

KRANESHARES TRUST

Supplement dated June 9, 2014 to the Annual Report to Shareholders dated March 31, 2014 (the “Annual Report”)

This Supplement provides new and additional information beyond that contained in the Annual Report and should be read in conjunction with the Annual Report.

On page 3 of the Management Discussion of Fund Performance (unaudited) for the KraneShares CSI China Internet ETF, the reference to the “KraneShares CSI China Five Year Plan ETF” included in the performance graph immediately preceding the Average Annual Total Return table is hereby replaced with “KraneShares CSI China Internet ETF.”

Please retain this Supplement for future reference.



KroneShares

KroneShares Trust

KroneShares Boserá MSCI China A Share ETF
KroneShares CSI China Five Year Plan ETF
KroneShares CSI China Internet ETF

Annual Report

March 31, 2014



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The Funds file their complete schedules of Fund holdings with the Securities and Exchange Commission (the "Commission") for the first and third quarters of each fiscal year on Form N-Q within sixty days after the end of the period. The Funds' Forms N-Q are available on the Commission's website at <http://www.sec.gov>, and may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that KraneShares Trust use to determine how to vote proxies relating to Fund securities, as well as information relating to how the Funds voted proxies relating to Fund securities during the most recent 12-month period ended June 30, will be available (i) without charge, upon request, by calling 1-855-8KRANE8; and (ii) on the Commission's website at <http://www.sec.gov>.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE (unaudited)
KraneShares Bosera MSCI China A Share ETF

KraneShares Bosera MSCI China A ETF

The KraneShares Bosera MSCI China A Share ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond to the price and yield performance of the MSCI China A Index (the “Underlying Index”).

The Underlying Index is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of large-cap and mid-cap Chinese securities (“A Shares”).

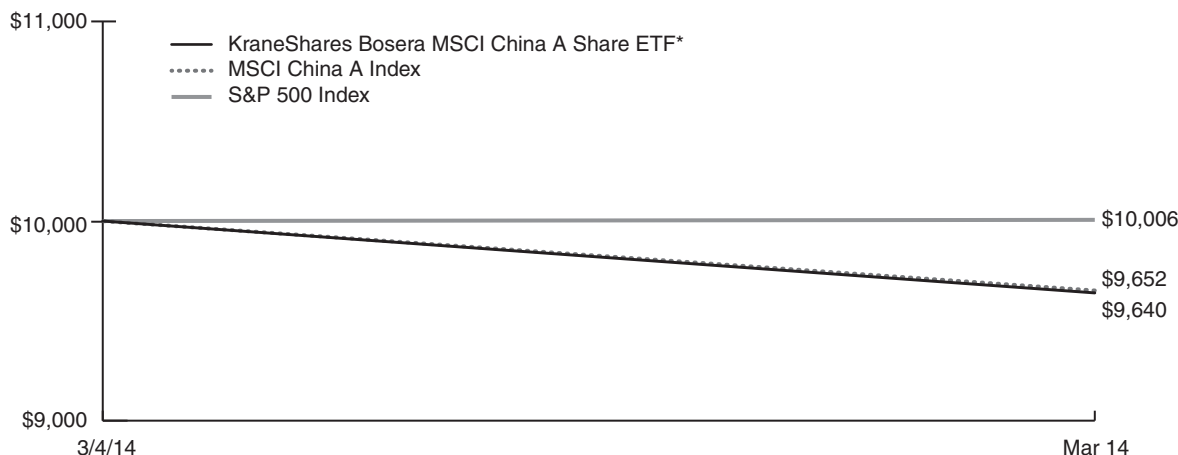
The S&P 500 Index is a market capitalization weighted composite index of 500 large capitalization U.S. companies.

By the fund’s fiscal year end on March 31, 2014 (the “reporting period”), the Fund decreased 3.60%, while the Index decreased 3.48%. The Fund had a net asset value of \$30.00 per share upon commencement of operation on March 4, 2014, and ended the reporting period with a net asset value of \$28.92 on March 31, 2014.

During the reporting period, the highest returns came from Risesun Real Estate Development and China Fortune Land Development, which returned 44.00% and 36.00%, respectively. The worst performers were Neusoft and Zhefu Holdings Group, which returned -19.69% and -16.51%, respectively.

Growth of a \$10,000 Investment‡

(at Net Asset Value)‡



AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED MARCH 31, 2014

| | Cumulative Inception to Date | |
|---|------------------------------|--------------|
| | Net Asset Value | Market Price |
| KraneShares Bosera MSCI China A Share ETF | (3.60)% | (2.77)%‡ |
| MSCI China A Index | (3.48)%‡ | (3.48)%‡ |
| S&P 500 Index | 0.06%‡ | 0.06%‡ |

* The Fund commenced operations on March 4, 2014.

‡ Unaudited.

The performance data quoted herein represents past performance and the return and value of an investment in the Fund will fluctuate so that, when redeemed, may be worth less than its original cost. Past performance is no guarantee of future performance and should not be considered as a representation of the future results of the Fund. The Fund’s performance assumes the reinvestment of all dividends and all capital gains. Index returns assume reinvestment of dividends and, unlike a Fund’s returns, do not reflect any fees or expenses. If such fees and expenses were included in the index returns, the performance would have been lower. Please note that one cannot invest directly in an unmanaged index.

There are no assurances that the Fund will meet its stated objectives.

The Fund’s holdings and allocations are subject to change and should not be considered recommendations to buy individual securities.

Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

See definition of comparative indices above.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE (unaudited)
KranesShares CSI China Five Year Plan ETF

KraneShares CSI China Five Year Plan ETF

The KraneShares CSI China Five Year Plan ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the CSI Overseas China Five-Year Plan Index.

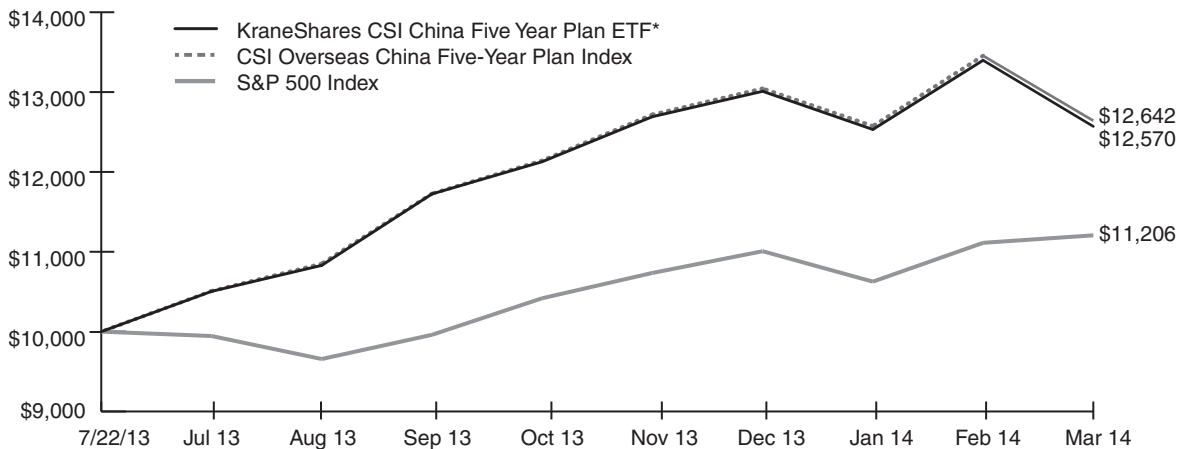
The Underlying Index is designed to measure the performance of the investable universe of publicly traded China-based companies whose primary business or businesses the index sponsor, China Securities Index Co., Ltd (“CSI”), has determined will be important in the Five-Year Plan.

The S&P 500 Index is a market capitalization weighted composite index of 500 large capitalization U.S. companies.

By the fund’s fiscal year end on March 31, 2014 (the “reporting period”), the Fund increased 25.70%, while the Index increased 26.42%. The Fund had a net asset value of \$50.00 per share upon commencement of operation on July 22, 2013, and ended the reporting period with a net asset value of \$62.85 on March 31, 2014.

During the reporting period, the highest returns came from Vipshop Holdings and Kandi Technologies Group, which returned 281.06% and 234.01%, respectively. The worst performers were Prince Frog International Holdings and Anxin-China Holdings, which returned -54.20% and -42.56%, respectively.

Growth of a \$10,000 Investment‡
(at Net Asset Value)‡



AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED MARCH 31, 2014

| | Cumulative Inception to Date | |
|--|------------------------------|--------------|
| | Net Asset Value | Market Price |
| KraneShares CSI China Five Year Plan ETF | 25.70% | 26.24%‡ |
| CSI Overseas China Five-Year Plan Index | 26.42%‡ | 26.42%‡ |
| S&P 500 Index | 12.06%‡ | 12.06%‡ |

* The Fund commenced operations on July 22, 2013.

‡ Unaudited.

The performance data quoted herein represents past performance and the return and value of an investment in the Fund will fluctuate so that, when redeemed, may be worth less than its original cost. Past performance is no guarantee of future performance and should not be considered as a representation of the future results of the Fund. The Fund’s performance assumes the reinvestment of all dividends and all capital gains. Index returns assume reinvestment of dividends and, unlike a Fund’s returns, do not reflect any fees or expenses. If such fees and expenses were included in the index returns, the performance would have been lower. Please note that one cannot invest directly in an unmanaged index.

There are no assurances that the Fund will meet its stated objectives.

The Fund’s holdings and allocations are subject to change and should not be considered recommendations to buy individual securities.

Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

See definition of comparative indices above.



MANAGEMENT DISCUSSION OF FUND PERFORMANCE (unaudited)
KraneShares CSI China Internet ETF

KraneShares CSI China Internet ETF

The KraneShares CSI China Internet ETF (the “Fund”) seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the CSI Overseas China Internet Index.

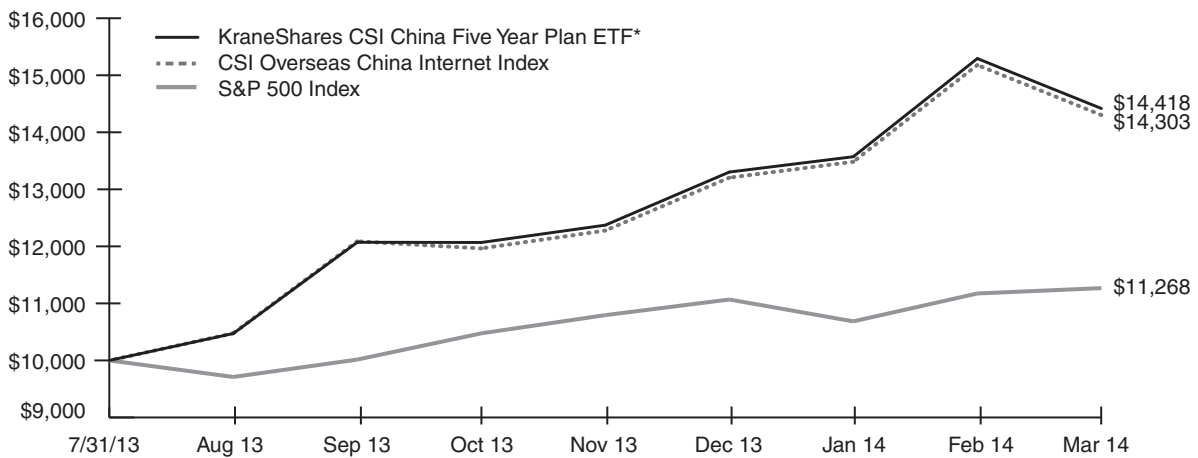
The Underlying Index is designed to measure the performance of the investable universe of publicly traded China-based companies whose primary business or businesses are in the Internet and Internet-related sectors (“China Internet Companies”), as defined by the index sponsor, China Securities Index Co., Ltd. (“CSI”).

The S&P 500 Index is a market capitalization weighted composite index of 500 large capitalization U.S. companies.

By the fund’s fiscal year end on March 31, 2014 (the “reporting period”), the Fund increased 44.18%, while the Index increased 43.03%. The Fund had a net asset value of \$25.00 per share commencement of operation on July 31, 2013, and ended the reporting period with a net asset value of \$35.93 on March 31, 2014.

During the reporting period, the highest returns came from Vipshop Holdings and 21Vianet Group, which returned 234.15% and 117.26%, respectively. The worst performers were SINA and Renren, which returned -18.01% and -17.84%, respectively.

Growth of a \$10,000 Investment‡
(at Net Asset Value)‡



AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED MARCH 31, 2014

| | Cumulative Inception to Date | |
|--|------------------------------|--------------|
| | Net Asset Value | Market Price |
| KraneShares CSI China Internet ETF | 44.18% | 44.46%‡ |
| CSI Overseas China Internet Index | 43.03%‡ | 43.03%‡ |
| S&P 500 Index | 12.68%‡ | 12.68%‡ |

* The Fund commenced operations on July 31, 2013.

‡ Unaudited.

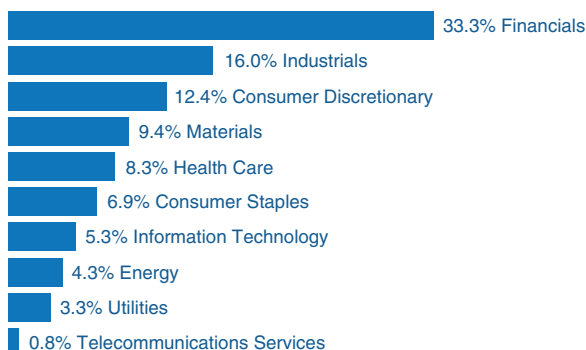
The performance data quoted herein represents past performance and the return and value of an investment in the Fund will fluctuate so that, when redeemed, may be worth less than its original cost. Past performance is no guarantee of future performance and should not be considered as a representation of the future results of the Fund. The Fund’s performance assumes the reinvestment of all dividends and all capital gains. Index returns assume reinvestment of dividends and, unlike a Fund’s returns, do not reflect any fees or expenses. If such fees and expenses were included in the index returns, the performance would have been lower. Please note that one cannot invest directly in an unmanaged index.

There are no assurances that the Fund will meet its stated objectives.

The Fund’s holdings and allocations are subject to change and should not be considered recommendations to buy individual securities.

Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

See definition of comparative indices above.

