

## 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. 57.7%<sup>1</sup> of China's population had internet access compared to 88.5% in the U.S.<sup>2</sup>. There is potential for substantial continued growth in the Chinese internet sector.

China / US Internet Statistics	China	US
Total internet population	802mm <sup>1</sup>	287mm <sup>2</sup>
% of population with internet access	57.7% <sup>1</sup>	88.5% <sup>2</sup>
Country's share of world internet users	21.1% <sup>2</sup>	8.4% <sup>2</sup>
E-Commerce market size 2017	\$1.14T <sup>3</sup>	\$453.5B <sup>4</sup>
Total retail sales 2017	\$5.8T <sup>3</sup>	\$5.1T <sup>4</sup>
% of online retail sales 2017	19.6% <sup>3</sup>	8.9% <sup>4</sup>
2016-2017 growth online sales	32.2% <sup>3</sup>	16.0% <sup>4</sup>
Total mobile payment sales 2017	\$15T <sup>5</sup>	\$0.4T <sup>5</sup>

Fund Details	As of 9/30/2018
Primary Exchange	NYSE
Total Annual Fund Operating Expenses	0.70%
Inception Date	7/31/2013
Distribution Frequency	Semiannually
Index Name	CSI Overseas China Internet Index
Index Ticker	Bloomberg: H11137
Number of Holdings (ex Cash)	45
Listing Exchanges of Holdings	NASDAQ, NYSE, Hong Kong

Valuation Metrics (Data from Morningstar as of 9/30/2018)	
Price-to-Earnings <sup>6</sup>	27.52
Price-to-cash flow <sup>7</sup>	19.15
Price-to-Sales <sup>8</sup>	2.92
Price-to-Book <sup>9</sup>	3.31

### KWEB Performance History as of 9/30/2018

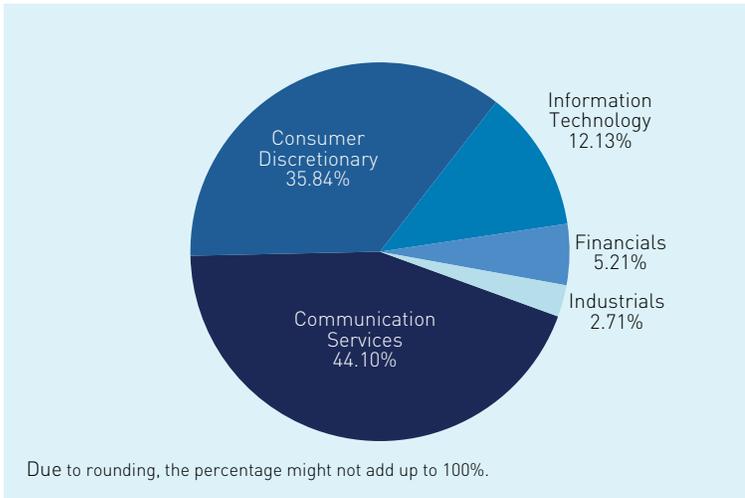
	Cumulative %			Average Annualized %			
	3 Mo	6 Mo	Since Inception 7/31/2013	1 Yr	3 Yr	5 Yr	Since Inception 7/31/2013
Fund NAV	-17.64%	-20.00%	101.60%	-13.26%	18.57%	10.80%	14.53%
Closing Price	-17.80%	-20.18%	101.43%	-13.67%	18.32%	10.40%	14.52%
Index	-17.60%	-19.78%	101.25%	-12.46%	18.63%	10.73%	14.50%

**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).

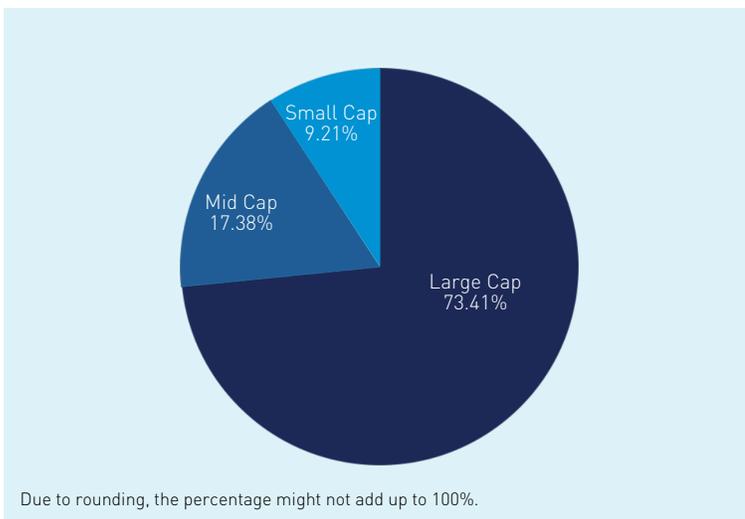
**Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.**

### Sector Breakdown



Source: Bloomberg as of 9/30/2018

### Market Cap Breakdown



Source: Bloomberg as of 9/30/2018

Top Ten Holdings As of 9/30/2018 The Fund's Holdings Are Subject to Change.	Ticker	%
TENCENT HOLDINGS LTD	700 HK	10.00
ALIBABA GROUP HOLDING-SP ADR	BABA US	9.21
BAIDU INC - SPON ADR	BIDU US	9.10
NETEASE INC-ADR	NTES US	8.60
JD.COM INC-ADR	JD US	5.29
IQIYI INC-ADR	IQ US	4.73
58.COM INC-ADR	WUBA US	4.58
MOMO INC-SPON ADR	MOMO US	4.53
CTRP.COM INTERNATIONAL-ADR	CTRP US	4.08
SINA CORP	SINA US	3.81

### 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

1. CNNIC, The 42<sup>nd</sup> Statistical Report on the Development of China's Internet, Jun 30, 2018. Retrieved on 9/30/2018.
2. Data from internetlivestats.com as of 12/31/2016. Retrieved 9/30/2018.
3. National Bureau of Statistics in China, "Total Retail Sales of Consumer Goods in December 2017" 1/25/2018. Note: Figures converted from Chinese Renminbi to USD
4. U.S. Department of Commerce, "Quarterly Retail E-commerce Sales 4th Quarter 2017" 2/16/2018.
5. KKR. "China: A visit to the Epicenter", Volume 8.5, August 2018. Retrieved of 9/30/18.
6. Price-to-earnings: A valuation method used to compare a company's current share price to its per-share earnings
7. Price-to-cash flow: The ratio of a stock's price to its cash flow per share
8. 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
9. 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.

**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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