

Finding Quality Income:

An Overview of Opportunities Within
China's Interbank Bond Market



Introduction to KraneShares

About KraneShares

Krane Funds Advisors, LLC is the investment manager for KraneShares ETFs. The firm is focused on providing investors with strategies to capture China's importance as an essential element of a well-designed investment portfolio. KraneShares ETFs represent innovative, first to market strategies that have been developed based on the firm and its partners' deep knowledge of investing. These strategies allow investors to stay ahead of global market trends and provide meaningful diversification.



 KCNY

KraneShares E Fund China Commercial Paper ETF

Investment Strategy:

The KraneShares E Fund China Commercial Paper ETF (NYSE: KCNY) seeks to track the CSI Diversified High Grade Commercial Paper Index. The Fund seeks to invest at least 80% of its total assets in a diversified basket of investment-grade¹ commercial paper denominated in on-shore renminbi issued by sovereign, quasi-sovereign and corporate issuers in the People's Republic of China and traded in the inter-bank bond market. Commercial paper in the Fund is investment-grade and has a remaining term to final maturity of no more than one year and no less than one month.

KCNY features:

- Invests in money market securities (i.e. commercial paper) and attempts to preserve principal investment while providing attractive monthly distributions
- The average maturity of the securities held by the fund is less than six months
- Invests into commercial paper that has received an investment grade credit rating

China commercial paper may be appropriate for investors who have a(n)...

- allocation to investment products that only invest in money market securities
- investment goal with a short time horizon
- daily liquidity requirement

¹ Investment grade commercial paper is commercial paper that is issued by an issuer whose long-term bonds are rated AAA or equivalent by one or more Chinese credit rating agencies; or commercial paper that is issued by an issuer whose long-term bonds are rated AA+ or equivalent by one or more Chinese credit rating agencies and commercial paper is rated A-1 or equivalent by one or more Chinese credit rating agencies.

E Fund Asset Management is the co-advisor to the KraneShares E Fund China Commercial Paper ETF (ticker: KCNY)