KraneShares Bosera MSCI China A Share ETF
SECTOR WEIGHTINGS†: (Unaudited)


† Percentages are based on total investments. More narrow industries are utilized for compliance purposes, whereas broad sectors are utilized for reporting purposes.

| | Shares | Value |
|--|--------|-----------|
| COMMON STOCK — 99.5% | | |
| CHINA — 99.5% | | |
| Consumer Discretionary — 12.4% | | |
| Anhui Jianghuai Automobile, CI A* | 12,600 | \$ 20,669 |
| Anhui Zhongding Sealing Parts, CI A | 7,300 | 9,545 |
| Beijing Gehua CATV Network, CI A | 8,800 | 11,478 |
| Beijing Wangfujing Department Store Group, CI A* | 3,500 | 9,575 |
| Beiqi Foton Motor, CI A | 19,000 | 16,073 |
| BesTV New Media, CI A | 6,700 | 34,567 |
| Byd, CI A* | 5,900 | 45,650 |
| Chengdu B-Ray Media, CI A | 9,920 | 17,501 |
| China CYTS Tours Holding, CI A | 5,000 | 14,860 |
| China International Travel Service, CI A | 3,700 | 19,785 |
| China South Publishing & Media Group, CI A | 6,800 | 14,140 |
| Chongqing Changan Automobile, CI A | 25,500 | 39,246 |
| Chongqing Department Store, CI A* | 1,800 | 6,172 |
| Chongqing Zongshen Power Machinery, CI A | 9,500 | 7,868 |
| CITIC Guoan Information Industry, CI A* | 14,200 | 15,255 |
| Dashang Group, CI A | 3,500 | 14,989 |
| DongFeng Automobile, CI A* | 12,000 | 5,847 |
| Elec-Tech International, CI A* | 7,900 | 10,202 |
| FAW CAR, CI A* | 12,200 | 19,817 |
| Fujian Septwolves Industry, CI A | 6,300 | 7,812 |
| Fuyao Glass Industry Group, CI A* | 19,600 | 26,036 |
| GoerTek, CI A* | 9,200 | 37,877 |
| Great Wall Motor, CI A* | 6,000 | 31,332 |
| Gree Electric Appliances, CI A | 34,000 | 153,104 |
| Guangdong Advertising, CI A* | 3,800 | 19,556 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|---------|-----------|
| COMMON STOCK — continued | | |
| Consumer Discretionary — continued | | |
| Guangdong Alpha Animation and Culture, CI A | 2,800 | \$ 13,667 |
| Guangdong Yihua Timber Industry, CI A | 16,900 | 13,698 |
| Haining China Leather Market, CI A | 5,100 | 10,917 |
| Hisense Electric, CI A | 10,800 | 19,558 |
| Huawen Media Investment Group, CI A ^{*(A)(B)} | 12,300 | 26,230 |
| Huayu Automotive Systems, CI A* | 15,600 | 24,085 |
| Hunan TV & Broadcast Intermediary, CI A | 10,700 | 23,145 |
| Jiangling Motors, CI A* | 2,300 | 8,696 |
| Jiangsu Phoenix Publishing & Media, CI A | 9,600 | 13,741 |
| Jishi Media, CI A* | 8,800 | 17,252 |
| Liaoning Cheng Da, CI A* | 18,500 | 41,237 |
| Luthai Textile* | 6,800 | 9,930 |
| Midea Group, CI A* | 10,200 | 73,949 |
| Pang Da Automobile Trade, CI A* | 11,800 | 9,868 |
| Qingdao Haier, CI A | 22,300 | 58,243 |
| SAIC Motor, CI A* | 33,200 | 73,950 |
| Shanghai Jahwa United, CI A* | 6,600 | 35,781 |
| Shanghai Oriental Pearl Group, CI A | 19,200 | 35,016 |
| Shanghai Yuyuan Tourist Mart, CI A* | 15,100 | 18,043 |
| Shenzhen Grandland Decoration Group, CI A | 2,700 | 6,652 |
| Shenzhen MTC, CI A | 4,800 | 8,553 |
| Shenzhen Overseas Chinese Town, CI A* | 43,800 | 32,473 |
| Sichuan Changhong Electric, CI A | 55,600 | 30,670 |
| Suning Commerce Group, CI A | 55,600 | 62,772 |
| TCL, CI A | 108,700 | 44,228 |
| Wanxiang Qianchao, CI A* | 12,000 | 18,469 |
| Weifu High-Technology Group, CI A | 8,300 | 30,568 |
| Yintai Resources, CI A | 5,700 | 7,490 |
| Youngor Group, CI A* | 21,800 | 24,892 |
| Zhejiang Yasha Decoration, CI A | 3,800 | 14,924 |
| | | 1,417,653 |
| Consumer Staples — 6.8% | | |
| Anhui Golden Seed Winery, CI A* | 5,900 | 7,553 |
| Beijing Dabeinong Technology Group, CI A | 10,900 | 21,316 |
| Beijing Shunxin Agriculture, CI A | 3,300 | 7,812 |
| Beijing Yanjing Brewery, CI A* | 19,000 | 20,626 |
| Beingmate Baby & Child Food, CI A | 3,400 | 14,430 |
| Bright Dairy & Food, CI A* | 8,300 | 22,372 |
| Chongqing Brewery, CI A | 2,900 | 6,753 |
| Chuying Agro-pastora Group, CI A* | 5,700 | 7,682 |
| Fujian Sunner Development, CI A | 4,800 | 6,747 |
| Gansu Yasheng Industrial Group A, CI A | 19,000 | 21,298 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|---|--------|----------|
| COMMON STOCK — continued | | |
| Consumer Staples — continued | | |
| Guangdong Haid Group, CI A | 4,000 | \$ 6,208 |
| Hebei Chengde Lolo, CI A* | 3,300 | 11,198 |
| Heilongjiang Agriculture, CI A | 10,700 | 11,994 |
| Henan Shuanghui Investment & Development, CI A* | 8,300 | 52,446 |
| Inner Mongolia Yili Industrial Group, CI A | 21,500 | 123,889 |
| Jiangsu Yanghe Brewery Joint-Stock, CI A | 3,300 | 26,106 |
| Jointown Pharmaceutical Group, CI A ^{*(A)(B)} | 5,300 | 13,638 |
| Kweichow Moutai, CI A* | 5,500 | 136,837 |
| Luzhou Laojiao, CI A | 10,500 | 28,926 |
| MeiHua Holdings Group, CI A* | 9,400 | 7,755 |
| New Hope Liuhe, CI A | 7,800 | 14,689 |
| Shandong Denghai Seeds, CI A | 2,100 | 9,308 |
| Shanghai Friendship Group, CI A | 11,600 | 19,066 |
| Shanxi Xinghuacun Fen Wine Factory, CI A* | 3,900 | 9,653 |
| Shenzhen Agricultural Products, CI A | 14,100 | 20,386 |
| Sichuan Swellfun, CI A | 4,400 | 5,802 |
| Tsingtao Brewery, CI A* | 4,200 | 25,809 |
| V V Food & Beverage, CI A* | 11,300 | 7,942 |
| Wuliangye Yibin, CI A | 25,700 | 68,900 |
| Yantai Changyu Pioneer Wine, CI A | 1,700 | 6,873 |
| Yonghui Superstores, CI A* | 8,600 | 17,039 |
| Yuan Longping High-tech Agriculture, CI A* | 4,700 | 17,309 |
| Zhangzidao Group, CI A | 3,700 | 7,266 |
| Zhejiang Guyuelongshan Shaoxing Wine, CI A* | 5,700 | 7,664 |
| | | 793,292 |
| Energy — 4.3% | | |
| Anhui Hengyuan Coal-Electricity Group, CI A | 6,800 | 5,916 |
| Beijing Haohua Energy Resource, CI A | 5,400 | 5,028 |
| China Coal Energy, CI A | 27,600 | 19,575 |
| China Merchants Energy Shipping, CI A | 24,900 | 9,411 |
| China Oilfield Services, CI A* | 8,900 | 24,662 |
| China Petroleum & Chemical, CI A* | 68,500 | 55,413 |
| China Shenhua Energy, CI A* | 27,300 | 60,720 |
| Datong Coal Industry, CI A | 10,100 | 6,968 |
| Guanghui Energy, CI A | 43,200 | 50,926 |
| Guizhou Panjiang Refined Coal, CI A | 6,200 | 5,634 |
| Henan Shenhua Coal & Power, CI A* | 14,300 | 8,670 |
| Huolinhe Opencut Coal Industry of Inner Mongolia, CI A* | 5,000 | 5,227 |
| Jizhong Energy Resources, CI A | 10,400 | 10,554 |
| Offshore Oil Engineering, CI A* | 26,600 | 32,726 |
| PetroChina, CI A* | 48,700 | 59,524 |
| Pingdingshan Tianan Coal Mining, CI A | 14,200 | 9,043 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|---------|----------|
| COMMON STOCK — continued | | |
| Energy — continued | | |
| SDIC Xinji Energy, CI A* | 9,700 | \$ 4,820 |
| Shanghai Datun Energy Resources, CI A | 4,400 | 5,704 |
| Shanxi Lanhua Sci-Tech Venture, CI A | 9,500 | 12,666 |
| Shanxi Lu'an Environmental Energy Development, CI A | 12,100 | 15,295 |
| Shanxi Xishan Coal & Electricity Power, CI A* | 21,300 | 17,881 |
| Wintime Energy, CI A | 10,600 | 7,126 |
| Wuhan Kaidi Electric Power, CI A | 9,200 | 9,395 |
| Yang Quan Coal Industry Group, CI A | 16,300 | 15,335 |
| Yantai Jereh Oilfield Services Group, CI A* | 3,900 | 37,758 |
| | | 495,977 |
| Financials — 33.1% | | |
| Agricultural Bank of China, CI A* | 354,100 | 137,813 |
| Avic Capital, CI A | 10,300 | 25,013 |
| Bank of Beijing, CI A | 72,800 | 88,863 |
| Bank of China, CI A* | 88,300 | 36,780 |
| Bank of Communications, CI A | 265,800 | 161,583 |
| Bank of Nanjing, CI A | 26,800 | 33,403 |
| Bank of Ningbo, CI A | 17,400 | 24,793 |
| Beijing Capital Development, CI A* | 15,200 | 11,978 |
| Beijing Huaye Realestate, CI A* | 12,900 | 9,481 |
| Beijing North Star, CI A* | 20,000 | 8,717 |
| Beijing Urban Construction Investment & Development, CI A* | 6,700 | 10,473 |
| Bohai Leasing, CI A* | 6,700 | 8,835 |
| Changjiang Securities, CI A | 19,600 | 25,816 |
| China CITIC Bank, CI A* | 38,400 | 28,593 |
| China Construction Bank, CI A | 144,400 | 92,892 |
| China Enterprise* | 15,200 | 15,669 |
| China Everbright Bank, CI A | 213,000 | 84,953 |
| China Fortune Land Development, CI A | 6,000 | 26,864 |
| China Life Insurance, CI A* | 21,900 | 47,301 |
| China Merchants Bank, CI A* | 201,800 | 318,700 |
| China Merchants Property Development, CI A* | 10,400 | 31,545 |
| China Merchants Securities, CI A | 17,500 | 28,510 |
| China Minsheng Banking, CI A* | 255,000 | 314,136 |
| China Pacific Insurance Group, CI A* | 37,800 | 96,050 |
| China Vanke, CI A* | 124,100 | 161,462 |
| CITIC Securities, CI A* | 103,600 | 175,443 |
| COFCO Property Group, CI A | 13,700 | 7,667 |
| Everbright Securities, CI A* | 12,900 | 16,120 |
| Financial Street Holdings, CI A* | 34,200 | 27,776 |
| Founder Securities, CI A | 32,100 | 27,877 |
| Gemdale, CI A | 60,600 | 67,442 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Boserá MSCI China A Share ETF

| | Shares | Value |
|---|---------|-----------|
| COMMON STOCK — continued | | |
| Financials — continued | | |
| GF Securities, CI A | 26,700 | \$ 42,425 |
| Guoyuan Securities, CI A* | 10,300 | 14,312 |
| Haitong Securities, CI A* | 91,300 | 135,672 |
| Hangzhou Binjiang Real Estate Group, CI A | 5,100 | 5,454 |
| Huafa Industrial Zhuhai, CI A | 9,200 | 10,298 |
| Huatai Securities, CI A | 29,500 | 35,962 |
| Huaxia Bank, CI A | 40,200 | 54,566 |
| Industrial & Commercial Bank of China, CI A* | 238,200 | 132,163 |
| Industrial Bank, CI A* | 143,400 | 219,551 |
| Industrial Securities, CI A | 19,600 | 27,361 |
| Jinke Properties Group, CI A | 4,400 | 6,078 |
| Nanjing Gaoke, CI A* | 5,000 | 7,985 |
| New China Life Insurance, CI A* | 6,300 | 20,446 |
| Northeast Securities, CI A* | 5,900 | 14,992 |
| Oceanwide Real Estate Group, CI A* | 17,100 | 15,070 |
| Pacific Securities, CI A | 11,200 | 11,276 |
| Ping An Bank, CI A* | 57,300 | 99,248 |
| Ping An Insurance Group of China, CI A* | 43,200 | 260,951 |
| Poly Real Estate Group, CI A* | 59,100 | 72,330 |
| RiseSun Real Estate Development, CI A* | 8,500 | 16,882 |
| Sealand Securities, CI A* | 8,800 | 13,813 |
| Shaanxi International Trust, CI A* | 7,300 | 8,324 |
| Shanghai AJ, CI A* | 10,800 | 17,647 |
| Shanghai Chengtou Holding, CI A* | 20,200 | 22,903 |
| Shanghai Industrial Development, CI A | 5,700 | 6,618 |
| Shanghai Lujiazui Finance & Trade Zone Development, CI A* | 4,100 | 10,748 |
| Shanghai Pudong Development Bank, CI A* | 154,400 | 241,359 |
| Shanghai Shimao, CI A* | 4,400 | 6,086 |
| Shanghai Zhangjiang High-Tech Park Development, CI A | 11,700 | 12,852 |
| Shanxi Securities, CI A | 9,500 | 9,839 |
| Shenzhen Zhenye Group, CI A* | 10,200 | 8,842 |
| Sinolink Securities, CI A* | 4,900 | 14,673 |
| SooChow Securities, CI A* | 13,500 | 15,523 |
| Southwest Securities, CI A* | 12,700 | 17,095 |
| Suning Universal, CI A | 10,800 | 7,451 |
| Sunshine City Group, CI A | 8,600 | 13,070 |
| Western Securities, CI A | 3,600 | 6,461 |
| Xinhu Zhongbao, CI A | 28,300 | 13,472 |
| Zhejiang China Commodities City Group, CI A | 16,400 | 14,559 |
| Zhongtian Urban Development Group, CI A | 9,700 | 8,362 |
| | | 3,825,267 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|--------|-----------|
| COMMON STOCK — continued | | |
| Health Care — 8.2% | | |
| Beijing SL Pharmaceutical, CI A | 3,800 | \$ 23,773 |
| Beijing Tiantan Biological Products, CI A* | 3,500 | 10,408 |
| Beijing Tongrentang, CI A* | 8,900 | 24,834 |
| Changchun High & New Technology Industries, CI A* | 1,500 | 23,231 |
| China National Accord Medicines, CI A | 1,800 | 12,737 |
| China National Medicines, CI A* | 4,300 | 14,100 |
| China Resources Double Crane Pharmaceutical, CI A* | 4,700 | 14,573 |
| China Resources Sanjiu Medical & Pharmaceutical, CI A* | 5,900 | 20,400 |
| Guangxi Wuzhou Zhongheng Group, CI A* | 13,100 | 27,030 |
| Guangzhou Baiyunshan Pharmaceutical Holdings, CI A* | 8,100 | 33,518 |
| Guizhou Yibai Pharmaceutical, CI A | 3,900 | 25,684 |
| Harbin Pharmaceutical Group, CI A | 13,000 | 12,001 |
| Huadong Medicine, CI A* | 2,900 | 20,978 |
| Hualan Biological Engineering, CI A* | 4,400 | 18,306 |
| Huapont-Nutrichem, CI A | 3,900 | 10,619 |
| Humanwell Healthcare Group, CI A* | 6,000 | 26,497 |
| Jiangsu Hengrui Medicine, CI A | 9,200 | 49,536 |
| Jiangsu Kanion Pharmaceutical, CI A* | 4,100 | 20,104 |
| Jiangzhong Pharmaceutical, CI A* | 2,800 | 7,403 |
| Jilin Aodong Medicine Industry Groups, CI A | 10,100 | 25,128 |
| Joincare Pharmaceutical Group Industry, CI A* | 8,100 | 7,191 |
| Kangmei Pharmaceutical, CI A* | 21,500 | 56,015 |
| Livzon Pharmaceutical Group, CI A* | 1,500 | 10,556 |
| North China Pharmaceutical, CI A | 11,400 | 9,204 |
| Searainbow Holding, CI A* | 10,100 | 33,786 |
| Shandong Dong-E E-Jiao-A, CI E* | 7,900 | 43,324 |
| Shanghai Fosun Pharmaceutical Group, CI A* | 15,800 | 50,896 |
| Shanghai Kehua Bio-Engineering, CI A* | 5,900 | 21,150 |
| Shanghai Pharmaceuticals Holding, CI A* | 11,600 | 24,663 |
| Shenzhen Salubris Pharmaceuticals, CI A* | 2,500 | 11,740 |
| Shijiazhuang Yiling Pharmaceutical, CI A | 1,700 | 8,620 |
| Sichuan Kelun Pharmaceutical, CI A | 2,900 | 18,795 |
| Tasly Pharmaceutical Group, CI A* | 8,500 | 53,299 |
| Tianjin ZhongXin Pharmaceutical Group, CI A* | 3,200 | 6,140 |
| Tonghua Dongbao Pharmaceutical, CI A* | 9,100 | 18,762 |
| Xizang Haisco Pharmaceutical Group, CI A* | 3,300 | 9,962 |
| Yunnan Baiyao Group, CI A* | 5,200 | 70,248 |
| Zhangzhou Pientzehuang Pharmaceutical, CI A | 800 | 9,648 |
| Zhejiang Hisun Pharmaceutical, CI A | 6,300 | 14,509 |
| Zhejiang Huahai Pharmaceutical, CI A* | 6,500 | 12,481 |
| Zhejiang Medicine, CI A* | 7,000 | 11,213 |
| Zhejiang NHU, CI A* | 4,900 | 15,178 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|---------|----------------|
| COMMON STOCK — continued | | |
| Health Care — continued | | |
| Zhongyuan Union Stem Cell Bioengineering, CI A* | 3,700 | \$ 14,293 |
| | | <u>952,533</u> |
| Industrials — 16.0% | | |
| Air China, CI A* | 25,700 | 14,218 |
| AVIC Aircraft, CI A* | 18,000 | 24,345 |
| Avic Heavy Machinery, CI A | 5,900 | 11,880 |
| Beijing New Building Material, CI A* | 3,900 | 9,578 |
| Beijing Orient Landscape, CI A | 3,000 | 11,097 |
| China Aerospace Times Electronics, CI A* | 11,700 | 18,929 |
| China Avic Electronics, CI A* | 5,300 | 15,999 |
| China Baoan Group, CI A | 16,000 | 27,121 |
| China CAMC Engineering, CI A | 2,900 | 8,474 |
| China CNR, CI A* | 54,400 | 40,594 |
| China Communications Construction, CI A* | 17,700 | 10,703 |
| China CSSC Holdings, CI A | 6,200 | 18,446 |
| China Eastern Airlines, CI A* | 25,500 | 10,048 |
| China First Heavy Industries, CI A | 34,400 | 10,954 |
| China Gezhouba Group, CI A* | 28,900 | 17,987 |
| China International Marine Containers Group, CI A* | 12,100 | 28,586 |
| China National Chemical Engineering, CI A | 18,600 | 18,606 |
| China Railway Construction, CI A* | 38,600 | 26,073 |
| China Railway Erju, CI A* | 11,000 | 8,722 |
| China Railway Group, CI A* | 77,200 | 31,039 |
| China Railway Tielong Container Logistics, CI A | 13,800 | 11,407 |
| China Shipbuilding Industry, CI A | 65,800 | 49,525 |
| China Shipping Container Lines, CI A* | 35,800 | 12,321 |
| China Shipping Development, CI A | 9,500 | 6,081 |
| China Southern Airlines, CI A* | 37,000 | 14,995 |
| China Spacesat, CI A* | 8,000 | 21,126 |
| China State Construction Engineering, CI A | 180,600 | 84,520 |
| China XD Electric, CI A* | 19,300 | 11,608 |
| China-Kinwa High Technology, CI A* | 13,900 | 11,289 |
| CMST Development, CI A* | 7,000 | 15,277 |
| COSCO Shipping, CI A | 12,700 | 6,474 |
| CPT Technology Group, CI A | 2,100 | 7,464 |
| CSR, CI A* | 53,200 | 38,587 |
| CSSC Steel Structure Engineering, CI A* | 4,300 | 4,696 |
| Daqin Railway, CI A | 78,300 | 84,118 |
| Dazhong Transportation Group, CI A* | 11,000 | 11,163 |
| Dongfang Electric, CI A* | 10,000 | 20,103 |
| East China Engineering Science and Technology, CI A* | 2,400 | 6,542 |
| Fangda Carbon New Material, CI A* | 11,600 | 13,824 |

