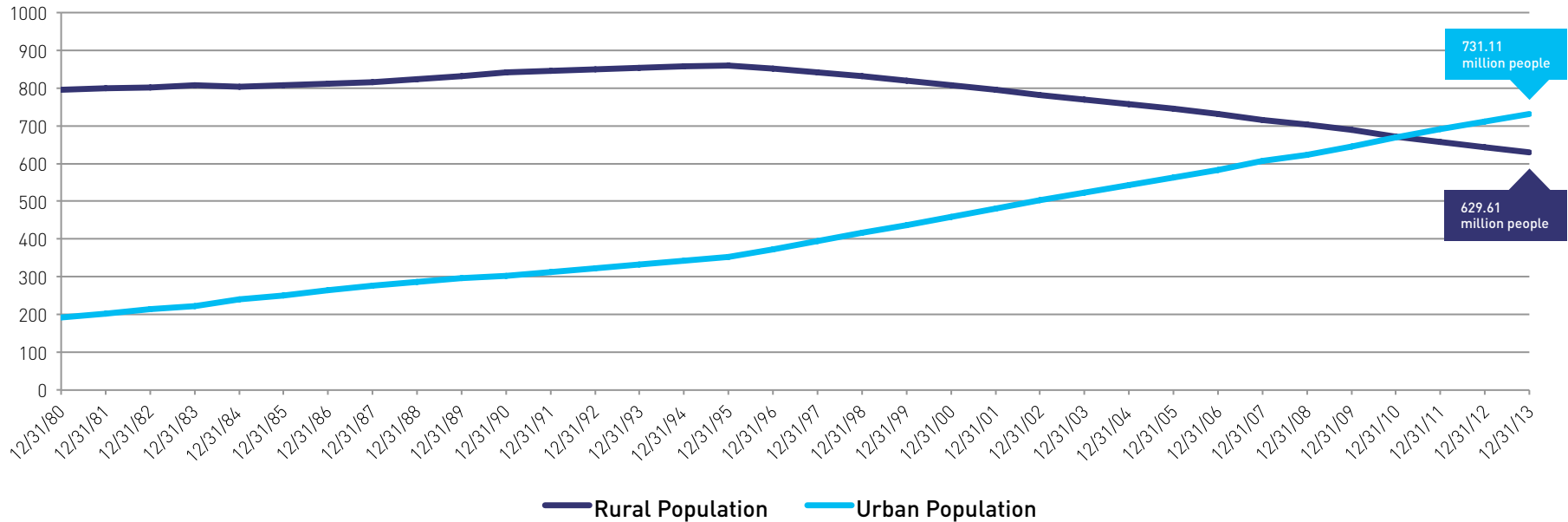
Alibaba cloud computing
(Platform for internal and third-party use)

阿里妈妈
Alimama.com

Alimama
(Online marketing services)

China's urban population now exceeds its rural population

Another 400 million Chinese could make the move to cities in the coming decades, further fueling the growth of the consumer class

