

## KraneShares CSI China Internet ETF

### Investment Strategy:

KWEB (the Fund) tracks the CSI Overseas China Internet Index (the Index), a free float market capitalization weighted index consisting of China based companies whose primary business or businesses are focused on internet and internet-related technology. These companies are publicly traded on either the Hong Kong Stock Exchange, NASDAQ Stock Market, or New York Stock Exchange.

### The China Internet Evolution

The Chinese internet sector has seen tremendous growth over the past few years. In 2014 China's E-Commerce market size surpassed the U.S. for the first time. Only 52.2% of China's population are internet users compared to 88.5% in the U.S.<sup>1</sup> There is potential for substantial continued growth in the Chinese internet sector.

China / US Internet Statistics	China	US
Total internet population	721mm <sup>1</sup>	287mm <sup>1</sup>
% of population with internet access	52.2% <sup>1</sup>	88.5% <sup>1</sup>
Country's share of world internet users	21.1% <sup>1</sup>	8.4% <sup>1</sup>
E-Commerce market size 2016	\$749b <sup>2</sup>	\$394.9b <sup>3</sup>
Total retail sales 2016	\$4.8T <sup>2</sup>	\$4.8T <sup>3</sup>
% of online retail sales 2016	15.5% <sup>2</sup>	8.2% <sup>3</sup>
2015-2016 growth online sales	26.2% <sup>2</sup>	15.1% <sup>3</sup>

1. Data from internetlivestats.com as of 12/31/2016. Retrieved 12/31/2017.

2. National Bureau of Statistics in China, "Total Retail Sales of Consumer Goods in December 2016" 1/22/2017. Note: Figures converted from Chinese Renminbi to USD

3. Rebecca DeNale and Deanna Weidenhamer, "Quarterly Retail E-commerce Sales 4th Quarter 2016" U.S. Department of Commerce 2/17/2017.

Fund Details	As of 12/31/2017	
Primary Exchange	NYSE	
Total Annual Fund Operating Expenses	Gross: 0.81%	Net: 0.72*
Inception Date	7/31/2013	
Distribution Frequency	Semiannually	
Index Name	CSI Overseas China Internet Index	
Index Ticker	Bloomberg: H11137	
Number of Holdings (ex Cash)	33	
Listing Exchanges of Holdings	NASDAQ, NYSE, Hong Kong	

### Valuation Metrics [Data from Morningstar as of 12/31/2017]

Price-to-Earnings <sup>4</sup>	32.55
Price-to-cash flow <sup>5</sup>	20.94
Price-to-Sales <sup>6</sup>	3.50
Price-to-Book <sup>7</sup>	3.87

4. Price-to-earnings: A valuation method used to compare a company's current share price to its per-share earnings

5. Price-to-cash flow: The ratio of a stock's price to its cash flow per share

6. Price-to-sales: A valuation metric for stocks calculated by dividing the company's market cap by the revenue in the most recent year; or, equivalently, divide the per-share stock price by the per-share revenue

7. 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.

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

	Cumulative %			Average Annualized %		
	3 Mo	6 Mo	Since Inception 7/31/2013	1 Yr	3 Yr	Since Inception 7/31/2013
Fund NAV	3.90%	23.14%	141.48%	69.40%	22.24%	22.09%
Closing Price	3.62%	23.08%	141.76%	69.60%	22.35%	22.12%
Index	4.33%	23.64%	139.84%	68.39%	22.52%	21.90%

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

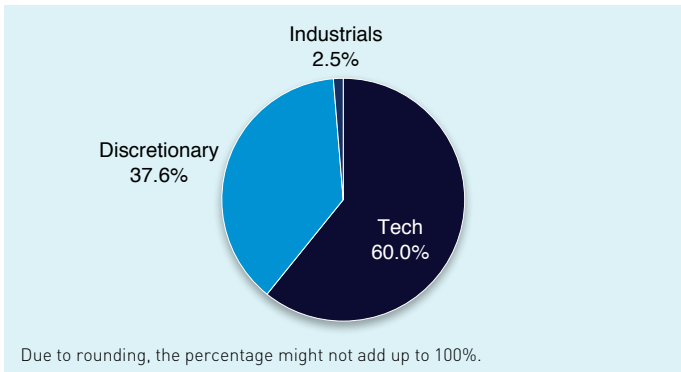
**The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current 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.**

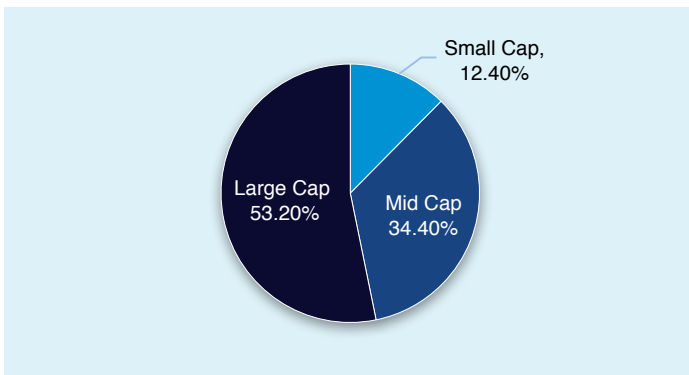
### Sector Breakdown

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



### Market Cap Breakdown

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



Top Ten Holdings As of 12/31/2017 The Fund's Holdings Are Subject to Change.	Ticker	%
TENCENT HOLDINGS LTD	700 HK	9.98
ALIBABA GROUP HOLDING-SP	BABA	8.97
BAIDU INC - SPON ADR	BIDU	7.44
NETEASE INC-ADR	NTES	6.63
JD.COM INC-ADR	JD	6.06
VIPSHOP HOLDINGS LTD ADR	VIPS	5.08
YY INC-ADR	YY	4.12
AUTOHOME INC-ADR	ATHM	3.95
58.COM INC-ADR	WUBA	3.94
KINGSOFT CORP LTD	3888 HK	3.88

### KWEB features:

- Access to Chinese internet companies that provide similar services as Google, Facebook, Twitter, eBay, Amazon, etc.
- Exposure to companies benefitting from increasing domestic consumption by China's growing middle class
- Exposure to Chinese internet companies listed in both the United States and Hong Kong

**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.**

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.

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

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.

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