The accompanying notes are an integral part of the financial statements.

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|---------------|--------------|
| COMMON STOCK — continued | | |
| Industrials — continued | | |
| Fujian Expressway Development, CI A | 20,700 | \$ 6,924 |
| Fujian Longking, CI A | 4,800 | 22,279 |
| Gem-Year Industrial, CI A* | 4,800 | 6,122 |
| Guangshen Railway, CI A* | 42,500 | 17,976 |
| Guangxi Liugong Machinery, CI A* | 11,000 | 10,331 |
| Guangzhou Baiyun International Airport, CI A | 6,900 | 7,779 |
| Guangzhou Shipyard International, CI A* | 3,300 | 8,752 |
| Hafei Aviation Industry, CI A* | 2,200 | 9,047 |
| Hainan Airlines, CI A | 62,200 | 18,206 |
| Han's Laser Technology, CI A | 11,000 | 23,422 |
| Henan Pinggao Electric, CI A* | 9,200 | 18,702 |
| Jiangsu Yueda Investment, CI A* | 9,600 | 15,625 |
| Jiangsu Zhongnan Construction Group, CI A | 5,300 | 6,529 |
| Jiangsu Zhongtian Technologies, CI A* | 8,500 | 15,884 |
| Jiangsu Zongyi, CI A | 10,000 | 14,715 |
| Jiangxi Ganyue Expressway, CI A* | 17,600 | 7,982 |
| Jiangxi Hongdu Aviation Industry, CI A* | 5,400 | 13,713 |
| Jihua Group, CI A | 17,400 | 7,303 |
| Keda Industrial, CI A* | 7,000 | 22,493 |
| Mesnac, CI A* | 8,400 | 11,375 |
| Metallurgical, CI A* | 61,100 | 16,508 |
| Minmetals Development, CI A* | 6,500 | 11,656 |
| NARI Technology Development, CI A* | 19,900 | 45,189 |
| Ningbo Port, CI A | 38,500 | 14,241 |
| Ningbo Yunsheng Group, CI A | 5,000 | 11,877 |
| North Navigation Control Technology, CI A | 5,600 | 10,753 |
| Orient Group, CI A* | 18,800 | 17,838 |
| Palm Landscape Architecture, CI A* | 2,800 | 7,237 |
| Power Construction Corp of China, CI A | 50,600 | 22,297 |
| Rizhao Port, CI A* | 18,500 | 7,319 |
| Sany Heavy Industry, CI A | 45,900 | 41,043 |
| Shanghai International Airport, CI A* | 14,500 | 29,313 |
| Shanghai International Port Group, CI A* | 30,800 | 23,529 |
| Shanghai Mechanical and Electrical Industry, CI A* | 5,500 | 17,018 |
| Shanghai Tunnel Engineering, CI A | 7,800 | 12,519 |
| Shanghai Zhenhua Heavy Industries, CI A* | 22,900 | 12,411 |
| Shanghai Zhixin Electric, CI A* | 5,200 | 15,020 |
| Shanxi Coal International Energy Group, CI A | 10,400 | 6,272 |
| Shenzhen Airport, CI A | 10,200 | 6,299 |
| Shenzhen Hifuture Electric, CI A | 5,100 | 5,938 |
| Shenzhen Yantian Port Holding, CI A | 10,200 | 9,268 |
| Shuangliang Eco-Energy Systems, CI A* | 4,900 | 8,794 |

The accompanying notes are an integral part of the financial statements.

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|---|--------|-----------|
| COMMON STOCK — continued | | |
| Industrials — continued | | |
| Sieyuan Electric, CI A* | 4,000 | \$ 9,463 |
| Sinochem International, CI A | 9,400 | 10,189 |
| Sinoma International Engineering, CI A | 6,600 | 7,749 |
| Sinotrans Air Transportation Development, CI A* | 4,800 | 8,607 |
| Suzhou Gold Mantis Construction Decoration, CI A | 8,000 | 23,184 |
| Taiyuan Heavy Industry, CI A* | 23,700 | 11,549 |
| TBEA, CI A* | 38,700 | 56,077 |
| Tian Di Science & Technology, CI A* | 6,400 | 9,202 |
| Tianjin Capital Environmental Protection Group, CI A* | 5,700 | 7,398 |
| Tianjin Port, CI A* | 11,300 | 15,683 |
| Tianjin Teda, CI A | 14,400 | 9,935 |
| Weichai Power, CI A* | 12,500 | 33,451 |
| XCMG Construction Machinery, CI A | 12,400 | 13,321 |
| Xi' An Aero-Engine, CI A* | 7,400 | 24,802 |
| Xiamen C & D, CI A | 18,500 | 19,131 |
| Xi'An Shaangu Power, CI A* | 7,400 | 8,045 |
| Xinjiang Goldwind Science & Technology, CI A* | 21,500 | 32,468 |
| XJ Electric, CI A* | 5,600 | 27,604 |
| Zhefu Holding Group, CI A | 10,800 | 11,898 |
| Zhejiang Dun'An Artificial Environment, CI A* | 5,100 | 6,717 |
| Zhengzhou Coal Mining Machinery Group, CI A* | 11,400 | 10,762 |
| Zhengzhou Yutong Bus, CI A* | 12,500 | 32,285 |
| Zoomlion Heavy Industry Science and Technology, CI A* | 56,700 | 44,408 |
| | | 1,845,945 |
| Information Technology — 5.3% | | |
| Aisino, CI A* | 7,600 | 23,785 |
| Anhui USTC iFlytek, CI A* | 4,200 | 30,396 |
| Beijing Shiji Information Technology, CI A | 1,400 | 9,306 |
| Beijing Zhongke Sanhuan High-Tech, CI A* | 9,600 | 20,148 |
| Beststone Holdings, CI A* | 2,800 | 7,574 |
| BOE Technology Group, CI A* | 82,500 | 29,853 |
| DHC Software, CI A* | 4,200 | 27,261 |
| Fiberhome Telecommunication Technologies, CI A | 6,500 | 13,809 |
| Glodon Software, CI A* | 2,400 | 14,046 |
| GRG Banking Equipment, CI A* | 4,500 | 12,824 |
| Guangzhou Haige Communications Group, CI A* | 5,500 | 16,656 |
| Hangzhou Hikvision Digital Technology, CI A | 15,100 | 42,376 |
| Hundsun Technologies, CI A ^{(A)(B)} | 7,000 | 24,170 |
| Inspur Electronic Information Industry, CI A* | 1,800 | 14,416 |
| Neusoft, CI A* | 10,200 | 20,144 |
| People.cn, CI A | 1,200 | 13,509 |
| Sanan Optoelectronics, CI A | 10,800 | 39,514 |

The accompanying notes are an integral part of the financial statements.

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|--|---------------|----------------|
| COMMON STOCK — continued | | |
| Information Technology — continued | | |
| Shanghai Aerospace Automobile Electromechanical, CI A | 7,500 | \$ 9,059 |
| Shengyi Technology, CI A* | 11,800 | 10,703 |
| Shenzhen Kaifa Technology, CI A* | 8,900 | 8,030 |
| Shenzhen Laibao Hi-tech, CI A* | 5,300 | 9,274 |
| Shenzhen O-film Tech, CI A* | 2,600 | 17,604 |
| Taiji Computer, CI A* | 1,800 | 9,113 |
| Tianjin Zhonghuan Semiconductor Joint-Stock, CI A* | 4,000 | 11,309 |
| Tsinghua Tongfang, CI A | 23,200 | 33,841 |
| Wuhan Guide Infrared, CI A* | 2,700 | 7,295 |
| YGSOFT, CI A ^{(A)(B)} | 4,200 | 14,387 |
| Yonyou Software, CI A* | 6,500 | 18,053 |
| Zhejiang Chint Electrics, CI A* | 3,800 | 14,966 |
| Zhejiang Dahua Technology, CI A* | 7,800 | 35,864 |
| ZTE, CI A | 27,500 | 55,902 |
| | | <u>615,187</u> |
| Materials — 9.4% | | |
| Advanced Technology & Materials, CI A* | 7,800 | 9,734 |
| Aluminum Corp of China, CI A* | 36,100 | 19,681 |
| Anhui Conch Cement, CI A* | 27,100 | 71,215 |
| Baoshan Iron & Steel, CI A* | 62,000 | 38,389 |
| BBMG, CI A* | 9,400 | 9,781 |
| Beijing Kangde Xin Composite Material, CI A | 9,200 | 29,384 |
| Chenzhou Mining Group, CI A* | 9,700 | 12,043 |
| China Hainan Rubber Industry Group, CI A | 11,800 | 12,753 |
| China Minmetals Rare Earth, CI A* | 6,600 | 18,044 |
| China Nonferrous Metal Industry's Foreign Engineering and Construction, CI A | 8,900 | 13,998 |
| CSG Holding* | 16,800 | 21,290 |
| Guangdong Guanhao High-Tech, CI A* | 8,100 | 12,636 |
| Hebei Iron & Steel, CI A | 55,900 | 17,351 |
| Henan Zhongfu Industry, CI A | 11,800 | 6,718 |
| Huaxin Cement, CI A* | 3,200 | 5,687 |
| Hubei Xingfa Chemicals Group, CI A | 3,900 | 7,025 |
| Hubei Yihua Chemical Industry, CI A | 10,100 | 8,414 |
| Inner Mongolia Baotou Steel Rare-Earth Hi-Tech, CI A* | 20,000 | 64,394 |
| Inner Mongolia Junzheng Energy & Chemical Industry, CI A | 5,800 | 10,223 |
| Inner Mongolian Baotou Steel Union, CI A* | 42,200 | 27,283 |
| Jiangxi Copper, CI A* | 12,500 | 24,908 |
| Jilin Ji En Nickel Industry, CI A | 4,900 | 7,999 |
| Jilin Yatai Group, CI A | 22,800 | 13,750 |
| Jinduicheng Molybdenum, CI A* | 12,100 | 11,929 |
| Kailuan Energy Chemical, CI A | 8,400 | 6,174 |

The accompanying notes are an integral part of the financial statements.

KraneShares Bosera MSCI China A Share ETF

| | Shares | Value |
|---|---------------|--------------|
| COMMON STOCK — continued | | |
| Materials — continued | | |
| Kingfa Sci & Tech, CI A | 23,800 | \$ 19,482 |
| Lianhe Chemical Technology, CI A | 4,000 | 11,856 |
| Luxi Chemical Group, CI A | 12,100 | 7,395 |
| Luxin Venture Capital Group, CI A | 3,400 | 8,317 |
| Maanshan Iron & Steel, CI A | 35,900 | 9,353 |
| North Huajin Chemical Industries, CI A* | 9,000 | 6,369 |
| Pangang Group Vanadium Titanium & Resources, CI A* | 51,700 | 16,047 |
| Pengxin International Mining, CI A* | 4,600 | 7,679 |
| Qinghai Salt Lake Industry, CI A* | 7,200 | 17,323 |
| Rising Nonferrous Metals Share, CI A* | 1,700 | 9,230 |
| Shandong Chenming Paper Holdings, CI A* | 12,600 | 9,058 |
| Shandong Gold Mining, CI A | 10,700 | 28,806 |
| Shandong Hualu Hengsheng Chemical, CI A* | 8,600 | 8,478 |
| Shandong Humon Smelting, CI A* | 2,400 | 5,230 |
| Shandong Iron and Steel, CI A* | 24,200 | 6,266 |
| Shandong Nanshan Aluminum, CI A* | 16,000 | 12,660 |
| Shanxi Taigang Stainless Steel, CI A | 30,000 | 11,435 |
| Shenzhen Zhongjin Lingnan Nonfemet, CI A* | 20,200 | 18,712 |
| Sinopec Shanghai Petrochemical, CI A* | 27,500 | 15,214 |
| Tangshan Jidong Cement, CI A | 8,100 | 11,672 |
| Tangshan Sanyou Chemical Industries, CI A* | 11,100 | 8,587 |
| Tongling Nonferrous Metals Group, CI A | 10,700 | 15,350 |
| Wanhua Chemical Group, CI A | 16,300 | 45,796 |
| Western Mining, CI A* | 23,300 | 19,335 |
| Wuhan Iron & Steel, CI A | 53,200 | 17,539 |
| Xiamen Tungsten, CI A | 4,100 | 15,469 |
| Xinjiang Tianshan Cement, CI A* | 8,600 | 7,967 |
| Xinjiang Zhongtai Chemical, CI A* ^{(A)(B)} | 12,500 | 11,720 |
| Xinxing Ductile Iron Pipes, CI A | 20,100 | 17,617 |
| Yunnan Aluminium, CI A | 12,800 | 6,690 |
| Yunnan Chihong Zinc & Germanium, CI A | 12,600 | 18,075 |
| Yunnan Copper Industry, CI A* | 9,600 | 10,792 |
| Yunnan Lincang Xinyuan Germanium Industrial, CI A* | 3,900 | 7,665 |
| Yunnan Tin, CI A | 6,900 | 12,417 |
| Yunnan Yuntianhua, CI A* | 5,000 | 7,237 |
| Zhejiang Juhua, CI A | 11,100 | 9,158 |
| Zhejiang Longsheng Group, CI A | 16,000 | 41,840 |
| Zhejiang Runtu, CI A | 4,600 | 17,111 |
| Zhongjin Gold, CI A | 22,100 | 28,434 |
| Zhuzhou Times New Material Technology, CI A* | 6,500 | 9,460 |

The accompanying notes are an integral part of the financial statements.