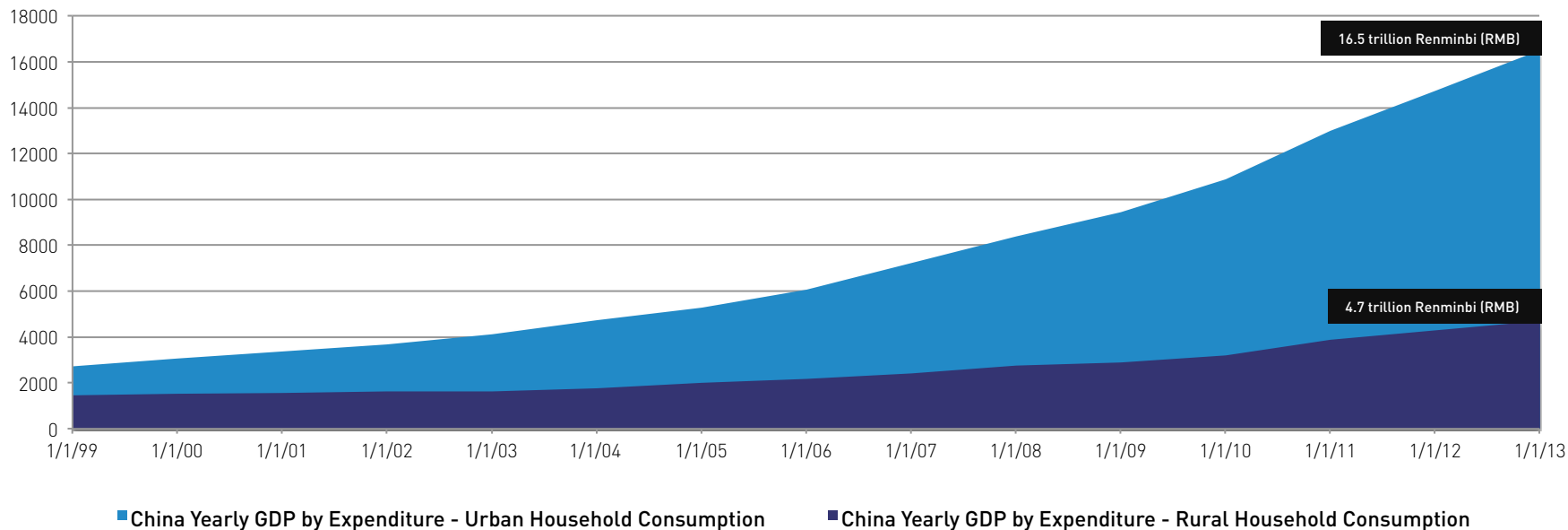


Source: Bloomberg via The National Bureau of Statistics of China as of 12/31/2013



Urban Residents' Spending Far Exceeds Rural Residents' Which Has Increasingly Taken Place Online

Urban spending has been a key force behind China's consumer market, and growth accelerated over the last two years



Source: Bloomberg via The National Bureau of Statistics of China as of 12/31/2013



China Internet Usage By The Numbers

632,000,000 internet users is the world's largest on-line population

53,000,000 Chinese logged onto the Internet for the first time in 2013

500,000,000 mobile users

Only 45.8% of the Chinese population has access to the internet, leaving room for significant market growth

Service Type	China	United States
Micro-blogging / messaging	 Tencent 腾讯 (798m users) 	Twitter WhatsApp
Anti-virus software	 360 www.360.cn (440m users)	Norton
Internet Search	 Baidu 百度 www.baidu.com (531m users)	Google Bing
Travel	Ctrip.com (\$890m in 2013 revenues)	Travelocity Orbitz
B2C and C2C eCommerce	 Alibaba.com* (\$3.7 billion in 2013 net income)	eBay Amazon

Source: Companies' publicly filed regulatory documents 2014; B2C stands for Business to Consumer; C2C is consumer to consumer



Chinese Internet Stocks Achieved A Strong Year Over Year Sales Growth from 2013 to 2014.

The Chinese internet sector has exhibited strong fundamentals and continued growth potential as evidenced by a positive Q3 earnings season.

Both sales and earnings growth grew 46% and 43%* year over year respectively¹. These rates of growth are twice what US internet companies reported in Q3 (18% and 21%)².

The big three BAT* companies' year over year sales growth reported Q3 2014*

Company	YoY Sales Growth
BAIDU.COM, INC. ADR	52.05%
ALIBABA GROUP HOLDING ADR	53.69%
TENCENT HOLDINGS LTD	27.50%

*BAT is a common acronym used when referencing the top three Chinese internet companies: Baidu, Alibaba, and Tencent. The BAT core businesses are distinct: Baidu – search, Tencent – games & instant messaging (IM), Alibaba (e-commerce).

*Source: Bloomberg.11/30/2014

1. Chinese internet companies in this comparison are comprised of securities held by the CSI Overseas China Internet Index
2. US internet companies in this comparison are comprised of securities held by the Dow Jones US Internet Index



Onshore Value

- Potential opportunities in the “opening up” of the mainland markets
- KraneShares Boserá MSCI China A ETF (NYSE : KBA)

Onshore Chinese Equities Have Exhibited Low Correlation to Other Indices Historically

- As Emerging Markets (EM) become more correlated with Developed Markets over the years, the diversification benefits of EM investing have largely diminished
- Frontier Markets (FM) still has relatively low correlations with the rest of the world
- Remarkably, China A-shares exhibits an even lower correlation than Frontier Markets
 - MSCI's “China A-shares: Too Big to Ignore” September 2014

