

# KraneShares MSCI All China Health Care Index ETF

## Investment Strategy:

KURE seeks to measure the performance of MSCI China All Shares Health Care 10/40 Index. The Index is a free float adjusted market capitalization weighted index designed to track the equity market performance of Chinese companies engaged in the health care sector. The securities in the Index include all types of publicly issued shares of Chinese issuers, which are listed in Mainland China, Hong Kong and United States. Issuers eligible for inclusion must be classified under the Global Industry Classification Standard (GICS) as engaged in the healthcare sector. The issuers included in the Underlying Index may include small-cap, mid-cap and large-cap companies.

## China Health Care Sector Highlights:

- China is one of the fastest growing major healthcare markets in the world with a five-year compound annual growth rate of 11%, compared to just 4% in the United States, and -4% in Japan<sup>1</sup>.
- China is the second largest healthcare market globally with total healthcare expenditure reaching \$558 billion in 2016<sup>1</sup>, a number projected to reach \$1.1 trillion by 2020<sup>2</sup>.
- There is still opportunity for considerable growth in China's healthcare market with per capita health spending at just \$398, compared to an average of over \$6,500 for the world's top eight healthcare markets<sup>3</sup>.
- China's aging population, rising incomes and increasing urbanization may provide a sustained catalyst for growth in China's healthcare sector.

## KURE features:

- Exposure to Chinese companies listed in the Mainland, Hong Kong and United States that are involved in the healthcare industry, specifically: patent and generic pharmaceuticals, hospital administration, biotechnology, medical equipment production, healthcare IT, and traditional Chinese medicine.
- Exposure to companies that benefit from China's growing middle class and aging population.
- Access to leading Chinese pharmaceutical companies which have been recipients of favorable policy and market conditions for research and development and the invention of new medicines and devices.

| Fund Details                        | As of 12/31/2018                       |
|-------------------------------------|--|
| Primary Exchange                    | NYSE                                   |
| Cusip                               | 922908108                              |
| Total Annual Fund Operating Expense | 0.82%                                  |
| Inception Date                      | 1/31/2018                              |
| Distribution Frequency              | Semiannually                           |
| Index Name                          | MSCI All China Health Care 10/40 Index |
| Index Ticker                        | Bloomberg: M1CXCAH                     |
| Number of Holdings (ex Cash)        | 59                                     |

## China Healthcare Ecosystem:



**Patent and Generic Pharmaceuticals**



**Medical Equipment Production**



**Hospital Administration**



**Biotechnology**



**Traditional Chinese Medicine**



**Healthcare IT**

1. Major healthcare markets defined as top five global markets by the World Health Organization. Data from the World Health Organization as of 12/31/2016, last updated on 1/8/2019, retrieved on 1/14/2019.
2. International Trade Association, "2016 Top Markets Report Pharmaceuticals, 2016". Retrieved 12/31/2018.
3. Data from IMS Market Prognosis as of 12/31/2016. Retrieved 12/31/2018

## KURE Performance History as of 12/31/2018

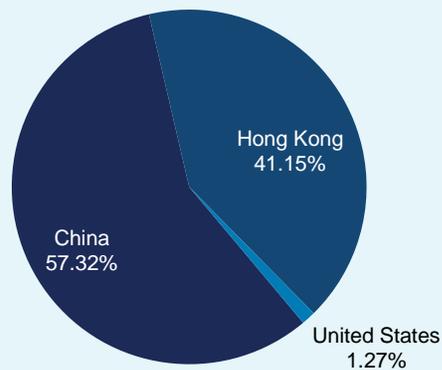
|               | Cumulative % |         |                 | Average Annualized % |      |                 |
|---------------|--------------|---------|-----------------|----------------------|------|-----------------|
|               | 3 Mo         | 6 Mo    | Since Inception | 1 Yr                 | 3 Yr | Since Inception |
| Fund NAV      | -21.54%      | -35.60% | -30.01%         | -                    | -    | -30.01%         |
| Closing Price | -23.51%      | -35.79% | -30.86%         | -                    | -    | -30.86%         |
| Index         | -21.03%      | -34.70% | -29.58%         | -                    | -    | -29.58%         |

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).