Schedule of Investments

March 31, 2014

KraneShares Boserá MSCI China A Share ETF

| | Shares | Value |
|---|---------|---------------------|
| COMMON STOCK — continued | | |
| Materials — continued | | |
| Zibo Qixiang Tengda Chemical, CI A | 2,500 | \$ 5,548 |
| Zijin Mining Group, CI A* | 107,000 | 38,718 |
| | | <u>1,093,910</u> |
| Telecommunication Services — 0.8% | | |
| China United Network Communications, CI A* | 127,600 | 62,794 |
| Dr Peng Telcom & Media Group, CI A | 15,600 | 34,170 |
| | | <u>96,964</u> |
| Utilities — 3.2% | | |
| Beijing Capital, CI A | 13,200 | 14,011 |
| Chengdu Xingrong Investment, CI A* | 24,700 | 20,100 |
| China Yangtze Power, CI A | 62,100 | 57,626 |
| CPI Yuanda Environmental-Protection Group, CI A* | 2,700 | 7,964 |
| Datang International Power Generation, CI A | 16,500 | 9,845 |
| GD Power Development, CI A* | 103,700 | 39,359 |
| Guangdong Baolihua New Energy Stock, CI A | 18,200 | 13,493 |
| Guangdong Electric Power Development, CI A | 8,400 | 6,647 |
| Guangzhou Development Group, CI A | 8,300 | 6,834 |
| Huadian Power International, CI A* | 22,300 | 11,118 |
| Huaneng Power International, CI A* | 31,600 | 25,613 |
| Inner Mongolia MengDian HuaNeng Thermal Power, CI A | 14,600 | 8,335 |
| SDIC Power Holdings, CI A | 40,900 | 30,257 |
| Shanghai Dazhong Public Utilities Group, CI A* | 18,600 | 15,286 |
| Shanghai Electric Power, CI A* | 9,700 | 7,504 |
| Shenergy, CI A* | 34,300 | 24,382 |
| Shenzhen Energy Group, CI A* | 11,900 | 10,870 |
| Shenzhen Gas, CI A* | 6,000 | 6,976 |
| Sichuan Chuantou Energy, CI A | 13,400 | 24,093 |
| Sound Environmental, CI A* | 5,400 | 23,865 |
| Zhongshan Public Utilities Group, CI A | 3,500 | 5,938 |
| | | <u>370,116</u> |
| TOTAL COMMON STOCK (Cost \$11,937,177) | | <u>11,506,844</u> |
| TOTAL INVESTMENTS — 99.5% (Cost \$11,937,177) | | <u>\$11,506,844</u> |

Percentages are based on Net Assets of \$11,566,115

* Non-income producing security.

(A) Security fair valued using method determined in good faith by the Valuation Committee of the Board of Trustees. The total market value of such securities as of March 31, 2014 was \$90,145 and represented 0.78% of Net Assets.

(B) Security considered illiquid. The total market value of such securities as of September 30, 2013 was \$90,145 and represented 0.78% of Net Assets.

CI Class

The accompanying notes are an integral part of the financial statements.

KraneShares Bosera MSCI China A Share ETF

The following is a list of the inputs used as of March 31, 2014, in valuing the Fund's investments carried at value:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3*</u> | <u>Total</u> |
|---|---------------------|----------------|-----------------|---------------------|
| Investments in Securities | | | | |
| Common Stock | | | | |
| China | | | | |
| Consumer Discretionary | \$ 1,391,423 | \$ — | \$26,230 | \$ 1,417,653 |
| Consumer Staples | 779,654 | — | 13,638 | 793,292 |
| Energy | 495,977 | — | — | 495,977 |
| Financials | 3,825,267 | — | — | 3,825,267 |
| Health Care | 952,533 | — | — | 952,533 |
| Industrials | 1,845,945 | — | — | 1,845,945 |
| Information Technology | 576,630 | — | 38,557 | 615,187 |
| Materials | 1,082,190 | — | 11,720 | 1,093,910 |
| Telecommunication Services | 96,964 | — | — | 96,964 |
| Utilities | 370,116 | — | — | 370,116 |
| Total Investments in Securities | <u>\$11,416,699</u> | <u>\$ —</u> | <u>\$90,145</u> | <u>\$11,506,844</u> |

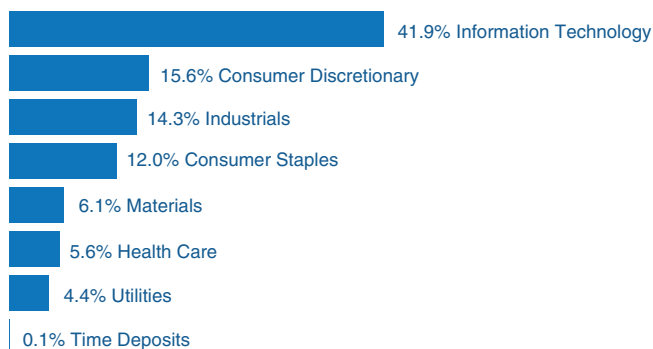
* A reconciliation of Level 3 investments and disclosures of significant unobservable inputs are presented when the Fund has a significant amount of Level 3 investments during the period in relation to net assets. Management has concluded that Level 3 investments are not material in relation to net assets.

For the period ended March 31, 2014, there have been no transfers between Level 1 and Level 2 investments.

For the period ended March 31, 2014, there have been no transfers between Level 2 and Level 3 investments.

Amounts designated as “—” are \$0 or have been rounded to \$0.

The accompanying notes are an integral part of the financial statements.

KraneShares CSI China Five Year Plan ETF
SECTOR WEIGHTINGS†: (Unaudited)


† Percentages are based on total investments. More narrow industries are utilized for compliance purposes, whereas broad sectors are utilized for reporting purposes.

| | Shares | Value |
|---|--------|-----------|
| COMMON STOCK — 99.9% | | |
| CHINA — 81.9% | | |
| Consumer Discretionary — 10.9% | | |
| ANTA Sports Products | 6,943 | \$ 11,582 |
| Baoxin Auto Group | 5,990 | 5,089 |
| Byd, CI H | 4,309 | 26,636 |
| China Dongxiang Group | 24,938 | 4,951 |
| China ZhengTong Auto Services Holdings* | 6,198 | 3,444 |
| Ctrip.com International ADR* | 980 | 49,411 |
| Daphne International Holdings | 5,826 | 2,374 |
| Dongfeng Motor Group, CI H | 22,758 | 32,214 |
| Golden Eagle Retail Group | 4,367 | 6,024 |
| GOME Electrical Appliances Holding | 77,767 | 13,133 |
| Goodbaby International Holdings | 5,502 | 2,936 |
| Great Wall Motor, CI H | 7,474 | 37,481 |
| Guangzhou Automobile Group, CI H | 17,135 | 18,003 |
| Hisense Kelon Electrical Holdings, CI A* | 2,121 | 2,598 |
| Home Inns & Hotels Management ADR* | 174 | 5,618 |
| Intime Retail Group | 9,019 | 9,708 |
| Kandi Technologies Group* | 196 | 3,214 |
| Li Ning | 5,272 | 3,561 |
| New Oriental Education & Technology Group | 1,170 | 34,340 |
| Parkson Retail Group | 10,529 | 3,312 |
| Shenzhou International Group Holdings | 4,378 | 13,912 |
| SinoMedia Holding | 4,374 | 3,660 |
| Vipshop Holdings ADR* | 242 | 36,131 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares CSI China Five Year Plan ETF

| | Shares | Value |
|---|--------|----------------|
| COMMON STOCK — continued | | |
| Consumer Discretionary — continued | | |
| Xinchen China Power Holdings* | 6,495 | \$ 4,027 |
| Zhongsheng Group Holdings | 5,944 | 8,184 |
| | | <u>341,543</u> |
| Consumer Staples — 10.8% | | |
| Biostime International Holdings | 1,209 | 8,292 |
| China Mengniu Dairy | 10,175 | 50,960 |
| China Modern Dairy Holdings* | 18,102 | 7,771 |
| China Yurun Food Group | 10,826 | 5,582 |
| Hengan International Group | 5,911 | 61,228 |
| Labixiaoxin Snacks Group ^{(A)(B)} | 3,059 | 1,183 |
| NVC Lighting Holding | 14,305 | 4,020 |
| Prince Frog International Holdings | 3,126 | 923 |
| Sun Art Retail Group | 18,359 | 23,076 |
| Tingyi Cayman Islands Holding | 17,497 | 50,188 |
| Tsingtao Brewery, CI H | 3,886 | 28,430 |
| Uni-President China Holdings | 8,141 | 6,843 |
| Want Want China Holdings | 58,872 | 87,886 |
| Yashili International Holdings | 7,892 | 3,540 |
| | | <u>339,922</u> |
| Health Care — 4.2% | | |
| China Medical System Holdings | 9,105 | 10,306 |
| Guangzhou Baiyunshan Pharmaceutical Holdings | 1,296 | 4,394 |
| Mindray Medical International ADR | 600 | 19,416 |
| Shandong Weigao Group Medical Polymer, CI H | 16,204 | 18,466 |
| Shanghai Fosun Pharmaceutical Group, CI H | 2,541 | 8,844 |
| Shanghai Pharmaceuticals Holding, CI H | 4,124 | 9,378 |
| Sihuan Pharmaceutical Holdings Group | 15,012 | 18,095 |
| Sinopharm Group, CI H | 7,287 | 19,963 |
| Tong Ren Tang Technologies, CI H | 1,771 | 5,685 |
| WuXi PharmaTech Cayman ADR* | 519 | 19,130 |
| | | <u>133,677</u> |
| Industrials — 8.2% | | |
| 51job ADR* | 89 | 6,341 |
| Air China, CI H | 18,141 | 10,711 |
| AviChina Industry & Technology, CI H | 19,314 | 10,756 |
| Beijing Capital International Airport, CI H | 10,538 | 7,227 |
| China Communications Construction, CI H | 33,333 | 23,247 |
| China COSCO Holdings, CI H | 19,214 | 7,951 |
| China Eastern Airlines, CI H* | 13,141 | 4,371 |
| China International Marine Containers Group, CI H | 5,314 | 12,317 |
| China Lesso Group Holdings | 9,401 | 5,211 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares CSI China Five Year Plan ETF

| | Shares | Value |
|---|---------|----------|
| COMMON STOCK — continued | | |
| Industrials — continued | | |
| China Machinery Engineering, CI H | 6,577 | \$ 4,723 |
| China National Materials | 8,488 | 1,521 |
| China Railway Construction, CI H | 15,075 | 12,749 |
| China Railway Group, CI H | 31,023 | 14,438 |
| China Rongsheng Heavy Industries Group Holdings | 25,021 | 3,967 |
| China Shipping Container Lines, CI H* | 28,187 | 6,395 |
| China Shipping Development, CI H | 9,401 | 5,357 |
| China Southern Airlines, CI H | 15,323 | 4,978 |
| CSR | 14,349 | 12,061 |
| Dongfang Electric, CI H | 2,486 | 3,871 |
| First Tractor, CI H | 2,029 | 1,104 |
| Fosun International* | 14,357 | 18,046 |
| Haitian International Holdings | 4,569 | 9,165 |
| Harbin Electric, CI H | 4,073 | 2,305 |
| Jiangsu Expressway, CI H | 8,294 | 9,452 |
| Lonking Holdings | 16,125 | 3,160 |
| Metallurgical Corp of China, CI H* | 21,033 | 3,579 |
| Sany Heavy Equipment International Holdings | 6,757 | 1,516 |
| Shanghai Electric Group, CI H | 22,542 | 7,991 |
| Weichai Power, CI H | 3,270 | 12,372 |
| Zhejiang Expressway, CI H | 11,482 | 10,465 |
| Zhuzhou CSR Times Electric, CI H | 4,194 | 14,139 |
| Zoomlion Heavy Industry Science and Technology | 10,399 | 7,239 |
| | | 258,725 |
| Information Technology — 40.8% | | |
| 21Vianet Group ADR* | 449 | 12,886 |
| AAC Technologies Holdings | 5,536 | 28,654 |
| Baidu* | 2,599 | 396,036 |
| Canadian Solar* | 252 | 8,074 |
| Comtec Solar Systems Group | 4,034 | 702 |
| Guodian Technology & Environment, CI H* | 6,833 | 1,814 |
| Hanwha SolarOne ADR* | 373 | 1,067 |
| Hollysys Automation Technologies* | 302 | 6,505 |
| JA Solar Holdings ADR* | 261 | 2,654 |
| Kingsoft | 6,283 | 24,745 |
| NetEase ADR | 591 | 39,774 |
| Perfect World ADR | 365 | 7,544 |
| Qihoo 360 Technology ADR* | 612 | 60,943 |
| Semiconductor Manufacturing International* | 168,562 | 12,604 |
| SINA* | 491 | 29,661 |
| Sohu.com* | 228 | 14,841 |
| SouFun Holdings ADR | 171 | 11,700 |

The accompanying notes are an integral part of the financial statements.

KraneShares CSI China Five Year Plan ETF

| | <u>Shares</u> | <u>Value</u> |
|--|---------------|------------------|
| COMMON STOCK — continued | | |
| Information Technology — continued | | |
| Sunny Optical Technology Group | 4,869 | \$ 4,739 |
| Tencent Holdings | 8,209 | 570,933 |
| Trina Solar ADR* | 607 | 8,164 |
| Xinjiang Goldwind Science & Technology, CI H | 3,667 | 3,905 |
| Youku Tudou ADR* | 927 | 25,993 |
| YY ADR* | 120 | 9,163 |
| | | <u>1,283,101</u> |
| Materials — 4.5% | | |
| Aluminum Corp of China, CI H* | 29,141 | 10,030 |
| Angang Steel, CI H | 8,233 | 5,073 |
| Anhui Conch Cement, CI H | 9,968 | 42,727 |
| BBMG, CI H | 8,510 | 6,626 |
| China BlueChemical | 12,566 | 6,480 |
| China Hongqiao Group | 8,583 | 5,422 |
| China Molybdenum, CI H | 9,681 | 3,769 |
| China National Building Material, CI H | 21,152 | 21,215 |
| China Shanshui Cement Group | 15,572 | 6,564 |
| Dongyue Group | 9,099 | 3,707 |
| Jiangxi Copper, CI H | 10,797 | 18,150 |
| Maanshan Iron & Steel, CI H | 13,983 | 3,083 |
| Sinopec Yizheng Chemical Fibre, CI H | 15,343 | 3,105 |
| West China Cement | 20,944 | 2,349 |
| | | <u>138,300</u> |
| Utilities — 2.5% | | |
| Beijing Jingneng Clean Energy, CI H | 9,682 | 4,431 |
| China Datang Renewable Power, CI H | 10,558 | 1,674 |
| China Longyuan Power Group, CI H | 20,012 | 20,149 |
| ENN Energy Holdings | 5,352 | 37,292 |
| Huadian Fuxin Energy, CI H | 11,340 | 6,184 |
| Huaneng Renewables, CI H | 26,263 | 8,904 |
| Tianjin Jinran Public Utilities, CI H | 3,707 | 746 |
| | | <u>79,380</u> |
| TOTAL CHINA | | <u>2,574,648</u> |
| HONG KONG – 18.0% | | |
| Consumer Discretionary — 4.7% | | |
| Ajisen China Holdings | 4,800 | 4,332 |
| Belle International Holdings | 39,799 | 39,660 |
| Bosideng International Holdings | 24,137 | 3,641 |
| Brilliance China Automotive Holdings | 23,174 | 35,431 |
| Geely Automobile Holdings | 39,138 | 15,389 |
| Haier Electronics Group | 5,526 | 14,960 |

The accompanying notes are an integral part of the financial statements.