MSCI Indices Correlation to MSCI China A

	ACWI	EAFE	EM	USA	China	Frontier	China A
ACWI	1						
EAFE	0.96	1					
EM	0.89	0.87	1				
USA	0.95	0.85	0.77	1			
China	0.72	0.70	0.86	0.60	1		
Frontier	0.46	0.48	0.44	0.39	0.38	1	
China A	0.16	0.16	0.27	0.09	0.48	0.17	1

- **MSCI ACWI Index - All Country World Index**
incepted 5/31/1990
- **MSCI EAFE Index- Europe, Australasia, Israel and Far East**
incepted 5/31/1986
- **MSCI EM Index- Emerging Markets**
incepted 1/01/2001
- **MSCI USA Index – Large and mid cap segments of US market**
incepted 3/31/1986
- **MSCI China Index - Chinese companies listed in Hong Kong**
incepted 5/31/1994
- **MSCI Frontier Markets Index - Frontier Markets**
incepted 12/18/2007
- **MSCI China A Index - Chinese companies listed on Shanghai and Shenzhen Stock Exchanges**
incepted 5/10/2005

Source: Table from Bloomberg, weekly correlation beginning from the year end date from the youngest index inception (MSCI Frontier Markets Index) December 31, 2007 to December 31, 2014



Mainland China Represents Value

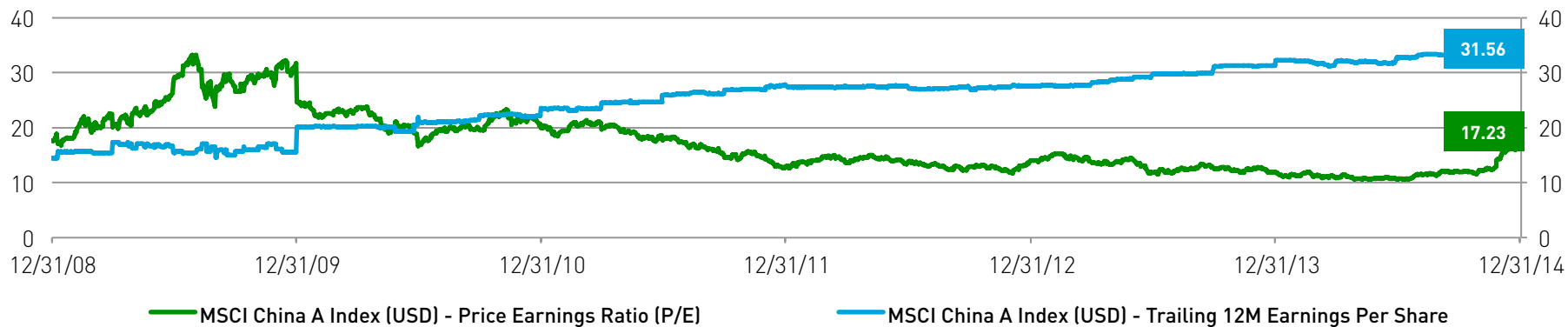
The mainland markets are trading at low valuations compared to other indices.

As December 31, 2014	P/E	P/E Fwd	P/BV
MSCI China A International	16.62	13.23	2.25
MSCI ACWI IMI	18.08	15.09	2.06
MSCI Emerging Markets	13.17	10.58	1.52
MSCI USA	19.23	16.68	2.82

The mainland market's low P/E (green line) has been driven by strong Earnings Per Share growth (blue line)

Mainland Market P/E and Earnings Per Share Growth

12/31/08 – 12/31/14



Source: Table from MSCI as of December 31, 2014; Chart from Bloomberg as of December 31, 2014



New Access to the Mainland Markets – The Shanghai-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect Program Allows Foreign Investors Access to the Shanghai Stock Exchange without Qualified Foreign Institutional Investor (QFII) quota. It also provides access to the Hong Kong Stock Exchange for Mainland investors.