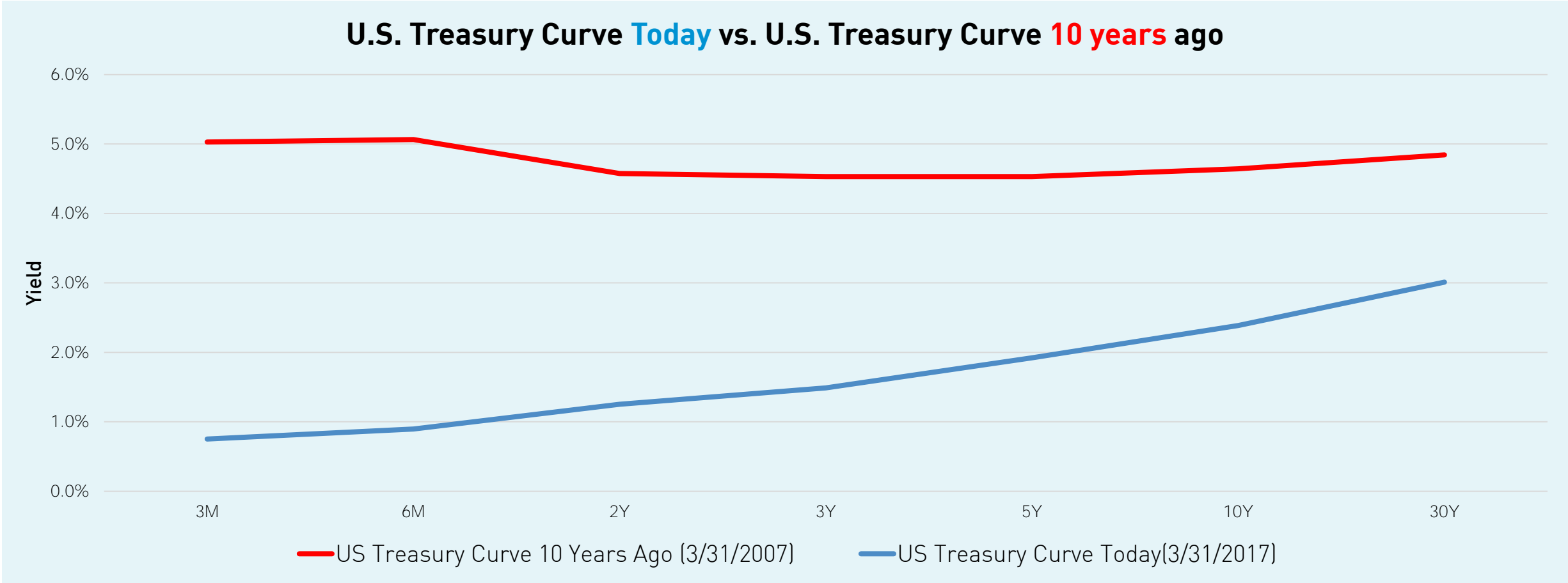


\$152b AUM

E Fund Quick Facts

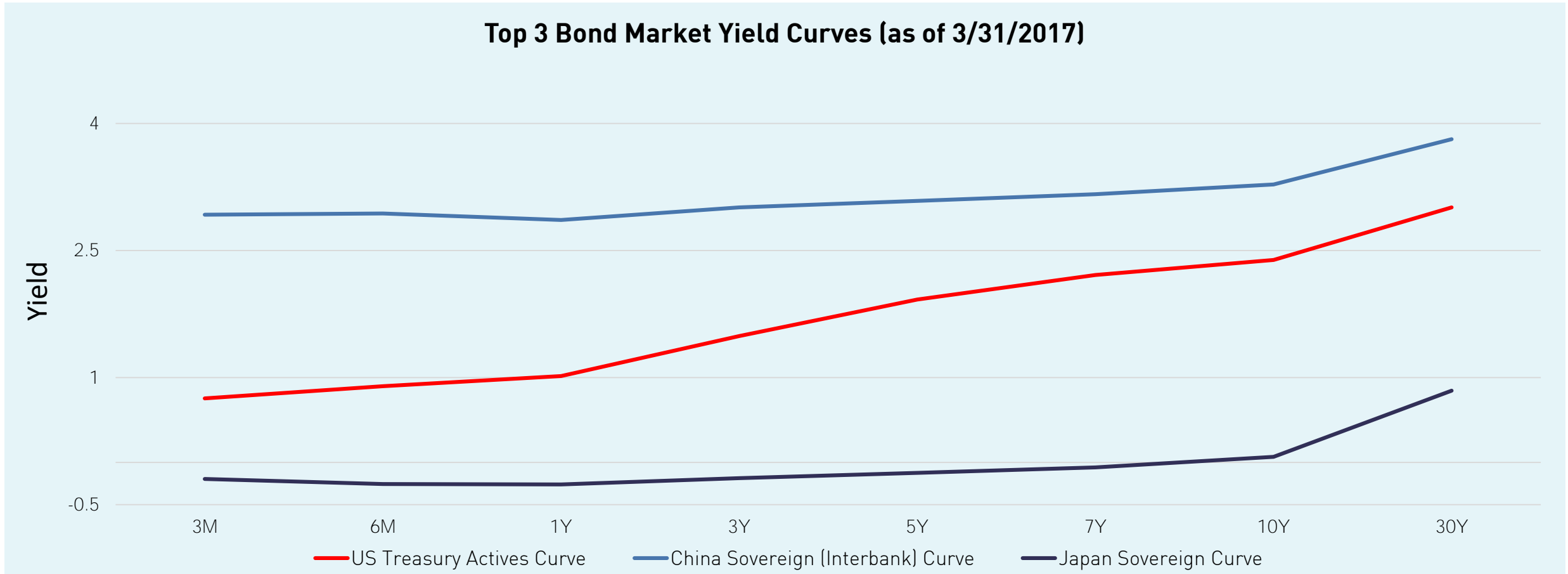
- **Located:** Headquartered in Guangzhou with offices in Beijing, Shanghai and Hong Kong
- **Established in 2001, was among the 1st** Chinese asset management companies approved to do business in Mainland China
- **\$152b** in assets under management; one of the top three asset managers by assets in Mainland China
- Serves more than **50m clients**
- Ranked in the **top 5** mutual fund managers in Mainland China in terms of AUM for the past **12 years**