KraneShares CSI China Five Year Plan ETF

| | <u>Shares</u> | <u>Value</u> |
|---|---------------|----------------|
| COMMON STOCK — continued | | |
| Consumer Discretionary — continued | | |
| Hengdeli Holdings | 12,637 | \$ 2,427 |
| Minth Group | 4,178 | 8,510 |
| Skyworth Digital Holdings* | 13,388 | 7,352 |
| TCL Multimedia Technology Holdings | 3,924 | 1,513 |
| Trinity | 8,170 | 2,128 |
| Xinyi Glass Holdings | 17,219 | 14,007 |
| | | <u>149,350</u> |
| Consumer Staples — 1.2% | | |
| China Agri-Industries Holdings | 19,255 | 7,521 |
| China Foods | 6,630 | 2,385 |
| China Resources Enterprise | 7,990 | 22,558 |
| FU JI Food and Catering Services Holdings* | 1,533 | 263 |
| Vinda International Holdings | 3,960 | 5,758 |
| | | <u>38,485</u> |
| Health Care — 1.4% | | |
| Beijing Tong Ren Tang Chinese Medicine* | 1,723 | 2,332 |
| China Traditional Chinese Medicine | 19,973 | 9,012 |
| CSPC Pharmaceutical Group | 13,071 | 11,576 |
| Sino Biopharmaceutical | 24,370 | 20,767 |
| | | <u>43,687</u> |
| Industrials — 6.1% | | |
| Beijing Enterprises Holdings | 4,515 | 40,453 |
| China Everbright International | 20,453 | 28,002 |
| China High Speed Transmission Equipment Group | 7,310 | 5,456 |
| China Merchants Holdings International | 8,916 | 30,632 |
| China Singyes Solar Technologies Holdings | 3,238 | 5,118 |
| China State Construction International Holdings | 15,140 | 25,646 |
| CIMC Enric Holdings | 4,473 | 6,308 |
| CITIC Pacific | 13,332 | 23,649 |
| Freetech Road Recycling Technology Holdings* | 3,446 | 1,111 |
| Shanghai Industrial Holdings | 4,086 | 13,616 |
| Shenzhen International Holdings | 7,393 | 9,254 |
| | | <u>189,245</u> |
| Information Technology — 1.0% | | |
| Anxin-China Holdings | 20,158 | 3,118 |
| GCL-Poly Energy Holdings | 71,032 | 25,640 |
| VODone | 27,133 | 2,938 |
| | | <u>31,696</u> |
| Materials — 1.7% | | |
| China Lumena New Materials ^{(A)(B)} | 28,720 | 2,925 |
| China Resources Cement Holdings | 15,329 | 12,074 |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares CSI China Five Year Plan ETF

| | Shares/Face Amount | Value |
|--|-----------------------|--------------------|
| COMMON STOCK — continued | | |
| Materials — continued | | |
| Huabao International Holdings | 16,528 | \$ 7,585 |
| Lee & Man Paper Manufacturing | 14,139 | 8,786 |
| MMG* | 11,872 | 2,464 |
| Nine Dragons Paper Holdings | 13,980 | 10,885 |
| Sinofert Holdings | 15,638 | 2,016 |
| Yingde Gases Group | 6,702 | 6,394 |
| | | <u>53,129</u> |
| Utilities — 1.9% | | |
| China Gas Holdings | 19,330 | 30,202 |
| China Oil & Gas Group | 39,814 | 6,775 |
| China Resources Gas Group | 7,317 | 23,299 |
| | | <u>60,276</u> |
| TOTAL HONG KONG | | <u>565,868</u> |
| TOTAL COMMON STOCK (Cost \$2,524,392) | | <u>3,140,516</u> |
| TIME DEPOSIT — 0.1% | | |
| Brown Brothers Harriman 0.030%, 04/01/14 USD | \$ 3,694 | 3,694 |
| TOTAL TIME DEPOSIT (Cost \$3,694) | | <u>3,694</u> |
| TOTAL INVESTMENTS — 100.0% (Cost \$2,528,086) | | <u>\$3,144,210</u> |

Percentages are based on Net Assets of \$3,142,676

* Non-income producing security.

(A) Security fair valued using method determined in good faith by the Valuation Committee of the Board of Trustees. The total market value of such securities as of March 31, 2014 was \$4,108 and represented 0.13% of Net Assets.

(B) Security considered illiquid. The total market value of such securities as of March 31, 2014 was \$4,108 and represented 0.13% of Net Assets.

ADR American Depositary Receipt

CI Class

USD United States Dollar

The accompanying notes are an integral part of the financial statements.

KraneShares CSI China Five Year Plan ETF

The following is a list of the inputs used as of March 31, 2014, in valuing the Fund's investments carried at value:

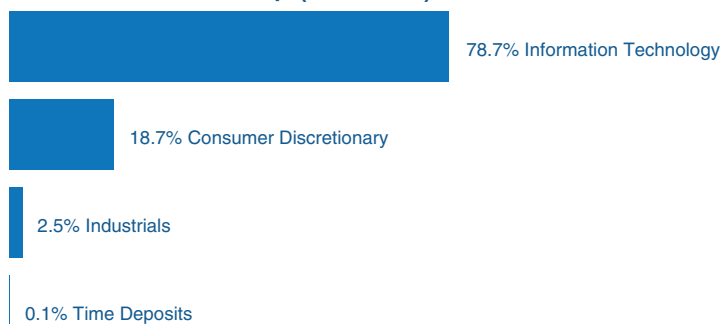
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3*</u> | <u>Total</u> |
|---|--------------------|----------------|-----------------|--------------------|
| Investments in Securities | | | | |
| Common Stock | | | | |
| China | | | | |
| Consumer Discretionary | \$ 341,543 | \$ — | \$ — | \$ 341,543 |
| Consumer Staples | 338,739 | — | 1,183 | 339,922 |
| Health Care | 133,677 | — | — | 133,677 |
| Industrials | 258,725 | — | — | 258,725 |
| Information Technology | 1,283,101 | — | — | 1,283,101 |
| Materials | 138,300 | — | — | 138,300 |
| Utilities | 79,380 | — | — | 79,380 |
| Hong Kong | | | | |
| Consumer Discretionary | 149,350 | — | — | 149,350 |
| Consumer Staples | 38,485 | — | — | 38,485 |
| Health Care | 43,687 | — | — | 43,687 |
| Industrials | 189,245 | — | — | 189,245 |
| Information Technology | 31,696 | — | — | 31,696 |
| Materials | 50,204 | — | 2,925 | 53,129 |
| Utilities | 60,276 | — | — | 60,276 |
| Total Common Stock | <u>3,136,408</u> | <u>—</u> | <u>4,108</u> | <u>3,140,516</u> |
| Time Deposits | — | 3,694 | — | 3,694 |
| Total Investments in Securities | <u>\$3,136,408</u> | <u>\$3,694</u> | <u>\$4,108</u> | <u>\$3,144,210</u> |

* A reconciliation of Level 3 investments and disclosures of significant unobservable inputs are presented when the Fund has a significant amount of Level 3 investments during the period in relation to net assets. Management has concluded that Level 3 investments are not material in relation to net assets.

For the period ended March 31, 2014, there have been no transfers between Level 1 and Level 2 investments.

For the period ended March 31, 2014, there have been no transfers between Level 2 and Level 3 investments.

Amounts designated as “—” are \$0 or have been rounded to \$0.

KraneShares CSI China Internet ETF
SECTOR WEIGHTINGS†: (Unaudited)


† Percentages are based on total investments. More narrow industries are utilized for compliance purposes, whereas broad sectors are utilized for reporting purposes.

| | <u>Shares</u> | <u>Value</u> |
|--------------------------------------|---------------|-------------------|
| COMMON STOCK — 99.9% | | |
| CHINA — 97.6% | | |
| Consumer Discretionary — 18.7% | | |
| Ctrip.com International ADR* | 99,648 | \$ 5,024,252 |
| E-Commerce China Dangdang ADR, CI A* | 130,810 | 1,878,432 |
| eLong ADR* | 16,155 | 260,903 |
| Qunar Cayman Islands ADR* | 79,821 | 2,441,724 |
| Vipshop Holdings ADR* | 32,500 | 4,852,250 |
| | | <u>14,457,561</u> |
| Industrials — 2.5% | | |
| 51job ADR* | 27,482 | 1,958,093 |
| Information Technology — 76.4% | | |
| 21Vianet Group ADR* | 137,311 | 3,940,826 |
| 58.com ADR* | 36,688 | 1,527,321 |
| AutoNavi Holdings ADR* | 113,683 | 2,278,207 |
| Baidu* | 35,307 | 5,380,081 |
| BitAuto Holdings ADR* | 49,405 | 1,770,675 |
| Changyou.com ADR* | 25,159 | 742,694 |
| Giant Interactive Group ADR | 249,946 | 2,891,875 |
| Kingsoft | 951,260 | 3,746,398 |
| KongZhong ADR* | 69,873 | 801,443 |
| NetEase ADR | 56,793 | 3,822,169 |
| Perfect World ADR | 114,276 | 2,362,085 |
| Qihoo 360 Technology ADR* | 66,030 | 6,575,267 |
| Renren ADR* | 345,945 | 1,131,240 |
| Shanda Games ADR* | 188,847 | 1,225,617 |
| SINA* | 35,583 | 2,149,569 |
| Sohu.com* | 43,310 | 2,819,048 |
| SouFun Holdings ADR | 35,555 | 2,432,673 |
| Tencent Holdings | 112,073 | 7,794,636 |
| Youku Tudou ADR* | 94,619 | 2,653,117 |
| YY ADR* | 38,819 | 2,964,219 |
| | | <u>59,009,160</u> |
| TOTAL CHINA | | <u>75,424,814</u> |

The accompanying notes are an integral part of the financial statements.



Schedule of Investments

March 31, 2014

KraneShares CSI China Internet ETF

| | Shares/ Face Amount ⁽¹⁾ | Value |
|---|--|---------------------|
| HONG KONG — 2.3% | | |
| Information Technology — 2.3% | | |
| NetDragon Websoft | 565,400 | \$ 1,021,897 |
| VODone | 6,784,264 | 734,659 |
| | | <u>1,756,556</u> |
| TOTAL HONG KONG | | <u>1,756,556</u> |
| TOTAL COMMON STOCK (Cost \$73,952,740) | | <u>77,181,370</u> |
| TIME DEPOSITS — 0.2% | | |
| Brown Brothers Harriman | | |
| 0.030%, 04/01/14 | \$ 104,961 | 104,961 |
| 0.050%, 04/01/14 HKD | 5,600 | 722 |
| TOTAL TIME DEPOSITS (Cost \$105,683) | | <u>105,683</u> |
| TOTAL INVESTMENTS — 100.1% (Cost \$74,058,423) | | <u>\$77,287,053</u> |

Percentages are based on Net Assets of \$77,243,238

- * Non-income producing security.
- (1) In U.S. Dollars unless otherwise indicated.
- ADR American Depositary Receipt
- CI Class
- HDK Hong Kong Dollar

The following is a summary of the inputs used as of March 31, 2014, in valuing the Fund's investments carried at value:

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---------------------|------------------|-------------|---------------------|
| Investments in Securities | | | | |
| Common Stock | \$77,181,370 | \$ — | \$ — | \$77,181,370 |
| Time Deposits | — | 105,683 | — | 105,683 |
| Total Investments in Securities | <u>\$77,181,370</u> | <u>\$105,683</u> | <u>\$ —</u> | <u>\$77,287,053</u> |

For the period ended March 31, 2014, there have been no transfers between Level 1 and Level 2 investments.

For the period ended March 31, 2014, there have been no transfers between Level 2 and Level 3 investments.

For the period ended March 31, 2014, there were no Level 3 investments.

Amounts designated as “—” are \$0 or have been rounded to \$0.

The accompanying notes are an integral part of the financial statements.



Statements of Assets and Liabilities
March 31, 2014

| | KraneShares Bosera MSCI China A Share ETF | KraneShares CSI China Five Year Plan ETF | KraneShares CSI China Internet ETF |
|---|--|---|---|
| Assets: | | | |
| Cost of Investments | \$11,937,177 | \$2,528,086 | \$74,058,423 |
| Cost of Foreign Currency | 68,289 | — | — |
| Investments at Value | \$11,506,844 | \$3,144,210 | \$77,287,053 |
| Foreign Currency at Value | 68,179 | — | — |
| Cash | 60 | — | — |
| Dividend and Interest Receivable | 180 | 333 | — |
| Total Assets | <u>11,575,263</u> | <u>3,144,543</u> | <u>77,287,053</u> |
| Liabilities: | | | |
| Payable due to Investment Adviser | 9,148 | 1,867 | 43,815 |
| Total Liabilities | <u>9,148</u> | <u>1,867</u> | <u>43,815</u> |
| Net Assets | <u>\$ 11,566,115</u> | <u>\$3,142,676</u> | <u>\$77,243,238</u> |
| Net Assets Consist of: | | | |
| Paid-in Capital | \$12,036,060 | \$2,509,994 | \$74,233,000 |
| Accumulated Net Investment Loss/ Distributions in Excess of Net Investment Income | (38,406) | (986) | (42,548) |
| Accumulated Net Realized Gain (Loss) on Investments and Foreign Currency Translations | (1,096) | 17,544 | (175,844) |
| Net Unrealized Appreciation (Depreciation) on Investments | (430,333) | 616,124 | 3,228,630 |
| Net Unrealized Appreciation (Depreciation) on Foreign Currency Translations | (110) | — | — |
| Net Assets | <u>\$ 11,566,115</u> | <u>\$3,142,676</u> | <u>\$77,243,238</u> |
| Outstanding Shares of Beneficial Interest (unlimited authorization — no par value) | <u>400,002</u> | <u>50,000</u> | <u>2,150,000</u> |
| Net Asset Value, Offering and Redemption Price Per Share | <u>\$ 28.92</u> | <u>\$ 62.85</u> | <u>\$ 35.93</u> |

The accompanying notes are an integral part of the financial statements.



Statements of Operations
For the period ended March 31, 2014

| | KraneShares Bosera MSCI China A Share ETF ⁽¹⁾ | KraneShares CSI China Five Year Plan ETF ⁽²⁾ | KraneShares CSI China Internet ETF ⁽³⁾ |
|--|---|--|--|
| Investment Income: | | | |
| Dividend Income | \$ 2,441 | \$ 17,958 | \$ 98,951 |
| Less: Foreign Taxes Withheld | (244) | (554) | (3,725) |
| Total Investment Income | <u>2,197</u> | <u>17,404</u> | <u>95,226</u> |
| Advisory Fees | 9,148 | 22,336 | 109,528 |
| Total Expenses | <u>9,148</u> | <u>22,336</u> | <u>109,528</u> |
| Net Investment Loss | <u>(6,951)</u> | <u>(4,932)</u> | <u>(14,302)</u> |
| Net Realized Gain (Loss) on: | | | |
| Investments ⁽⁴⁾ | (1,096) | 697,983 | (136,394) |
| Foreign Currency Transactions | (31,455) | 1 | (48) |
| Net Realized Gain (Loss) on Investments and Foreign Currency Transactions | <u>(32,551)</u> | <u>697,984</u> | <u>(136,442)</u> |
| Net Change in Unrealized Appreciation (Depreciation) on: | | | |
| Investments | (430,333) | 616,124 | 3,228,630 |
| Foreign Currency Transactions | (110) | — | — |
| Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Transactions | <u>(430,443)</u> | <u>616,124</u> | <u>3,228,630</u> |
| Net Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions | <u>(462,994)</u> | <u>1,314,108</u> | <u>3,092,188</u> |
| Net Increase (Decrease) in Net Assets Resulting from Operations | <u><u>\$(469,945)</u></u> | <u><u>\$1,309,176</u></u> | <u><u>\$3,077,886</u></u> |

(1) Commenced operations on March 4, 2014.

(2) Commenced operations on July 22, 2013.

(3) Commenced operations on July 31, 2013.

(4) Includes realized gain (loss) as a result of in-kind transactions. (See Note 4 in Notes to Financial Statements.)

The accompanying notes are an integral part of the financial statements.



Statements of Changes in Net Assets
For the period ended March 31, 2014

| | KraneShares Bosera MSCI China A Share ETF ⁽¹⁾ | KraneShares CSI China Five Year Plan ETF ⁽²⁾ | KraneShares CSI China Internet ETF ⁽³⁾ |
|---|---|--|--|
| Operations: | | | |
| Net Investment Loss | \$ (6,951) | \$ (4,932) | \$ (14,302) |
| Net Realized Gain (Loss) on Investments and Foreign Currency Transactions | (32,551) | 697,984 | (136,442) |
| Net Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency Transactions | (430,443) | 616,124 | 3,228,630 |
| Net Increase (Decrease) in Net Assets Resulting from Operations | <u>(469,945)</u> | <u>1,309,176</u> | <u>3,077,886</u> |
| Dividends and Distributions from: | | | |
| Net Investment Income | — | — | (28,550) |
| Net Capital Gains | — | — | (39,098) |
| Total Dividends and Distributions | <u>—</u> | <u>—</u> | <u>(67,648)</u> |
| Capital Share Transactions: | | | |
| Issued | 12,036,060 | 5,000,050 | 74,233,000 |
| Redeemed | — | (3,166,550) | — |
| Increase in Net Assets from Capital Share Transactions | <u>12,036,060</u> | <u>1,833,500</u> | <u>74,233,000</u> |
| Total Increase in Net Assets | <u>11,566,115</u> | <u>3,142,676</u> | <u>77,243,238</u> |
| Net Assets: | | | |
| Beginning of Period | — | — | — |
| End of Period | <u>\$ 11,566,115</u> | <u>\$ 3,142,676</u> | <u>\$ 77,243,238</u> |
| Accumulated Net Investment Loss/ Distribution in Excess of Net Investment Income | <u>\$ (38,406)</u> | <u>\$ (986)</u> | <u>\$ (42,548)</u> |
| Share Transactions: | | | |
| Issued | 400,002 | 100,000 | 2,150,000 |
| Redeemed | — | (50,000) | — |
| Net Increase in Shares Outstanding from Share Transactions | <u>400,002</u> | <u>50,000</u> | <u>2,150,000</u> |

(1) Commenced operations on March 4, 2014.