Key points regarding the Shanghai-Hong Kong Stock Connect:

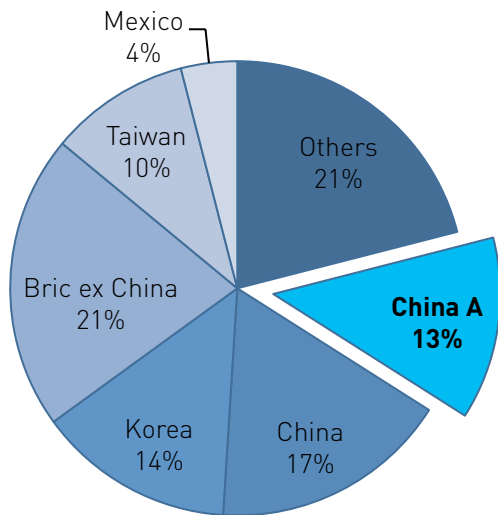
- On November 17, 2014, 568 Stocks on the Shanghai Stock Exchange (SSE) became eligible for purchase by Hong Kong Investors
- These stocks represent 90% of the SSE market capitalization & 80% of Average Daily Turnover
- Within these 568 stocks, 66 are dually listed on the SSE and Hong Kong Stock Exchange
- Aggregate Connect Quota RMB 300 billion (~US \$48.7 billion)
- Aggregate Quota = Aggregate Buy Trades + Aggregate Sell Trades
- RMB 13 billion Daily Quota (~US \$2.1 billion)
- Daily Quota = Buy Orders + Sell Trades + Adjustments (e.g. Buy Order cancelled, Buy Order rejected by SSE, Buy Order executed at a better price)

China A Shares are currently being reviewed for inclusion in broad MSCI Indices

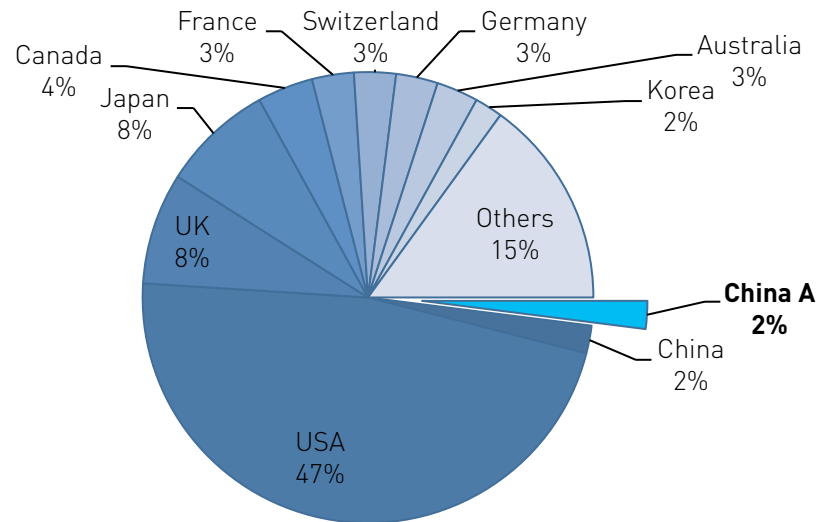
MSCI Emerging Markets Index

\$1.3 trillion track the MSCI EM Index today

\$170b in estimate China A Share flows



MSCI ACWI Index



* The percentage number refers to the Inclusion Factor applied to the free float-adjusted market capitalization of China A share constituents in the pro forma MSCI China Index. China A-share securities are subject to a foreign ownership limit of 30%.
 Data as of October 18, 2013 based on the pro forma results of November 2013 SAIR (Semi-Annual Index Review)
 Source: MSCI