Yields in the United States have fallen in the last ten years



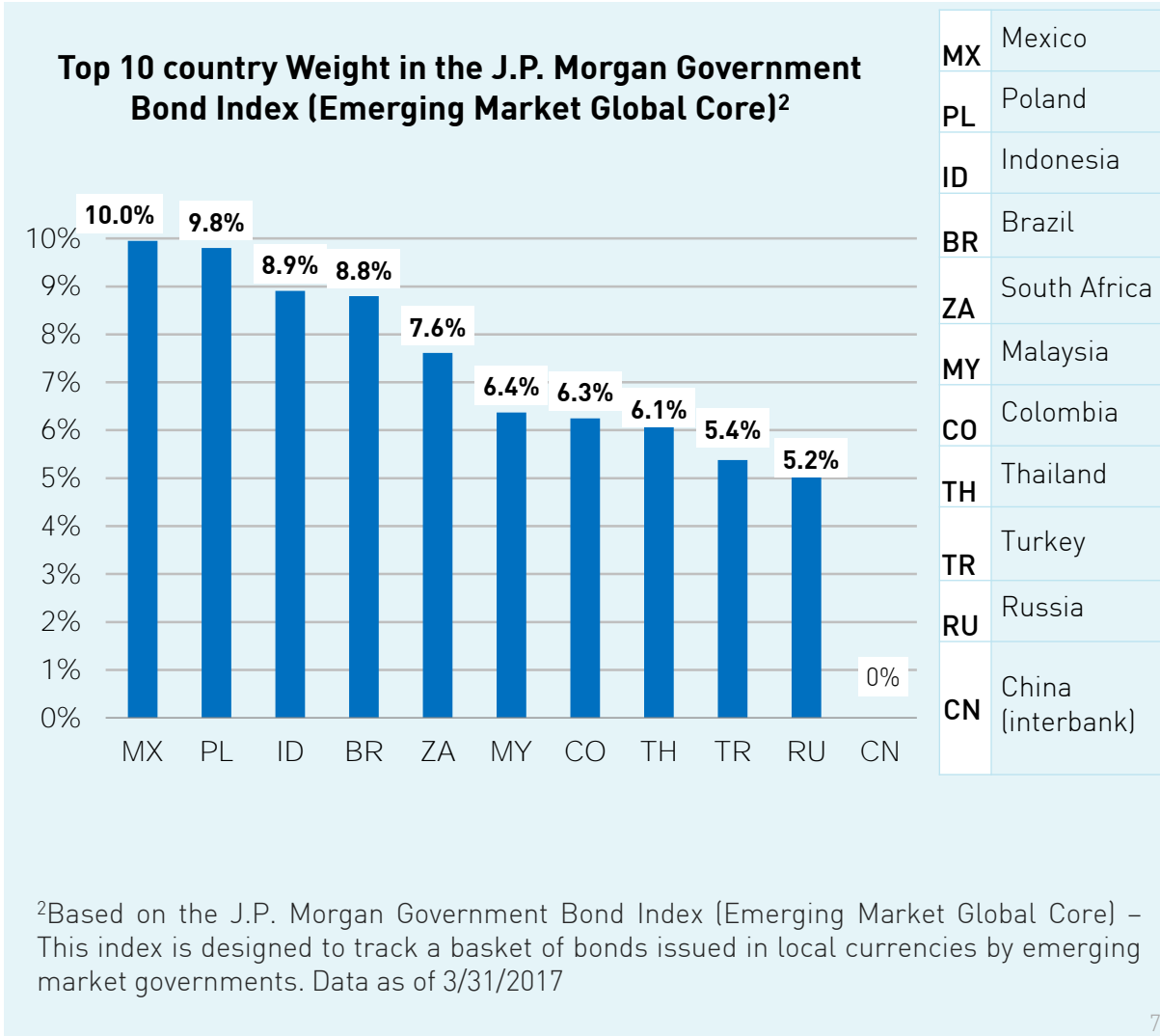
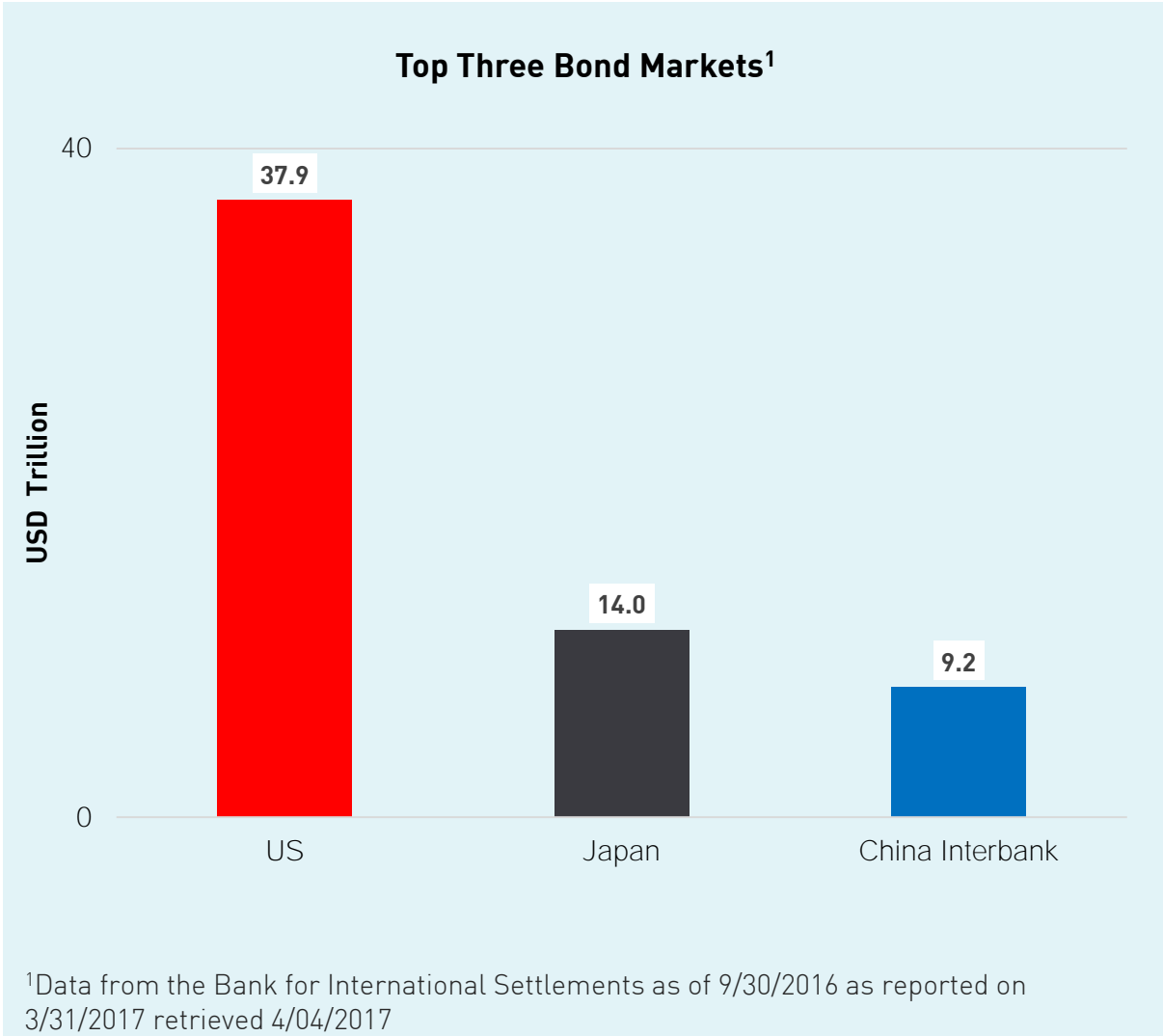
Source: Bloomberg, as of 3/31/2017. A yield curve is a line that plots a set point in time of bonds having equal credit quality but differing maturity dates.