(2) Commenced operations on July 22, 2013.

(3) Commenced operations on July 31, 2013.

The accompanying notes are an integral part of the financial statements.

Financial Highlights

Selected Per Share Data & Ratios For the Period Ended March 31, 2014 For a Share Outstanding Throughout the Period

| | Net Asset Value, Beginning of Period (\$) | Net Investment Loss (\$)* | Net Realized and Unrealized Gain on Investments (\$) | Total from Operations (\$) | Distribution from Net Investment Income (\$) | Distribution from Capital Gains (\$) | Total from Distributions (\$) | Net Asset Value, End of Period (\$) | Total Return (%)** | Net Assets End of Period (\$)(000) | Ratio of Expenses to Average Net Assets (%) | Ratio of Net Investment Income to Average Net Assets (%) | Portfolio Turnover (%) |
|--|---|---------------------------|--|----------------------------|--|--------------------------------------|-------------------------------|-------------------------------------|--------------------|------------------------------------|---|--|------------------------|
| <i>KraneShares Bosera MSCI China A Share ETF</i> | | | | | | | | | | | | | |
| 2014 ⁽¹⁾ | 30.00 | (0.02) | (1.06) | (1.08) | — | — | — | 28.92 | (3.60) | 11,566 | 1.10† | (0.84)† | —†† |
| <i>KraneShares CSI China Five Year Plan ETF</i> | | | | | | | | | | | | | |
| 2014 ⁽²⁾ | 50.00 | (0.06) | 12.91 | 12.85 | — | — | — | 62.85 | 25.70 | 3,143 | 0.68† | (0.15)† | 7†† |
| <i>KraneShares CSI China Internet ETF</i> | | | | | | | | | | | | | |
| 2014 ⁽³⁾ | 25.00 | (0.02) | 11.05 | 11.03 | (0.06) | (0.04) | (0.10) | 35.93 | 44.18 | 77,243 | 0.68† | (0.09)† | 8†† |

* Per share data calculated using average shares method.

** Total return is based on the change in net asset value of a share during the year or period and assumes reinvestment of dividends and distributions at net asset value. Total return is for the period indicated and periods of less than one year have not been annualized. The return shown does not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.

† Annualized.

†† Portfolio turnover rate is for the period indicated and periods of less than one year have not been annualized. Excludes effect of in-kind transfers.

(1) Commenced operations on March 4, 2014.

(2) Commenced operations on July 22, 2013.

(3) Commenced operations on July 31, 2013.

Amounts designated as “—” are \$0 or have been rounded to \$0.

The accompanying notes are an integral part of the financial statements.



NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

KraneShares Trust (the “Trust”) is a Delaware Statutory Trust formed on February 3, 2012. The Trust is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. As of March 31, 2014, the Trust had six portfolios (three of which were operational). The financial statements herein and the related notes pertain to the KraneShares Boserá MSCI China A Share ETF, KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF (each a “Fund” and collectively, the “Funds”). KraneShares Boserá MSCI China A Share ETF is diversified; while the KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF are non-diversified. Krane Funds Advisors, LLC (the “Adviser”), a Delaware limited liability company, serves as the investment adviser for the Funds and is subject to the supervision of the Board of Trustees (the “Board”). The Adviser is responsible for managing the investment activities of the Funds, the Funds’ business affairs and other administrative matters. The KraneShares Boserá MSCI China A Share ETF commenced operations on March 4, 2014. The KraneShares CSI China Five Year Plan ETF commenced operations on July 22, 2013. The KraneShares CSI China Internet ETF commenced operations on July 31, 2013.

Shares of each Fund are listed and traded on the NYSE Arca, Inc. Market prices for the Shares may be different from their net asset value (“NAV”). The Funds issue and redeem Shares on a continuous basis at NAV only in large blocks of Shares, typically 50,000 Shares, called Creation Units (“Creation Units”). With respect to the KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF, Creation Units will be issued and redeemed principally in-kind for a basket of securities and a balancing cash amount. With respect to the KraneShares Boserá MSCI China A Share ETF, Creation Units will be issued and redeemed principally for cash. To the extent the KraneShares Boserá MSCI China A Share ETF permits in kind consideration for the purchase of a Creation Unit, such Creation Unit will be issued and redeemed for a basket of securities and a balancing cash amount. Shares generally will trade in the secondary market in amounts less than a Creation Unit at market prices that change throughout the day.

The investment objective of each Fund is to seek investment results that generally correspond (before fees, and expenses) to its respective index listed below (each, an “Underlying Index”):

| Fund | Index |
|---|---|
| KraneShares Boserá MSCI China A Share ETF | MSCI China A Index |
| KraneShares CSI China Five Year Plan ETF | CSI Overseas China Five-Year Plan Index |
| KraneShares CSI China Internet ETF | CSI Overseas China Internet Index |

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Funds.

USE OF ESTIMATES — The preparation of financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates, and could have a material impact to the Funds.

SECURITY VALUATION — Securities listed on a securities exchange, market or automated quotation system for which quotations are readily available (except for securities traded on NASDAQ), including securities traded over the counter, are valued at the last quoted sale price on the primary exchange or market (foreign or domestic) on which they are traded (or at approximately 4:00 pm Eastern



NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Standard Time if a security’s primary exchange is normally open at that time), or, if there is no such reported sale, at the most recent mean between the quoted bid and asked prices (absent both bid and asked prices on such exchange, the bid price may be used).

For securities traded on NASDAQ, the NASDAQ Official Closing Price will be used. If available, debt securities are priced based upon valuations provided by independent, third-party pricing agents. Such values generally reflect the last reported sales price if the security is actively traded. The third-party pricing agents may also value debt securities at an evaluated bid price by employing methodologies that utilize actual market transactions, broker-supplied valuations, or other methodologies designed to identify the market value for such securities. Debt obligations with remaining maturities of sixty days or less may be valued at their amortized cost, which approximates market value. The prices for foreign securities are reported in local currency and converted to U.S. dollars using currency exchange rates. Prices for most securities held in the Funds are provided daily by recognized independent pricing agents. If a security price cannot be obtained from an independent, third-party pricing agent, the Funds seek to obtain a bid price from at least one independent broker.

Securities for which market prices are not “readily available” are valued in accordance with Fair Value Procedures established by the Board. The Funds’ Fair Value Procedures are implemented through a Fair Value Committee (the “Committee”) designated by the Board. Some of the more common reasons that may necessitate that a security be valued using Fair Value Procedures include: the security’s trading has been halted or suspended; the security has been de-listed from its primary trading exchange; the security’s primary trading market is temporarily closed at a time when under normal conditions it would be open; the security has not been traded for an extended period of time; the security’s primary pricing source is not able or willing to provide a price; or trading of the security is subject to local government-imposed restrictions. In addition, the Funds may fair value their securities if an event that may materially affect the value of the Funds’ securities that traded outside of the United States (a “Significant Event”) has occurred between the time of the security’s last close and the time that the Funds calculate their net asset value. A Significant Event may relate to a single issuer or to an entire market sector. Events that may be Significant Events include: government actions, natural disasters, armed conflict, acts of terrorism and significant market fluctuations. If the Adviser becomes aware of a Significant Event that has occurred with respect to a security or group of securities after the closing of the exchange or market on which the security or securities principally trade, but before the time at which the Funds calculate net asset value, it may request that a Committee meeting be called. When a security is valued in accordance with the Fair Value Procedures, the Committee will determine the value after taking into consideration all relevant information reasonably available to the Committee.

As of March 31, 2014, the total market value of securities valued in accordance with Fair Value Procedures is as follows:

| | Fair Valued Amount | % of Net Assets |
|---|-------------------------------|----------------------------|
| KraneShares Bosera MSCI China A Share ETF | \$90,145 | 0.78% |
| KraneShares CSI China Five Year Plan ETF | 4,108 | 0.13 |

In accordance with the authoritative guidance on fair value measurements and disclosure under U.S. GAAP, the Funds disclose the fair value of their investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Funds have the ability to access at the measurement date.

Level 2 — Other significant observable inputs (including quoted prices in non-active markets, quoted prices for similar investments, fair value of investments for which the Funds have the ability to fully redeem tranches at net asset value as of the measurement date or within the near term, and short-term investments valued at amortized cost).

Level 3 — Significant unobservable inputs (including the Funds own assumptions in determining the fair value of investments, fair value of investments for which the Funds' do not have the ability to fully redeem tranches at net asset value as of the measurement date or within the near term).

Investments are classified within the level of the lowest significant input considered in determining fair value. Investments classified within Level 3 whose fair value measurement considers several inputs may include Level 1 or Level 2 inputs as components of the overall fair value measurement.

For the periods ended March 31, 2014, there have been no significant changes to the Funds' fair valuation methodologies.

FEDERAL INCOME TAXES — It is each Fund's intention to qualify or continue to qualify as a regulated investment company for Federal income tax purposes by complying with the appropriate provisions of Subchapter M of the Internal Revenue Code of 1986, as amended and to distribute substantially all of its taxable income and gains to shareholders. Accordingly, no provisions for Federal income taxes have been made in the financial statements.

The Funds evaluate tax positions taken or expected to be taken in the course of preparing the Funds' tax returns to determine whether it is "more-likely-than-not" (i.e., greater than 50 percent) that each tax position will be sustained upon examination by a taxing authority based on the technical merits of the position. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. The Funds did not record any tax provisions in the current period. However, management's conclusions regarding tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, examination by tax authorities (i.e., the last three tax year ends, as applicable), on-going analysis of and changes to tax laws, regulations and interpretations thereof.

As of and during the periods ended March 31, 2014, the Funds did not have a liability for any unrecognized tax benefits. The Funds recognize interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the Statement of Operations. During the period, the Funds did not incur any interest or penalties.

SECURITY TRANSACTIONS AND INVESTMENT INCOME — Security transactions are accounted for on the trade date for financial reporting purposes. Costs used in determining realized gains and losses on the sale of investment securities are based on specific identification. Dividend Income generally recorded on the ex-dividend date. Dividend income for certain issuers headquartered in countries which the Funds invest may not be recorded until approved by the shareholders (which



NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

may occur after the ex-dividend date) if, in the judgment of management, such dividends are not reasonably determined as of the ex-dividend date. Interest income is recognized on the accrual basis from the settlement date.

FOREIGN CURRENCY TRANSLATION — The books and records of the Funds are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in a foreign currency are translated into U.S. dollars on the date of valuation. Purchases and sales of investment securities, income and expenses are translated into U.S. dollars at the relevant rates of exchange prevailing on the respective dates of such transactions. The Funds do not isolate that portion of realized or unrealized gains and losses resulting from changes in the foreign exchange rate from fluctuations arising from changes in the market prices of the securities. These gains and losses are included in net realized and unrealized gains and losses on investments on the Statement of Operations. Net realized and unrealized gains and losses on foreign currency transactions represent net foreign exchange gains or losses from foreign currency exchange contracts, disposition of foreign currencies, currency gains or losses realized between trade and settlement dates on securities transactions and the difference between the amount of the investment income and foreign withholding taxes recorded on the Funds' books and the U.S. dollar equivalent amounts actually received or paid.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS — The Funds distribute their net investment income semi-annually. Any net realized capital gains are distributed annually. All distributions are recorded on the ex-dividend date.

CREATION UNITS — The Funds issue and redeem shares ("Shares") at Net Asset Value ("NAV") and only in large blocks of Shares (each block of Shares for a Fund is a Creation Unit or multiples thereof). Prior to September 18, 2013, Purchasers of Creation Units ("Authorized Participants") at NAV paid a standard creation transaction fee of \$1,500 per transaction. The fee charged was the same regardless of the number of Creation Units purchased by an investor on the same day. Prior to September 18, 2013, an Authorized Participant who held Creation Units and wished to redeem at NAV would also pay a standard Redemption Fee of \$1,500 per transaction to the custodian on the date of such redemption, regardless of the number of Creation Units redeemed that day. As of September 18, 2013, the maximum creation and redemption fees for the KraneShares CSI China Five Year Plan ETF and the KraneShares CSI China Internet ETF were changed to \$8,000 and \$1,000, respectively. As of March 31, 2014, the KraneShares Bosera MSCI China A Share ETF has a standard creation and redemption fee of \$6,000 and a variable fee. These fees are subject to adjustment from time to time by the Adviser.

Except when aggregated in Creation Units, shares are not redeemable securities of a Fund. Shares of a Fund may only be purchased or redeemed by certain Authorized Participants. An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a DTC participant and, in each case, must have executed a Participant Agreement with the Distributor. Most retail investors will not qualify as Authorized Participants or have the resources to buy and sell whole Creation Units. Therefore, they will be unable to purchase or redeem the shares directly from the Fund. Rather, most retail investors will purchase shares in the secondary market with the assistance of a broker and will be subject to customary brokerage commissions or fees.



NOTES TO FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

If a Creation Unit is purchased or redeemed for cash, a higher transaction fee will be charged. The KraneShares Boserá MSCI China A Share ETF generally expects that Creation Units of the Fund issued and redeemed principally for cash. The following table discloses Creation Unit breakdown as of March 31, 2014:

| | Creation Unit Shares | Transaction Fee | Value | Redemption Fee |
|--|-------------------------|--------------------|--------------|-------------------|
| KraneShares Boserá MSCI China A Share ETF ⁽¹⁾ | 400,000 | \$18,000 | \$12,000,000 | \$ — |
| KraneShares CSI China Five Year Plan ETF ⁽²⁾ | 50,000 | 1,500 | 2,500,000 | 1,500 |
| KraneShares CSI China Internet ETF ⁽³⁾ | 2,150,000 | 9,000 | 71,733,000 | — |

(1) Commenced operations on March 4, 2014.

(2) Commenced operations on July 22, 2013.

(3) Commenced operations on July 31, 2013.

Organizational Expenses

All organizational and offering expenses of the Trust were borne by the Adviser and will not be subject to future recoupment. As a result, organizational and offering expenses are not reflected in the statement of assets and liabilities.

Concentration of Risk

Cash at March 31, 2014, is held in time deposits at Brown Brothers Harriman. Amounts may exceed federally insured limits.

3. RELATED PARTY TRANSACTIONS

Investment Advisory Agreement

The Adviser is responsible for the day-to-day management of each Fund listed below, and continuously reviews, supervises, and administers the Fund's investment program. The Board of Trustees of the Trust supervises the Adviser and establishes policies that the Adviser must follow in its day-to-day management activities. Pursuant to an investment advisory agreement between the Trust and the Adviser, the Funds below pay the Adviser a fee, which is calculated daily and paid monthly, at the following annual rates, based on a percentage of the average daily net assets of each Fund:

| | Management Fee |
|---|-------------------|
| KraneShares Boserá MSCI China A Share ETF | 1.10% |
| KraneShares CSI China Five Year Plan ETF | 0.68% |
| KraneShares CSI China Internet ETF | 0.68% |

Boserá Asset Management (International) Co., Ltd. ("Boserá"), an affiliate of the adviser, operating out of Hong Kong, serves as the Co-Adviser to the KraneShares Boserá MSCI China A Share ETF and is responsible for the day-to-day management of the Fund, subject to oversight by the Adviser and the Board of Trustees of the Trust. For the services Boserá provides to KraneShares Boserá MSCI China A Share ETF, the Adviser pays Boserá a fee equal to 50% of the net revenue the Adviser receives from the Fund.

The Adviser and Co-Adviser bear all of their own costs associated with providing these advisory services. As part of its agreement with the Trust, the Adviser has contractually agreed to pay all operating expenses of the Funds, including the cost of index licensing fees, transfer agency, custody, fund administration, legal, audit and other services, except interest expense, taxes, Acquired



NOTES TO FINANCIAL STATEMENTS

3. RELATED PARTY TRANSACTIONS – (continued)

Fund Fees and Expenses, if any, brokerage commissions and other expenses connected with execution of portfolio transactions, expenses of the Independent Trustees (including any Trustees’ counsel fees), extraordinary expenses, distribution fees and any expenses paid by the Trust under the distribution plan adopted pursuant to Rule 12b-1 under the 1940 Act and the advisory fee payable to the Adviser.

Sub-Advisory Agreement

Index Management Solutions, LLC serves as the investment sub-adviser to the KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF (the “Sub-Adviser”). The Sub-Adviser is responsible for trading portfolio securities on behalf of the KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF, including selecting broker-dealers to execute purchase and sale transactions as instructed by the Adviser or in connection with any rebalancing or reconstitution of the Underlying Index, subject to the supervision of the Adviser and the Board of Trustees. For the services it provides to the KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF, the Adviser pays the Sub-Adviser a fee, which is calculated daily and paid monthly, at an annual rate of 0.05% on each Fund’s daily average net assets up to \$50 million; 0.04% on each Fund’s daily average net assets on the next \$50 million; and 0.03% on each Fund’s daily average net assets in excess of \$100 million.