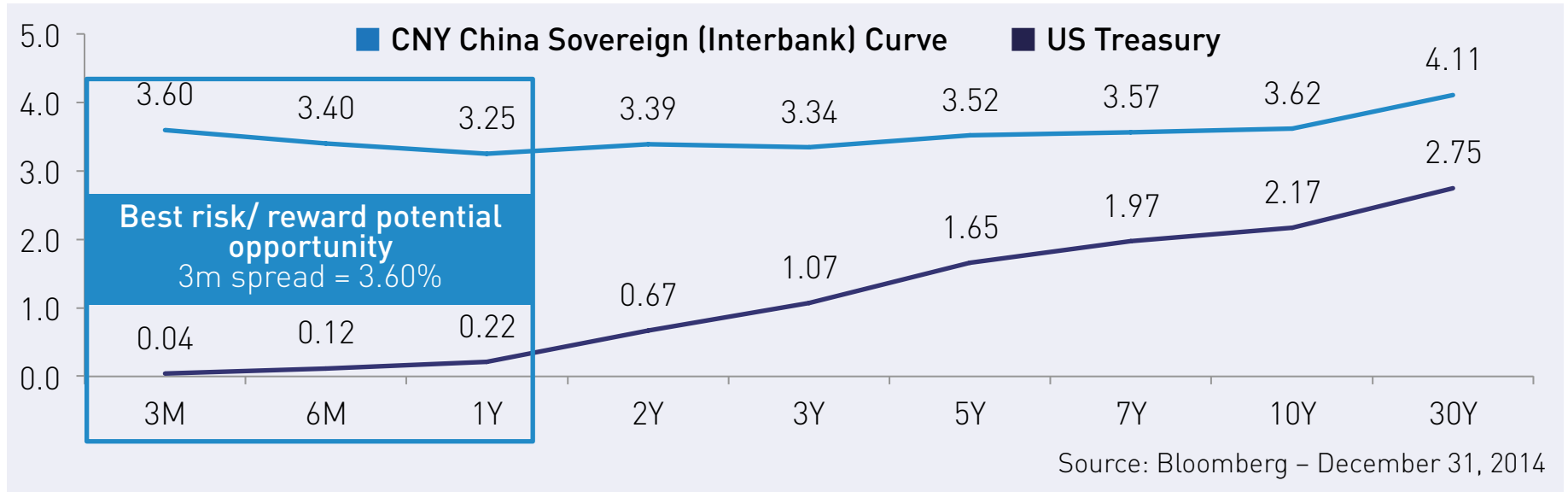


Attractive Yield:

- Understanding potential opportunities with China's yield curve
- KraneShares E Fund China Commercial Paper ETF (NYSE: KCMY)

China and US Yield Curve as of 12/31/2014

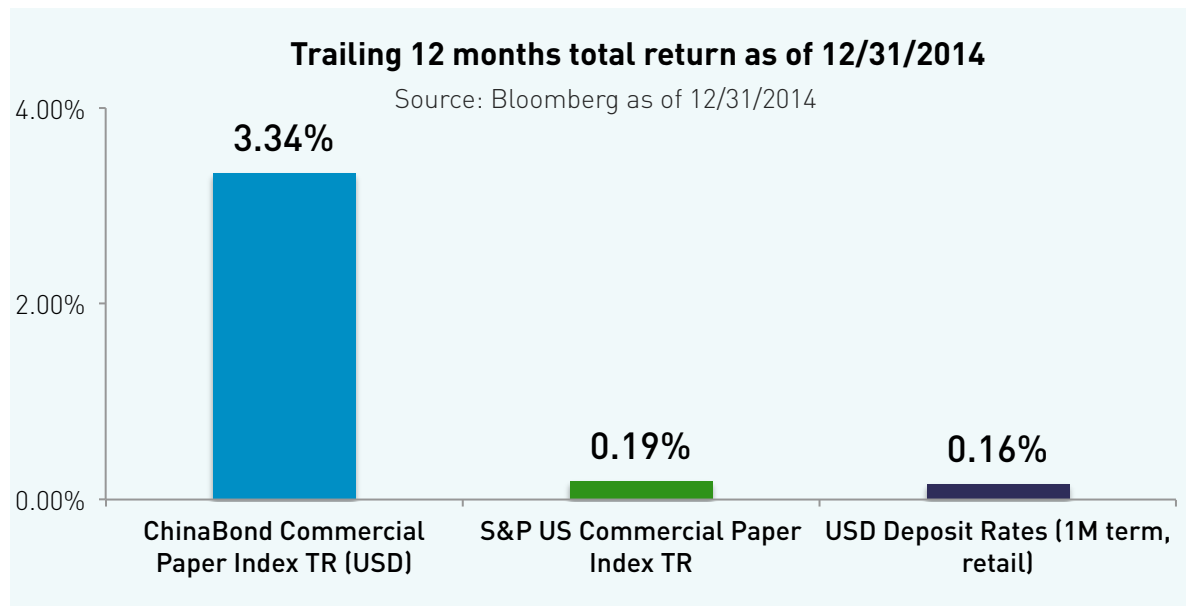
- China's yield curve is very "flat"
- China sovereign debt delivers 350bps+ spread vs US sovereign debt for maturities under one year as of 12/31/2014