China Interbank Bond Market yields are significantly higher than in the US & Japan



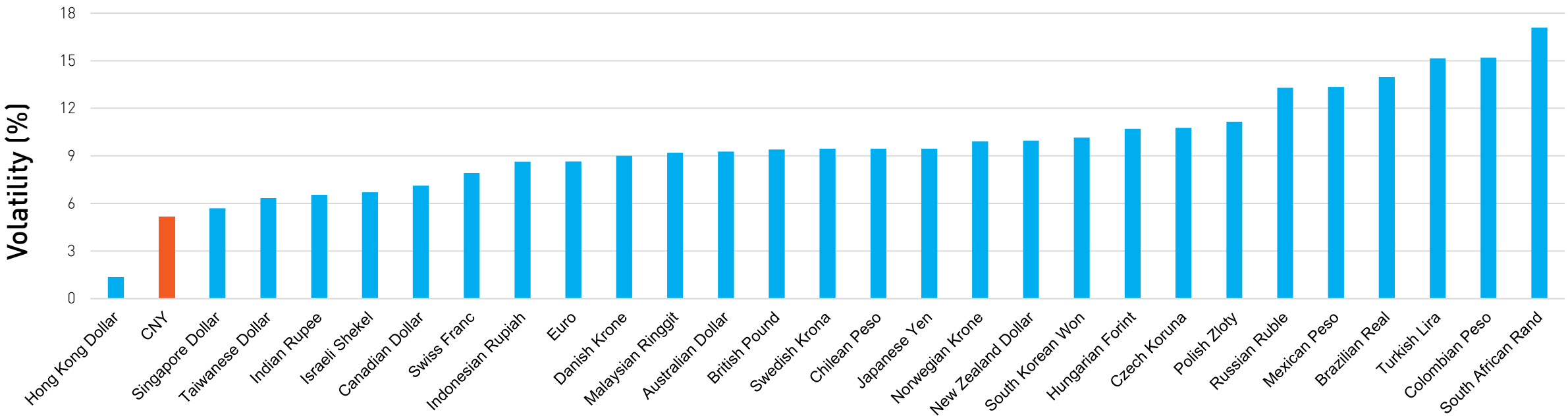
Data from Bloomberg as of 3/31/2017. A yield curve is a line that plots a set point in time of bonds having equal credit quality but differing maturity dates. For this example sovereign and treasury yield curves were chosen because they represent the highest credit quality yield curve for each respective nation.

China's Interbank bond market is the third largest in the world, yet it has virtually no foreign ownership



Chinese onshore Renminbi (CNY) has been among the least volatile currencies in the past year.

Major Currencies Volatility* vs. USD (3/31/2016 – 3/31/2017)
(as of 3/31/2017)



Source: all data from Bloomberg as of 3/31/2017

*Major Currencies defined by Bloomberg as of 3/31/2017. Volatility is the degree of variation of a trading price series over time as measured by the standard deviation of returns. Standard deviation: is a quantity calculated to indicate the extent of deviation for a group as a whole. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values.

