

## KraneShares Zacks New China ETF (ticker: KFYP)<sup>1</sup>

### Investment Strategy:

KFYP tracks the Zacks New China Index which takes a smart-beta<sup>2</sup> approach to provide exposure to companies listed in Mainland China, Hong Kong and the United States whose primary business or businesses are important in the current Five-Year Plan of the central Chinese government. The sectors expected to benefit from the Plan are evaluated and the stocks within each sector are subsequently ranked based on various investment factors, including price, cash flow, free cash flow, momentum and volatility. Based on the foregoing, the top 40 stocks of the index are included in the fund's holdings.

### KFYP provides:

- A innovative strategy that offers an "all China" exposure to the "new China" economy.
- Exposure to sectors highlighted in China's Five Year Plan (FYP) such as technology, consumer staples, consumer discretionary, and health care.
- Less emphasis on manufacturing, financials, industrials and heavy materials that defined China's past economic plans.
- Exposure to large cap, mid cap, and small cap Chinese companies trading in Mainland China, Hong Kong and the United States.
- Smart beta<sup>2</sup> investment strategy focused on sectors/industries highlighted in the FYP.

1. Formerly KraneShares CSI New China ETF

2. Smart beta is an investment style where a manager passively follows an index designed to take advantage of perceived systematic biases or inefficiencies in the market.

| Fund Details                         | As of 12/31/2017                  |             |
|--------------------------------------|-----------------------------------|-------------|
| Primary Exchange                     | NYSE                              |             |
| Total Annual Fund Operating Expenses | Gross: 0.84%                      | Net: 0.72%* |
| Cusip                                | 500767207                         |             |
| Inception Date                       | 7/22/2013                         |             |
| Distribution Frequency               | Semiannually                      |             |
| Index Name                           | Zacks New China Index             |             |
| Index Ticker                         | Bloomberg: ZAXKFYPN               |             |
| Number of Holdings (ex Cash)         | 45                                |             |
| Listing Exchanges of Holdings        | Hong Kong, NASDAQ, NYSE, Shanghai |             |

### Valuation Metrics (Data from Morningstar as of 12/31/2017)

|                                  |       |
|----------------------------------|-------|
| Price-to-Earnings <sup>3</sup>   | 16.49 |
| Price-to-Cash Flow <sup>4</sup>  | 6.73  |
| Price-to-Sales <sup>5</sup>      | 0.74  |
| Price-to-Book Value <sup>6</sup> | 1.56  |

3. Price-to-earnings: A valuation method used to compare a company's current share price to its per-share earnings
4. Price-to-cash flow: The ratio of a stock's price to its cash flow per share
5. Price-to-sales: A valuation ratio that compares a company's stock price to its revenues.
6. Price-to-book value: a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share

### KFYP Performance History as of 12/31/2017

|               | Cumulative % |        |                              | Average Annualized % |        |                              |
|---------------|--------------|--------|------------------------------|----------------------|--------|------------------------------|
|               | 3 Mo         | 6 Mo   | Since Inception<br>7/22/2013 | 1 Yr                 | 3 Yr   | Since Inception<br>7/22/2013 |
| Fund NAV      | 4.15%        | 11.52% | 91.29%                       | 44.64%               | 13.64% | 15.73%                       |
| Closing Price | 2.87%        | 9.76%  | 90.40%                       | 46.44%               | 13.50% | 15.60%                       |
| Index         | 4.14%        | 11.45% | 91.21%                       | 35.28%               | 12.29% | 15.49%                       |

†The Hybrid KFYP Index (noted as "Index" above in the chart) consists of the CSI China Overseas Five Year Plan Index from the inception of the Fund through June 1, 2016, and the Zacks New China Index after June 1, 2016, and the hybrid of both indices on June 1, 2016.

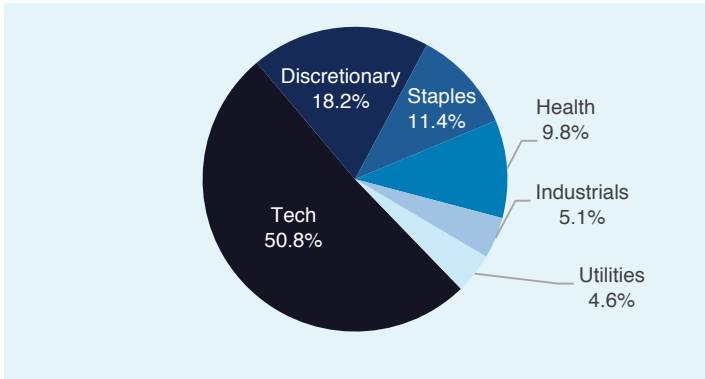
\*Fee waivers are contractual and in effect until 7/31/18.