Potential benefits of investing in China commercial paper:

1

Yield: China commercial paper has outperformed US commercial paper and USD bank deposits over the past year



Definitions:

ChinaBond Commercial Paper Index Total Return: Represents commercial paper and super & short-term commercial paper trading in RMB on the interbank bond market.

S&P US Commercial Paper Index Total Return: consists of commercial paper with one to three month maturities from both the financial and non-financial sectors.

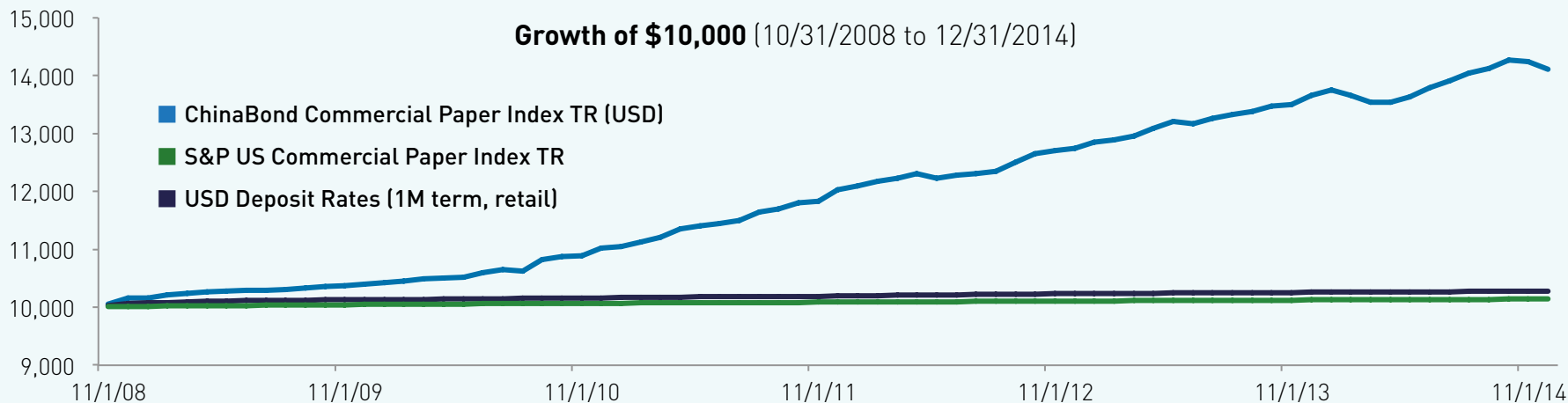
USD Deposit Rates (1M term, retail): Interest rate received for deposits into a FDIC insured bank account with 1 month lock-up.

Index performance is for illustrative purposes only and is not intended to serve as a proxy for the Fund's future performance.

Potential benefits of investing in China commercial paper:

2

Historical Stability: China commercial paper has produced minimal downside deviation¹ since 10/31/2008²



1.) Downside Deviation: A measure of downside risk that focuses on returns that fall below zero threshold or minimum acceptable return (MAR).

2.) The ChinaBond Commercial Paper Index Total Return was inception on 10/31/2008

Index performance is for illustrative purposes only and is not intended to serve as a proxy for the Fund's future performance.