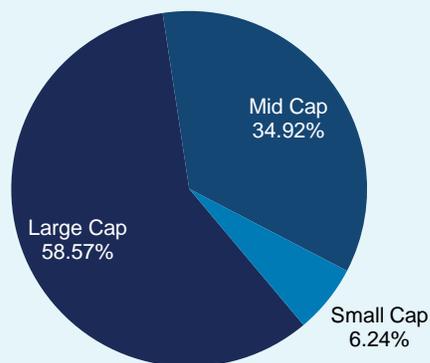
Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

### KURE Country Breakdown



Data from Bloomberg as of 12/31/2018.

### KURE Market Cap Breakdown



Data from Bloomberg as of 12/31/2018.

| <b>Top Ten Holdings</b> As of 12/31/2018<br>Excluding cash, The Fund's Holdings Are Subject to Change. | <b>Ticker</b> | <b>%</b> |
|--|---------------|----------|
| JIANGSU HENGRUI MEDICINE C-A   | 600276 CH     | 7.98     |
| CSPC PHARMACEUTICAL GROUP LT   | 1093 HK       | 7.41     |
| SINOPHARM GROUP CO-H   | 1099 HK       | 5.20     |
| SINO BIOPHARMACEUTICAL   | 1177 HK       | 4.99     |
| YUNNAN BAIYAO GROUP CO LTD-A   | 000538 CH     | 3.54     |
| WUXI BIOLOGICS CAYMAN INC  | 2269 HK       | 3.30     |
| ALIBABA HEALTH INFORMATION T   | 241 HK        | 3.03     |
| CHINA RESOURCES PHARMACEUTIC   | 3320 HK       | 2.22     |
| ZHANGZHOU PIENZHEHUANG PHA-A   | 600436 CH     | 2.12     |
| GUANGZHOU BAIYUNSHAN PHAR-A  | 600332 CH     | 2.06     |

| <b>Potential Drivers of Growth in China's Healthcare Industry</b> |  |
|---|--|
| <b>Growing Aging Population</b>                                   | China's rapidly growing aging population has given rise to higher levels of chronic diseases nationwide. |
| <b>Urbanization</b>   | Rising incomes and urbanization have given rise to obesity as more citizens adopt western eating habits. |
| <b>Income Growth</b>  |  |
| <b>Healthcare Reform Policies</b>                                 | Healthcare Reform Policies enhance efficiency and quality of medical products.                           |

**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.kraneinvestments.com](http://www.kraneinvestments.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. Technology companies may be subject to severe competition and rapid obsolescence. The KraneShares MSCI All China Health Care Index ETF is non-diversified.

The ability of the KraneShares MSCI All China Health Care Index ETF to achieve its respective investment objectives is dependent, in part, on the continuous availability of A Shares and the ability to obtain, if necessary, additional A Shares quota. If the Fund is unable to obtain sufficient exposure to limited availability of A Share quota, the Fund could seek exposure to the component securities of the Underlying Index by investment in other types of securities. The fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses.

The KraneShares MSCI All China Health Care Index ETF invests primarily in the health care industry. The profitability of companies in the healthcare sector may be affected by government regulations and government healthcare programs, government reimbursement for medical expenses, increases or decreases in the cost of medical products and services, limited product lines, increased emphasis on the delivery of healthcare through outpatient services and product liability claims. Many healthcare companies are heavily dependent on patent protection, which may be time consuming and costly, and the expiration of a company's patent may adversely affect that company's profitability. Healthcare companies are subject to competitive forces that may result in pricing pressure, including price discounting, and may be thinly capitalized and susceptible to product obsolescence. Many new products in the healthcare sector require significant research and development and may be subject to regulatory approvals, which may be time consuming and costly and with no guarantee that the product will come to market.

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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