Distribution Agreement

SEI Investments Distribution Co. (the “Distributor”), a wholly owned subsidiary of SEI Investments Company and an affiliate of the administrator, serves as the Funds’ distributor of Creation Units pursuant to a distribution agreement. The Distributor does not maintain any secondary market in Fund shares.

The Trust has adopted a Distribution and Service Plan (“Plan”) pursuant to Rule 12b-1 under the 1940 Act. In accordance with its Plan, each Fund is authorized to pay an amount up to 0.25% of its average daily net assets each year for certain distribution-related activities. For the first twelve months of operations, no fees will be charged by the Distributor under the Plan and the Plan will only be implemented with the approval of the Board of Trustees.

Administrator, Custodian and Transfer Agent

SEI Investments Global Funds Services (the “Administrator”) serves as the Funds’ Administrator pursuant to an administration agreement. Brown Brothers Harriman & Co. serves as the Funds’ Custodian and Transfer Agent pursuant to a Custodian and Transfer Agent Agreement.

4. INVESTMENT TRANSACTIONS

For the period ended March 31, 2014, the purchases and sales of investments in securities excluding in-kind transactions, long-term U.S. Government and short-term securities were:

| | <u>Purchases</u> | <u>Sales and Maturities</u> |
|--|------------------|-----------------------------|
| KraneShares Bosera MSCI China A Share ETF ⁽¹⁾ | \$11,944,617 | \$ 6,344 |
| KraneShares CSI China Five Year Plan ETF ⁽²⁾ | 326,788 | 327,239 |
| KraneShares CSI China Internet ETF ⁽³⁾ | 2,576,140 | 2,370,941 |

(1) Commenced operations on March 4, 2014.
 (2) Commenced operations on July 22, 2013.
 (3) Commenced operations on July 31, 2013.



NOTES TO FINANCIAL STATEMENTS

4. INVESTMENT TRANSACTIONS - (continued)

For the period ended March 31, 2014, in-kind transactions associated with creations and redemptions were:

| | Purchases | Sales and Maturities | Realized Gain/(Loss) |
|--|------------|----------------------|----------------------|
| KraneShares Bosera MSCI China A Share ETF ⁽¹⁾ | \$ — | \$ — | \$ — |
| KraneShares CSI China Five Year Plan ETF ⁽²⁾ | 4,987,122 | 3,160,263 | 660,065 |
| KraneShares CSI China Internet ETF ⁽³⁾ | 73,883,935 | — | — |

(1) Commenced operations on March 4, 2014.

(2) Commenced operations on July 22, 2013.

(3) Commenced operations on July 31, 2013.

During the period ended March 31, 2014, there were no purchases or sales of long-term U.S. Government securities for the Funds.

5. TAX INFORMATION

The amount and character of income and capital gain distributions to be paid, if any, are determined in accordance with Federal income tax regulations, which may differ from U.S. GAAP. As a result, net investment income (loss) and net realized gain (loss) on investment transactions for a reporting period may differ significantly from distributions during such period. These book/tax differences may be temporary or permanent. To the extent these differences are permanent in nature, they are charged or credited to undistributed net investment income (loss), accumulated net realized gain (loss) or paid-in capital, as appropriate, in the period that the differences arise.

The following differences, primarily attributable to foreign currency, redemptions in-kind, equalization and sales of passive foreign investment companies have been reclassified to/from the following accounts during the fiscal year ended March 31, 2014.

| KraneShares Funds | Paid-in Capital | Undistributed Net Investment Income | Accumulated Net Realized Gain (Loss) |
|--|-----------------|-------------------------------------|--------------------------------------|
| KraneShares Bosera MSCI China A Shares ETF | \$ — | \$(31,455) | \$ 31,455 |
| KraneShares CSI China Five Year Plan ETF | 676,494 | 3,946 | (680,440) |
| KraneShares CSI China Internet ETF | — | 304 | (304) |

These reclassifications have no impact on net assets or net asset value per share.

The tax character of dividends and distributions paid during the period ended March 31, 2014 were as follows:

| KraneShares Funds | Ordinary Income | Long-Term Capital Gain | Return of Capital | Totals |
|--|-----------------|------------------------|-------------------|--------|
| KraneShares Bosera MSCI China A Shares ETF 2014 | \$ — | \$ — | \$ — | \$ — |
| KraneShares CSI China Five Year Plan ETF 2014 | — | — | — | — |
| KraneShares CSI China Internet ETF 2014 | 67,648 | — | — | 67,648 |



NOTES TO FINANCIAL STATEMENTS

5. TAX INFORMATION – (continued)

As of March 31, 2014, the components of tax basis distributable earnings (accumulated losses) were as follows:

| | KraneShares Bosera MSCI China A Share ETF | KraneShares CSI China Five Year Plan ETF | KraneShares CSI China Internet ETF |
|--|--|---|--|
| Undistributed Ordinary Income | \$ — | \$ 17,544 | \$ 596,577 |
| Qualified Late Year Losses | (39,502) | — | — |
| Unrealized Appreciation on Investments and Foreign Currency | (430,443) | 615,138 | 2,413,661 |
| Total Distributable Earnings (Accumulated Losses) . . | <u>\$(469,945)</u> | <u>\$632,682</u> | <u>\$3,010,238</u> |

Under the recently enacted Regulated Investment Company Modernization Act of 2010, the Funds will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period. Post-enactment capital losses that are carried forward will retain their character as either short-term or long-term capital losses rather than being considered all short-term as under previous law. As of March 31, 2014 there were no capital losses.

The differences between book and tax-basis unrealized appreciation/(depreciation) are attributable primarily to the tax deferral of losses on wash sales and investments in passive foreign investment companies. The Federal tax cost and aggregate gross unrealized appreciation and depreciation on investments held by the Funds at March 31, 2014 were as follows:

| KraneShares Funds | Federal Tax Cost | Aggregated Gross Unrealized Appreciation | Aggregated Gross Unrealized Depreciation | Net Unrealized Appreciation (Depreciation) |
|--|---------------------|---|---|--|
| KraneShares Bosera MSCI China A Share ETF . . . | \$11,937,177 | \$ 181,839 | \$ (612,172) | \$ (430,333) |
| KraneShares CSI China Five Year Plan ETF | 2,529,072 | 682,160 | (67,022) | 615,138 |
| KraneShares CSI China Internet ETF | 74,873,392 | 6,720,415 | (4,306,754) | 2,413,661 |

6. CONCENTRATION OF RISKS

As with all exchange traded funds (“ETFs”), shareholders of Funds are subject to the risk that their investment could lose money. The Funds are subject to the principal risks noted below, any of which may adversely affect a Fund’s net asset value (“NAV”), trading price, yield, total return and ability to meet its investment objective. A more complete description of principal risks is included in the prospectus under the heading “Principal Risks”.

Geographic Concentration in China and Hong Kong

Because the Funds concentrate their investments in securities issued in China and Hong Kong, each Fund’s performance is expected to be closely tied to social, political, and economic conditions within China and Hong Kong and to be more volatile than the performance of more geographically diversified funds. These and other factors could have a negative impact on the Funds’ performance and increase the volatility of an investment in the Funds.

Industry Concentration Risk

In following its methodology, each Fund’s Underlying Index from time to time may be concentrated to a significant degree in securities of issuers located in a single industry or a sector. To the extent that an Underlying Index concentrates in the securities of issuers in a particular industry or sector, each Fund will also concentrate its investments to approximately the same extent. By concentrating its investments in an industry or sector, a Fund may face more risks than if it were diversified broadly

6. CONCENTRATION OF RISKS – (continued)

over numerous industries or sectors. In addition, at times, an industry or sector may be out of favor and underperforms other industries or the market as a whole. Any factors detrimental to the performance of such industry or sector will disproportionately impact a Fund's NAV.

Non-Correlation Risk

Each Fund's return may not match the return of its Underlying Index for a number of reasons. For example, each Fund incurs operating expenses not applicable to the Underlying Index, and incurs costs in buying and selling securities, especially when rebalancing the Fund's securities holdings to reflect changes in the composition of its Underlying Index. In addition, the performance of each Fund and its Underlying Index may vary due to asset valuation differences and differences between each Fund's portfolio and its Underlying Index resulting from legal restrictions, cost or liquidity constraints.

Index Risk

Unlike many investment companies, the Funds do not utilize an investing strategy that seeks returns in excess of each Fund's respective Underlying Index. Therefore, a Fund would not necessarily buy or sell a security unless that security is added or removed, respectively, from its respective Underlying Index, even if that security generally is underperforming.

Market Risk

The trading prices of equity securities and other instruments fluctuate in response to a variety of factors. The Funds NAV and market price may fluctuate significantly in response to such factors. As a result, an investor could lose money over short or long periods of time.

Non-Diversification Risk

The Funds are considered to be non-diversified, which means that it may invest more of their assets in the securities of a single issuer or a smaller number of issuers than if they were a diversified fund. To the extent a Fund invests a significant percentage of its assets in a limited number of issuers, the Fund is subject to the risks of investing in those few issuers, and may be more susceptible to a single adverse economic or regulatory occurrence. As a result, changes in the market value of a single security could cause greater fluctuations in the value of Fund shares than would occur in a diversified fund.

7. OTHER

At March 31, 2014, the records of the Trust reflected that 100% of each Fund's total Shares outstanding were each held by one Authorized Participant, in the form of Creation Units. However, the individual shares comprising such Creation Units are listed and traded on the NYSE Arca, Inc. and a portion thereof have been purchased and sold by persons other than Authorized Participants. Each Authorized Participant has entered into an agreement with the Funds' Distributor.

8. CONTRACTUAL OBLIGATIONS

The Funds enter into contracts in the normal course of business that contain a variety of indemnifications. The Funds' maximum exposure under these arrangements is unknown. However, the Funds have not had prior gains or losses pursuant to these contracts. Management has reviewed the Funds' existing contracts and expects the risk of loss to be remote.



NOTES TO FINANCIAL STATEMENTS

9. SUBSEQUENT EVENTS

The Funds have evaluated the need for additional disclosures and/or adjustments resulting from subsequent events. Based on this evaluation, no additional disclosures or adjustments were required to the financial statements as of the date the financial statements were issued.



REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

To the Board of Trustees of KraneShares Trust:

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of KraneShares Boserá MSCI China A Share ETF, KraneShares CSI China Five Year Plan ETF and KraneShares CSI China Internet ETF (three of the portfolios constituting KraneShares Trust, hereafter collectively referred to as the “Funds”) at March 31, 2014, and the results of each of their operations, the changes in each of their net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Funds’ management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2014 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
May 30, 2014



TRUSTEES AND OFFICERS OF THE TRUST (unaudited)
March 31, 2014

Set forth below are the names, addresses, ages, position with the Trust, Term of Office and Length of Time Served, the principal occupations for the last five years, number of Funds in fund complex overseen by trustee, and other directorships outside the fund complex of each of the persons currently serving as Trustees and Officers of the Trust.

| Name, Address (Year of Birth) | Position(s) Held with Funds | Principal Occupation(s) During the Past 5 Years | Number of Funds in Trust Overseen by Director | Other Directorships Held by Trustees |
|---|--|--|---|---|
| Interested Trustees⁽²⁾ | | | | |
| Jonathan Krane ⁽¹⁾ 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1968) | Trustee and Chairman of the Board, No set term; served since 2012 | Principal of Krane Capital LLC from June 2009 to present. Chief Executive Officer of Krane Funds Advisors, LLC from May 2011 to present. Chief Executive Officer of Harvest Krane LLC from June 2012 to present. Chief Executive Officer of Emma Entertainment from March 2004 to May 2009. | 3 | None |
| Chris Ruppenstein ⁽¹⁾ 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1970) | Trustee, No set term; served since 2012 | Managing Director of Krane Funds Advisors, LLC from July 2013 to present. Stock Broker at TD Securities USA from January 1997 to January 2012. | 3 | None |
| Independent Trustees⁽²⁾ | | | | |
| Robb T. Doub 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1968) | Trustee, No set term; served since 2013 | General Partner of New Markets Venture Partners from January 2003 to present. | 3 | None |
| John Ferguson 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1966) | Trustee, No set term; served since 2012 | President of Alden Global Capital, LLC (hedge fund adviser) from April 2012 to present (formerly, Chief Operating Officer from November 2011 to April 2012). Senior Managing Director and Chief Operating Officer of K2 Advisors, L.L.C. from April 2005 to October 2011. | 3 | None |
| Matthew Stroyman 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1968) | Trustee, No set term; served since 2012 | Co-Founder, President and Chief Operating Officer of Arcturus (real estate asset and investment management services firm) from September 2007 to present. | 3 | None |



TRUSTEES AND OFFICERS OF THE TRUST (unaudited)
March 31, 2014

The Trust's Statement of Additional Information ("SAI") includes additional information about the Trustees and Officers. The SAI may be obtained without charge by calling 1-888-493-8631. The following chart lists Trustees and Officers as of March 31, 2014.

| Name, Address (Year of Birth) | Position(s) Held with Funds | Principal Occupation(s) During the Past 5 Years | Number of Funds in Trust Overseen by Director | Other Directorships Held by Trustees |
|---|---|--|---|---|
| Interested Trustee/Officers⁽²⁾ | | | | |
| Jonathan Krane 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1968) | Principal Executive Officer and Principal Financial Officer, No set term; served since 2012 | Principal of Krane Capital LLC from June 2009 to present. Chief Executive Officer of Krane Funds Advisors, LLC from May 2011 to present. Chief Executive Officer of Harvest Krane LLC from June 2012 to present. Chief Executive Officer of Emma Entertainment from March 2004 to May 2009. | 3 | None |
| Jennifer Krane 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1966) | Vice President, No set term; served since 2012 | Principal of Krane Capital LLC from June 2009 to present. Vice President of Krane Funds Advisors, LLC from July 2011 to present. Sole Practitioner of Jennifer Krane, Esq. from March 2001 to June 2009. | 3 | None |
| LuAnne Garvey 1350 Avenue of Americas, 2nd Floor New York, NY 10019 (1970) | Chief Compliance Officer, No set term; served since 2014 | Director of Cipperman Compliance Services, LLC from January 2014 to present. Compliance Manager of Foreside Financial Group from April 2012 to December 2013. Compliance Manager of BNY Mellon Distributors 2010 to April 2012. Compliance Manager of PFPC Distributors from 1997 to 2012. | 3 | None |



TRUSTEES AND OFFICERS OF THE TRUST (unaudited)
March 31, 2014

| Name, Address (Year of Birth) | Position(s) Held with Funds | Principal Occupation(s) During the Past 5 Years | Other Directorships Held by Trustees |
|---|--|---|---|
| Interested Trustee/Officers⁽²⁾ | | | |
| Peter Rodriguez ⁽⁴⁾ SEI Investments Company One Freedom Valley Drive Oaks, PA 19456 (1962) | Assistant Treasurer, No set term; served since 2013 | Director, Fund Accounting of SEI Investments Global Funds Services from 2011 to present, 1997 to 2005. Director, Mutual Fund Trading of SEI Private Trust Company from 2009 to 2011. Director, Asset Data Services of Global Wealth Services from 2006 to 2009; Director, Portfolio Accounting of SEI Investments Global Fund Services from 2005 to 2006. | N/A |

- (1) Mr. Krane is an “interested” person of the Trust, as that term is defined in the 1940 Act, by virtue of his ownership and controlling interest in the Adviser. Mr. Ruppenstein is an “interested” person of the Trust, as that term is defined in the 1940 Act, by virtue of his employment with the Adviser.
- (2) Each Trustee serves until his or her successor is duly elected or appointed and qualified.
- (3) As of March 31, 2014, the Trust had six investment portfolios, three of which were operational.
- (4) These officers of the Trust also serve as officers of one or more mutual funds for which SEI Investments Company or an affiliate acts as investment manager, administrator or distributor.