Source: Bloomberg as of 9/30/2014

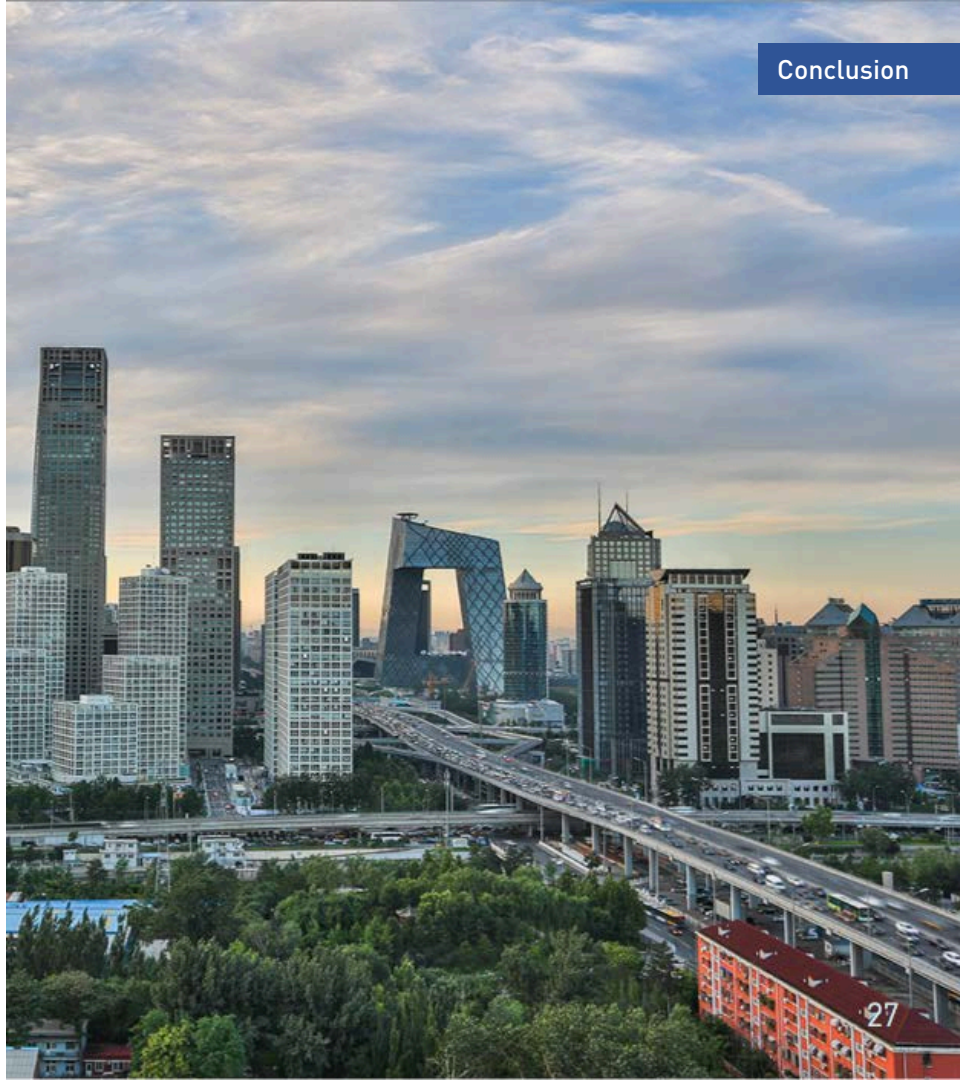


What's ahead for China in 2015?

- President Xi is a Crucial Figure To Watch
- Continued Reforms in State Owned Enterprises and Increasing Domestic Consumption
- Domestic Agenda Focused On Middle Class Growth
- Bloomberg 2015 China GDP Forecast 7.01%
- Chinese cell phone manufacturer Xiaomi may go public in 2015¹
- MSCI Announcement Regarding Onshore China Equity Inclusion in Global Indices

1.) Source: South China Morning Post, Nov. 2014

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





As China continues to open up in 2015, we are committed to delivering investment products that focus on its core potential investment opportunities:

Offshore Growth:

- Domestic consumption and the rise of e-retailing
- KraneShares CSI China Internet ETF (Nasdaq : KWEB)

Onshore Value:

- Onshore markets are continuing to “open up”
- KraneShares Boserá MSCI China A ETF (NYSE : KBA)

Attractive Yield:

- China’s yield curve is flat, maturities under one year have historically offered the best risk / reward opportunity
- KraneShares E Fund China Commercial Paper ETF (NYSE: KCNY)



KraneShares™

Definitions – Source Bloomberg

Price/Earnings Ratio equals the security's current price divided by the earnings per share.

Price/Earnings Forward Ratio uses forecasted earnings for the P/E calculation for the next twelve months.