**The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please visit [www.kraneshares.com](http://www.kraneshares.com)**

ETF shares are not redeemable with the issuing fund other than in large Creation Unit aggregations. Instead, investors must buy or sell ETF Shares in the secondary market with the assistance of a stockbroker. In doing so, the investor may incur brokerage commissions and may pay more than net asset value (NAV) when buying and receive less than net asset value when selling. The NAV of the Fund's shares is calculated each day the national securities exchanges are open for trading as of the close of regular trading on the New York Stock Exchange ("NYSE"), normally 4:00 P.M. Eastern time (the "NAV Calculation Time"). Shares are bought and sold at market price not NAV. Closing price returns are based on the midpoint of the bid/ask spread at 4:00 P.M. Eastern Time (when NAV is normally determined).

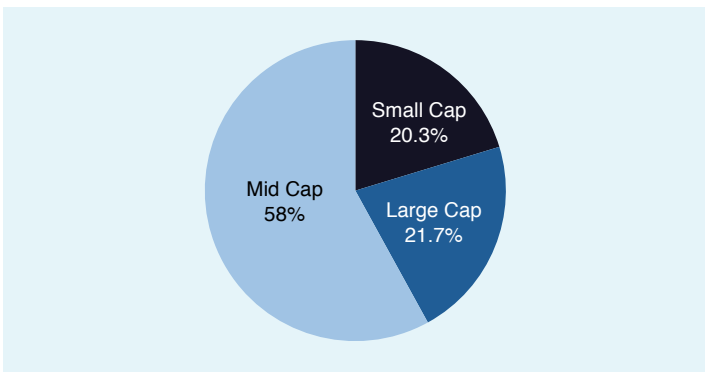
**Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.**

**Sector Breakdown**

 Source:  
 ETF Research Center. As of 12/31/2017.


| <b>Top Ten Holdings</b> as of 12/31/2017 (Excluding cash)<br>The Fund's Holdings are Subject to Change. | <b>Ticker</b> | <b>%</b> |
|---|---------------|----------|
| HAITIAN INTERNATIONAL HLD   | 1882 HK       | 4.42     |
| GUANGZHOU BAIYUNSHAN PHAR   | 874 HK        | 4.39     |
| ASM PACIFIC TECHNOLOGY  | 522 HK        | 4.31     |
| HUAYU AUTOMOTIVE SYSTEMS  | -             | 4.02     |
| TIANNENG POWER INTL LTD   | 819 HK        | 3.79     |
| FLEXTRONICS INTL LTD  | FLEX          | 3.71     |
| SINOTRUK HONG KONG LTD  | 3808 HK       | 3.57     |
| GUANGZHOU BAIYUNSHAN PHAR   | -             | 3.49     |
| CHINA INTERNATIONAL TRAVE   | -             | 3.39     |
| HUANENG POWER INTL INC-H  | 902 HK        | 3.22     |

**Market Cap Breakdown**

 Source:  
 ETF Research Center. As of 12/31/2017.

**KFYF provides unique policy driven exposures utilizing a smart-beta methodology**

- Proprietary multi-factor smart-beta methodology screens for companies with strong risk/reward characteristics
- Selection universe based on China's 13th Five Year Plan and focuses on strategic sectors and industries stated in the plan
- Directly holds Chinese companies listed on the Shanghai, Hong Kong and US Exchanges
- Focuses on domestic consumption with a specific emphasis on internet and technology integration with manufacturing
- Provides a vehicle to "co-invest" with the Chinese government Conclusion

**Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' full and summary prospectus, which may be obtained by visiting [www.kraneshares.com](http://www.kraneshares.com). Read the prospectus carefully before investing.**

Narrowly focused investments typically exhibit higher volatility. Technology companies may be subject to severe competition and rapid obsolescence. The Fund is non-diversified.

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

Although the information provided in this document has been obtained from sources which Krane Funds Advisors, LLC believes to be reliable, it does not guarantee accuracy of such information and such information may be incomplete or condensed.

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