APPROVAL OF ADVISORY AGREEMENTS & BOARD CONSIDERATIONS (unaudited)

The Investment Company Act of 1940, as amended (the “1940 Act”), requires that the initial approval of, as well as the continuation of, each KraneShares Fund’s investment advisory agreement(s) be specifically approved by: (i) the vote of the KraneShares Trust (the “Trust”) Board of Trustees (the “Board”) or by a vote of the shareholders of the Fund; and (ii) the vote of a majority of the Trustees who are not parties to the investment advisory agreement(s) or “interested persons” (as defined under the 1940 Act) of any party to the investment advisory agreement(s) (the “Independent Trustees”), cast in person at a meeting called for the purpose of voting on such approval. In connection with its consideration of such approvals, the Board must request and evaluate, and Krane Funds Advisors, LLC (the “Adviser”) and any sub-adviser are required to furnish, such information as may be reasonably necessary to evaluate the terms of the investment advisory agreements. In addition, the Investment Company Act of 1940 requires the Trust to disclose in its shareholder reports the material factors and the conclusions with respect thereto that formed the basis for the Board’s approval of the Trust’s investment advisory contracts.

At in-person meetings held on September 25, 2013 and October 2, 2013 (the “Meetings”), the Board considered proposals to approve the Investment Advisory Agreement (the “Agreement”) between the Trust and the Adviser and the Investment Sub-Advisory Agreement (the “Sub-Advisory Agreement” and together with the Agreement, the “Agreements”) between the Adviser and Boserá Asset Management (International) Co., Limited (the “Sub-Adviser”), respectively, with respect to the KraneShares Boserá MSCI China A Share ETF, a new series of the Trust (the “New Fund”). At the Meetings, the Board, including a majority of the Trustees who are not considered to be “interested persons” of the Trust (the “Independent Trustees”) under the 1940 Act, approved for an initial two-year period the proposed Agreements with respect to the New Fund, which commenced operations during the period covered by this Report. The Adviser and the Sub-Adviser are sometimes referred to herein as the “Advisers.”

In considering the Agreements, the Board reviewed a variety of information provided by the Advisers relating to the New Fund, the Agreements and the Advisers, including fee and expense information and information regarding the nature, extent and quality of services to be provided by the Advisers under their respective Agreements. The materials provided to the Board included, among other items: (i) information on the New Fund’s advisory fee, which is structured as a unitary fee, and other expenses, including information comparing the New Fund’s proposed fees and expenses to those of comparable funds; (ii) information about the expected profitability of the Agreements to the Advisers; and (iii) a memorandum from legal counsel to the Trust on the responsibilities of the Trustees in considering the approval of investment advisory arrangements, including investment sub-advisory arrangements, under the 1940 Act.

The Board of Trustees, including the Independent Trustees, also considered other matters such as (i) the Advisers’ financial condition; (ii) the Sub-Adviser’s experience in providing advisory services to comparable funds, *i.e.*, equity index ETFs; (iii) the New Fund’s investment objective and strategies; (iv) the Advisers’ investment personnel and operations; (v) the use, if any, of “soft” commission dollars to pay for research and other similar services; (vi) the resources devoted to compliance, generally, and monitoring with regard to the New Fund’s investment policies and restrictions; and (vii) any “fall-out” benefits to the Advisers and their affiliates (*i.e.*, ancillary benefits realized by the Advisers and their affiliates from the Advisers’ relationship with the Trust). Throughout the process, the Trustees were afforded the opportunity to ask questions of and request additional materials from the Advisers, and the Independent Trustees met separately, with Trust counsel, to consider the Agreements.



APPROVAL OF ADVISORY AGREEMENTS & BOARD CONSIDERATIONS (unaudited)

In considering whether to approve the Agreements, the Board of Trustees, including the Independent Trustees, did not identify any single factor as determinative. Individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. Matters considered by the Trustees, including the Independent Trustees, in connection with their approval of the Agreements included the factors listed below.

The nature, extent and quality of the services to be provided to the New Fund under the Agreements. The Trustees considered the nature, extent and quality of the services to be provided by the Adviser and the Sub-Adviser to the New Fund and the resources dedicated to the New Fund by the Advisers. The Board considered, among other things, the Advisers' anticipated responsibilities for managing the investment operations of the New Fund, in accordance with its investment objective and policies, and applicable legal and regulatory requirements. The Board focused, in particular, on the importance of the Sub-Adviser's status as a Renminbi Qualified Foreign Institutional Investor ("RQFII"), and its ability to obtain a specific aggregate dollar amount of investment quota from China's State Administration of Foreign Exchange ("SAFE") to enable the New Fund to invest renminbi ("RMB") in the People's Republic of China (the "PRC") for the purpose of investing in China A Shares in the PRC's domestic securities markets ("A Share Quota"). The Board considered that while the Sub-Adviser is a newly registered U.S. investment adviser, the Sub-Adviser and its affiliates have extensive investment advisory experience outside of the U.S., including experience in managing exchange-traded products. The Board also considered the fact that the Sub-Adviser is a subsidiary of the then-fifth largest asset management firm in China and the China Merchants Group, a large well-established state-owned enterprise. With respect to the Adviser, the Board considered the Adviser's role in overseeing the activities of the Sub-Adviser and coordinating the activities of the Trust's other service providers. After reviewing these and related factors, the Board concluded that the nature, extent and quality of the services to be provided were extensive in nature and of high quality and supported the approval of the Agreements.

Performance of the Advisers. The Board noted that the New Fund is new and therefore has no historical performance for the Board to review. As a result, the Board concluded that historical investment performance was not a material factor in the approval of the Agreements for the New Fund. However, following the New Fund's commencement of operations, the Board will evaluate the New Fund's performance in comparison to that of its underlying index and any comparable peer funds.

The costs of the services to be provided and profits expected to be realized by the Advisers and their affiliates from their relationships with the New Fund. The Trustees considered the unitary fee proposed to be charged to the New Fund for advisory services as well as the expected total expenses of the New Fund. This information included comparisons of the New Fund's unitary fee and expected total expenses to those of other comparable funds. The Trustees considered that due in part to the recent ability to invest in China A Shares directly and obtain daily liquidity through the RQFII regulatory regime, there existed only a few comparable U.S. registered funds. In evaluating the New Fund's advisory fees, the Trustees took into account that the Adviser would be paying all of the New Fund's operating expenses from its advisory fee except for certain excluded expenses. The Trustees further considered that the sub-advisory fees for the New Fund would be paid not by the New Fund, but rather by the Adviser out of its advisory fee.

With regard to profitability, the Trustees considered all compensation that would flow, directly or indirectly, to the Advisers and their affiliates, if any, from their relationship with the New Fund, including any benefits derived or to be derived by the Advisers, such as soft dollar arrangements, as

APPROVAL OF ADVISORY AGREEMENTS & BOARD CONSIDERATIONS (unaudited)

well as the cost of services to be provided to the New Fund. The Trustees considered whether the varied levels of compensation and the estimated profitability under the Agreements were reasonable and justified in light of the quality of all services to be rendered to the New Fund by the Advisers. When considering the profitability of the Sub-Adviser with respect to the sub-advisory services it anticipates providing to the New Fund, the Board took into account the fact that the Sub-Adviser is compensated by the Adviser, and not by the New Fund directly, and such compensation with respect to the Sub-Adviser reflects an arms-length negotiation between the Sub-Adviser and the Adviser. Based on this evaluation, the Board concluded that, within the context of its full deliberations, the profitability of the Advisers is reasonable in relation to the quality of the respective services to be provided to the New Fund and supported the approval of the Agreements.

Economies of Scale. The Trustees considered the existence of any economies of scale in the provision of services by the Advisers and whether those economies would be shared with the New Fund through breakpoints in its investment advisory fee or other means, such as expense waivers or limitations. The Trustees noted that the Investment Advisory Agreement does not provide for breakpoints in the New Fund's advisory fee rates as assets of the New Fund increase. The Board took into account the costs of the services to be provided and the estimated profitability to the Adviser and its affiliates of their relationship with the New Fund, as discussed above. The Board also considered the potential effect of the New Fund's growth and size on fees, noting that if the New Fund's assets increase over time, the New Fund may realize economies of scale if assets increase proportionally more than some expenses. The Trustees noted that they intend to continue to monitor fees as the New Fund grows in size and assess whether fee breakpoints may be warranted in the future. After reviewing these and related factors, the Board concluded that the advisory and sub-advisory fee structures were reasonable particularly in view of the fact that the Adviser will pay all of the New Fund's operating expenses under the unitary fee structure, and supported the approval of the Agreements.

The Trustees also considered other factors, which included but were not limited to, the compliance-related resources of the Advisers and potential other benefits to the Advisers, such as the benefits of research made available to the Advisers by reason of brokerage commissions generated by the New Fund's securities transactions or reputational and other indirect benefits. The Trustees considered the possible conflicts of interest associated with these other benefits, and the reporting, disclosure and other processes in place to disclose and monitor such possible conflicts of interest.

Based on their evaluation of all factors that they deemed to be material, including those factors described above, none of which was dispositive in itself and may have been weighed differently by each Trustee, and assisted by the advice of legal counsel, the Trustees, including a majority of the Independent Trustees, concluded that approval of the Agreements would be in the best interests of the New Fund and its shareholders. Accordingly, the Board, and the Independent Trustees voting separately, approved the Agreements for an initial two-year period. The Board's conclusions with respect to the Agreements were as follows: (a) the nature and extent of the services expected to be provided by the Advisers with respect to the New Fund were appropriate; (b) the Advisers' fee for the New Fund and the unitary fee, considered in relation to services expected to be provided, were fair and reasonable; (c) any additional benefits to the Advisers were not of a sufficient magnitude to affect the Board's conclusions; and (d) the Board would consider the Advisers' ability to share any economies of scale with respect to their management of the New Fund after the New Fund has been in operation for a reasonable period of time.



DISCLOSURE OF FUND EXPENSES (unaudited)

All Exchange Traded Funds (“ETF’s”) have operating expenses. As a shareholder of an ETF, your investment is affected by these ongoing costs, which include (among others) costs for ETF management, administrative services, commissions, and shareholder reports like this one. It is important for you to understand the impact of these costs on your investment returns. In addition, a shareholder is responsible for brokerage fees as a result of their investment in the Fund.

Operating expenses such as these are deducted from an ETF’s gross income and directly reduce its final investment return. These expenses are expressed as a percentage of the ETF’s average net assets; this percentage is known as the ETF’s expense ratio.

The following examples use the expense ratio and are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The table on the next page illustrates your Fund’s costs in two ways:

Actual Fund Return. This section helps you to estimate the actual expenses that your Fund incurred over the period. The “Expenses Paid During Period” column shows the actual dollar expense cost incurred by a \$1,000 investment in the Fund, and the “Ending Account Value” number is derived from deducting that expense cost from the Fund’s gross investment return.

You can use this information, together with the actual amount you invested in the Fund, to estimate the expenses you paid over that period. Simply divide your actual account value by \$1,000 to arrive at a ratio (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply that ratio by the number shown for your Fund under “Expenses Paid During Period.”

Hypothetical 5% Return. This section helps you compare your Fund’s costs with those of other funds. It assumes that the Fund had an annual 5% return before expenses during the year, but that the expense ratio (Column 3) for the period is unchanged. This example is useful in making comparisons because the Securities and Exchange Commission requires all funds to make this 5% calculation. You can assess your Fund’s comparative cost by comparing the hypothetical result for your Fund in the “Expenses Paid During Period” column with those that appear in the same charts in the shareholder reports for other funds.

NOTE: Because the return is set at 5% for comparison purposes — NOT your Fund’s actual return — the account values shown may not apply to your specific investment.



DISCLOSURE OF FUND EXPENSES (unaudited)

| | Beginning Account Value 03/04/14 | Ending Account Value 03/31/14 | Annualized Expense Ratios | Expenses Paid During Period |
|--|---|--|---------------------------------|--------------------------------------|
| <i>KraneShares Boserá MSCI China A Share ETF</i> | | | | |
| Actual Fund Return | \$1,000.00 | \$ 964.00 | 1.10% | \$0.83 ⁽¹⁾ |
| Hypothetical 5% Return | 1,000.00 | \$1,002.99 | 1.10% | \$5.49 ⁽²⁾ |
| | Beginning Account Value 09/30/13 | Ending Account Value 03/31/14 | Annualized Expense Ratios | Expenses Paid During Period |
| <i>KraneShares CSI China Five Year Plan ETF</i> | | | | |
| Actual Fund Return | \$1,000.00 | \$1,172.40 | 0.68% | \$3.51 ⁽²⁾ |
| Hypothetical 5% Return | 1,000.00 | \$1,021.54 | 0.68% | \$3.43 ⁽²⁾ |
| <i>KraneShares CSI China Internet ETF</i> | | | | |
| Actual Fund Return | \$1,000.00 | \$1,194.40 | 0.68% | \$3.72 ⁽²⁾ |
| Hypothetical 5% Return | 1,000.00 | \$1,021.54 | 0.68% | \$3.43 ⁽²⁾ |

- (1) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied 28/365 (to reflect the actual time the Fund was operational from 03/04/14-03/31/14).
- (2) Expenses are equal to the Fund's annualized expense ratio multiplied by the average account value over the period, multiplied 182/365 (to reflect the one-half year period).



NOTICE TO SHAREHOLDERS (unaudited)

For shareholders that do not have a March 31, 2014 tax year end, this notice is for informational purposes only. For shareholders with a March 31, 2014 tax year end, please consult your tax advisor as to the pertinence of this notice. For the fiscal year ended March 31, 2014 the Funds are designating the following items with regard to distributions paid during the year.

| Long-Term Capital Gain Distributions | Ordinary Income Distributions | Total Distributions | Qualifying for Corporate Dividends Received Deduction ⁽¹⁾ | Qualifying Dividend Income ⁽²⁾ | U.S. Government Interest ⁽³⁾ | Interest Related Dividends ⁽⁴⁾ | Short Term Capital Gain Dividends ⁽⁵⁾ | Foreign Tax Credit |
|---|-------------------------------|---------------------|--|---|---|---|--|--------------------|
| KraneShares Boserá MSCI China A Share ETF | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| KraneShares CSI China Five Year Plan ETF | 0.00% | 100.00% | 100.00% | 0.00% | 4.79% | 0.00% | 0.00% | 100.00% |
| KraneShares CSI China Internet ETF | 0.00% | 100.00% | 100.00% | 0.00% | 9.53% | 0.00% | 0.00% | 100.00% |

- (1) Qualifying dividends represent dividends which qualify for the corporate dividends received deduction and is reflected as a percentage of ordinary income distributions (the total of short term capital gain and net investment income distributions).
- (2) The percentage in this column represents the amount of "Qualifying Dividend Income" and is reflected as a percentage of ordinary income distributions (the total of short term capital gain and net investment income distributions).
- (3) "U.S. Government Interest represents the amount of interest that was derived from U.S. Government obligations and distributed during the fiscal year. Generally, interest from direct U.S. Government obligations is exempt from state income tax. However, for shareholders of the Analytic Global Long-Short Fund who are residents of California, Connecticut and New York, the statutory threshold requirements were not satisfied to permit exemption of these amounts from state income.
- (4) The percentage in this column represents the amount of "Interest Related Dividends" and is reflected as a percentage of net investment income distributions that is exempt from U.S. withholding tax when paid for foreign investors.
- (5) The percentage in this column represents the amount of "Short-Term Capital Gain Dividends" and is reflected as a percentage of short-term capital gain distributions that is exempt from U.S. withholding tax when paid to foreign investors.



SUPPLEMENTAL INFORMATION (unaudited)

Net asset value, or “NAV”, is the price per Share at which the Funds issue and redeem Shares. It is calculated in accordance with the standard formula for valuing mutual fund shares. The “Market Price” of the Funds generally is determined using the midpoint between the highest bid and the lowest offer on the stock exchange on which the Shares of the Funds are listed for trading, as of the time that the Funds’ NAV is calculated. The Funds’ Market Price may be at, above or below their NAV. The NAV of the Funds will fluctuate with changes in the market value of their holdings. The Market Price of the Funds will fluctuate in accordance with changes in their NAV, as well as market supply and demand.

Premiums or discounts are the differences (expressed as a percentage) between the NAV and Market Price of the Funds on a given day, generally at the time NAV is calculated. A premium is the amount that the Funds are trading above the reported NAV, expressed as a percentage of the NAV. A discount is the amount that the Funds are trading below the reported NAV, expressed as a percentage of the NAV.

Further information regarding premiums and discounts is available on the Funds’ website at KraneShares.com



KroneShares

NOTES



KroneShares

KroneShares Trust:

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1-855-857-2638
<http://kraneshares.com/>

Investment Adviser:

Krone Funds Advisors, LLC
1350 Avenue of the Americas, 2nd Floor
New York, New York 10019

Distributor:

SEI Investments Distribution Co.
One Freedom Valley Drive
Oaks, PA 19456

Administrator:

SEI Investments Global Funds Services
One Freedom Valley Drive
Oaks, PA 19456

This information must be preceded or accompanied by a current prospectus for the Funds described.