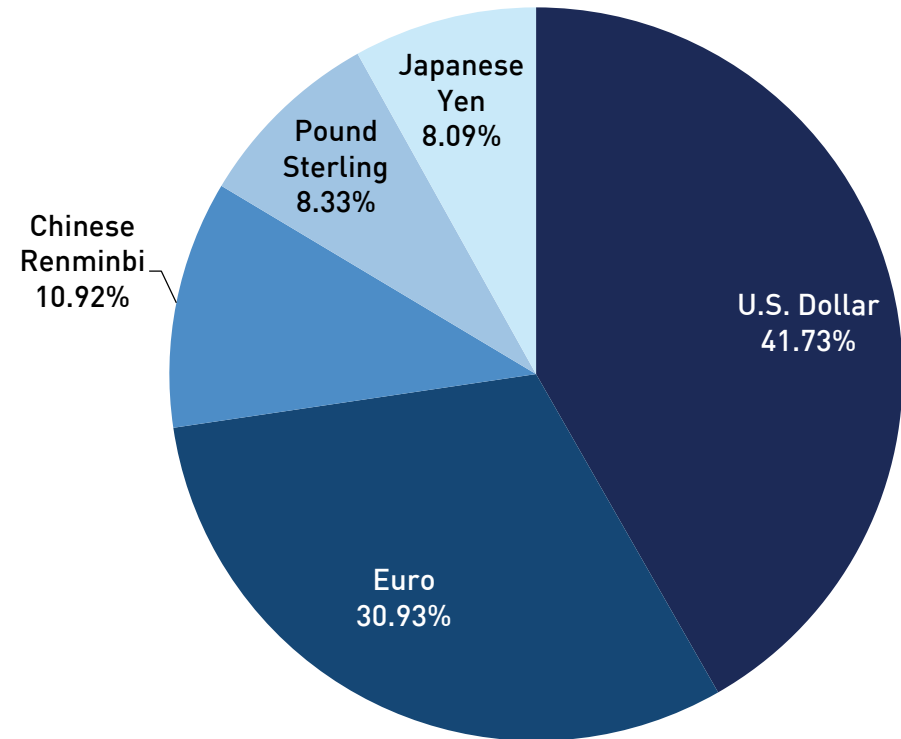
SDR Overview

- The Special Drawing Rights (SDR) is a basket of reserve currencies established by the International Monetary Fund (IMF) to bolster reserves held by the central banks of its member countries.
- The SDR system was created by the IMF to provide stability in the event of any shortfall in preferred foreign exchange reserve assets, namely gold and the U.S. dollar.
- Currently there are five major world currencies included in the SDR – the Euro, Japanese Yen, British Pound Sterling, U.S. Dollar, and Renminbi.

Why is the RMB's inclusion in the SDR a big deal?

- After its last rebalancing, the IMF required central banks to allocate \$285 billion¹ to SDR currencies
- With a 10.92%¹ allocation in SDR basket, SDR inclusion immediately triggered a \$31.12 billion inflow into the RMB.
- On 3/31/2017 the IMF added a line item for RMB to their official report on the Currency Composition of Official Foreign Exchange Reserves (COFER)
- The 3/31/2017 COFER report showed the RMB accounts for 1.03% of total allocated reserves, or \$84.5 billion dollars as of 12/31/2016².
- We believe the RMB's weight within COFER will increase in coming years.

SDR Basket Composition With RMB Included
Data from the IMF as of 10/1/2016¹



1. <http://www.imf.org> as of 10/1/2016. SDR rebalance takes place every 5 years.

2. Data from the International Monetary Fund as of 12/31/2016, as reported on 3/31/2017, retrieved 4/05/2017

KraneShares E Fund China Commercial Paper ETF (NYSE: KCMY)

Investment Strategy

The KraneShares E Fund China Commercial Paper ETF (NYSE: KCMY) seeks to track the CSI Diversified High Grade Commercial Paper Index. The Fund seeks to invest at least 80% of its total assets in a diversified basket of investment-grade¹ commercial paper denominated in on-shore renminbi issued by sovereign, quasi-sovereign and corporate issuers in the People's Republic of China and traded in the inter-bank bond market. Commercial paper in the Fund is investment-grade and has a remaining term to final maturity of no more than one year and no less than one month.

KCMY Performance History as of 3/31/2017

	Cumulative**			Annualized Calendar QTR 3/31/2017	
	3 Mo	6 Mo	Since Inception 12/02/2014	Preceding 12 months	Since Inception 12/02/2014
Fund NAV	1.83%	-2.06%	-4.88%	-3.95%	-2.13%
Closing Price	2.16%	-2.10%	-5.43%	-4.33%	-2.37%
Index	1.80%	-1.73%	-2.75%	-3.41%	-1.19%

* Fee waivers are contractual through 7/31/2017. In the absence of current fee waivers, performance would be reduced.

****Cumulative return is the aggregate amount that an investment has gained or lost over time. Annualized Return is the average return gained or lost by an investment each year over a given time period.**

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.

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.

For performance data current to the most recent month end, please call +(1) 855 8KRANE8 or visit our website at www.kraneshares.com/kcm/.

Key Fund Information

Ticker	KCMY	
Primary Exchange	NYSE	
Index Name	CSI Diversified High Grade Commercial Paper Index	
Total Annual Fund Operating Expense	Gross: 0.69%	Net: 0.57%*
Inception Date	12/02/2014	
Distribution Frequency	Monthly	

Credit quality of underlying securities	Investment Grade ¹	Top 10 Holdings as of 3/31/2017 (Holdings subject to Change) (Excl cash & cash equivalents)	
		%	
		10.25	HAI DIAN STATE-OWNED CP
		7.35	GD POWER DEVELOPMENT CO
Effective Maturity	0.33 years	7.35	COFCO CORP
		7.32	BEIJING CAPITAL AIRPORT
30-day SEC Yield	2.90%	4.90	E FUND MONEY MARKET FUND
		4.90	FORTUNE SGAM MONEY MKT
30-day SEC Unsubsidized Yield	2.78%	4.42	QINGHAI STATE ASSET INV
		4.42	XIAMEN IPORT GROUP
		4.42	GD POWER DEVELOPMENT CO
		4.42	STATE POWER INVESTMENT