Price/Book Value Ratio equals a stock's price divided by the book value per share.

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

©2015 KraneShares

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 to 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.

The KraneShares ETFs are distributed by SEI Investments Distribution Company, which is not affiliated with Krane Funds Advisors, LLC, the Investment Adviser for the Fund.

KWEB & KFYP'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.



The KraneShares E Fund China Commercial Paper ETF is subject to interest rate risk, which is the chance that bonds will decline in value as interest rates rise. It is also subject to income risk, call risk, credit risk, and Chinese credit rating risks. The components of the securities held by the Fund will be rated by Chinese credit rating agencies, which may use different criteria and methodology than U.S. entities or international credit rating agencies. The Fund may invest in high yield and unrated securities, whose prices are generally more sensitive to adverse economic changes. As such, their prices may be more volatile. The Fund is subject to industry concentration risk and is nondiversified. The KraneShares E Fund China Commercial paper ETF invests in sovereign and quasi-sovereign debt. Investments in sovereign and quasi-sovereign debt securities involve special risks, including the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, and the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. In order to qualify for the favorable tax treatment generally available to regulated investment companies, the Fund must satisfy certain income and asset diversification requirements each year. If the Fund were to fail to qualify as a regulated investment company, it would be taxed in the same manner as an ordinary corporation, and distributions to its shareholders would not be deductible by the Fund in computing its taxable income. Narrowly focused investments 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.



The ability of the KraneShares Bosera MSCI China A ETF to achieve its investment objective is dependent on the continuous availability of A Shares and the ability to obtain, if necessary, additional A Shares quota. If the Fund is unable to obtain sufficient exposure due to the limited availability of A Share quota, the Fund could seek exposure to the component securities of the Underlying Index by investing in depositary receipts. The Fund may, in some cases, also invest in Hong Kong listed versions of the component securities and B Shares issued by the same companies that issue A Shares in the Underlying Index. The Fund may also use derivatives or invest in ETFs that provide comparable exposures. Investments in derivatives, including swap contracts and index futures in particular, may pose risks in addition to those associated with investing directly in securities or other investments, including illiquidity of the derivatives, imperfect correlations with underlying investments, lack of availability and counterparty risk. The use of swap agreements entails certain risks, which may be different from, and possibly greater than, the risks associated with investing directly in the underlying asset. The Fund, may be concentrated in the financial services sector. Those companies may be adversely impacted by many factors, including, government regulations, economic conditions, credit rating downgrades, changes in interest rates, and decreased liquidity in credit markets. This sector has experienced significant losses in the recent past, and the impact of more stringent capital requirements and of recent or future regulation on any individual financial company or on the sector as a whole cannot be predicted.



KraneShares™

The BLOOMBERG PROFESSIONAL service, BLOOMBERG Data and BLOOMBERG Order Management Systems (the 'Services') are owned and distributed locally by Bloomberg Finance L.P. ('BFLP') and its subsidiaries in all jurisdictions other than Argentina, Bermuda, China, India, Japan and Korea (the 'BLP Countries'). BFLP is a wholly-owned subsidiary of Bloomberg L.P. ('BLP'). BLP provides BFLP with all global marketing and operational support and service for the Services and distributes the Services either directly or through a non-BFLP subsidiary in the BLP Countries. The Services include electronic trading and order-routing services, which are available only to sophisticated institutional investors and only where necessary legal clearances have been obtained. BFLP, BLP and their affiliates do not provide investment advice or guarantee the accuracy of prices or information in the Services. Nothing on the Services shall constitute an offering of financial instruments by BFLP, BLP or their affiliates. BLOOMBERG, BLOOMBERG PROFESSIONAL, BLOOMBERG MARKET, BLOOMBERG NEWS, BLOOMBERG ANYWHERE, BLOOMBERG TRADEBOOK, BLOOMBERG BONDTRADER, BLOOMBERG TELEVISION, BLOOMBERG RADIO, BLOOMBERG PRESS and BLOOMBERG.COM are trademarks and service marks of BFLP, a Delaware limited partnership, or its subsidiaries.



KraneShares™

Thank You!

For Further Information Please Call

(646) 218-9852

Or Email

brendan.ahern@kraneshares.com