¹ For purposes of the Underlying Index, investment grade commercial paper is commercial paper that is issued by an issuer whose long-term bonds are rated AAA or equivalent by one or more Chinese credit rating agencies; or commercial paper that is issued by an issuer whose long-term bonds are rated AA+ or equivalent by one or more Chinese credit rating agencies and commercial paper is rated A-1 or equivalent by one or more Chinese credit rating agencies

Important Notes

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities, or to participate in a trading strategy, to or from any person in any jurisdiction. Any such offer or solicitation can only be made pursuant to a fund prospectus and otherwise in accordance with applicable laws. Any representation to the contrary is not permitted.

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 broker-dealer. In doing so, the investor may incur brokerage commissions and may pay more than net asset value 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 (closing price) not NAV. Market price returns are based on the midpoint of the bid/ask spread at 4:00 p.m. Eastern Time (when NAV is normally determined).

An active secondary market for the Fund's shares may not exist. Although the Fund's shares will be listed on an exchange, subject to notice of issuance, it is possible that an active trading market may not develop or be maintained. There is no guarantee that distributions will be paid.

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its stated objectives. The Funds focus their investments primarily with Chinese issuers and issuers with economic ties to China. 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. Current and future holdings are subject to risk.

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. Diversification may not protect against market risk.

Important Notes (continued)

The KraneShares E Fund China Commercial Paper ETF is subject to interest rate risk, which is the chance that bonds will decline in value as interest rates rise. It is also subject to income risk, call risk, credit risk, and Chinese credit rating risks. The components of the securities held by the Fund will be rated by Chinese credit rating agencies, which may use different criteria and methodology than U.S. entities or international credit rating agencies. The Fund may invest in high yield and unrated securities, whose prices are generally more sensitive to adverse economic changes. As such, their prices may be more volatile. The Fund is subject to industry concentration risk and is nondiversified. The KraneShares E Fund China Commercial Paper ETF invests in sovereign and quasi-sovereign debt. Investments in sovereign and quasi-sovereign debt securities involve special risks, including the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, and the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. In order to qualify for the favorable tax treatment generally available to regulated investment companies, the Fund must satisfy certain income and asset diversification requirements each year. If the Fund were to fail to qualify as a regulated investment company, it would be taxed in the same manner as an ordinary corporation, and distributions to its shareholders would not be deductible by the Fund in computing its taxable income. 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

Important Notes (continued)

Although Krane Funds Advisors LLC and its affiliates (“Krane”) shall obtain data from sources that Krane considers reliable, all data contained herein is provided “as is” and Krane makes no representation or warranty of any kind, either express or implied, with respect to such data, the timeliness thereof, the results to be obtained by the use thereof or any other matter. Krane expressly disclaims any and all implied warranties, including without limitation, warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose.

Forward-looking statements (including Krane’s opinions, expectations, beliefs, plans, objectives, assumptions, or projections regarding future events or future results) contained in this presentation are based on a variety of estimates and assumptions by Krane. These statements generally are identified by words such as “believes,” “expects,” “predicts,” “intends,” “projects,” “plans,” “estimates,” “aims,” “foresees,” “anticipates,” “targets,” “should,” “likely,” and similar expressions. These also include statements about the future, including what “will” happen, which reflect Krane’s current beliefs. These estimates and assumptions are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive, and financial risks that are outside of Krane’s control. The inclusion of forward-looking statements herein should not be regarded as an indication that Krane considers forward-looking statements to be a reliable prediction of future events and forward-looking statements should not be relied upon as such. Neither Krane nor any of its representatives has made or makes any representation to any person regarding forward-looking statements and neither of them intends to update or otherwise revise such forward-looking statements to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such forward-looking statements are later shown to be in error. Any investment strategies discussed herein are as of the date of the writing of this presentation and may be changed, modified, or exited at any time without notice.

Carefully consider the Funds’ investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds’ full or summary prospectus, which may be obtained by visiting www.kraneshares.com or by calling 1-855-8KRANE8.

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