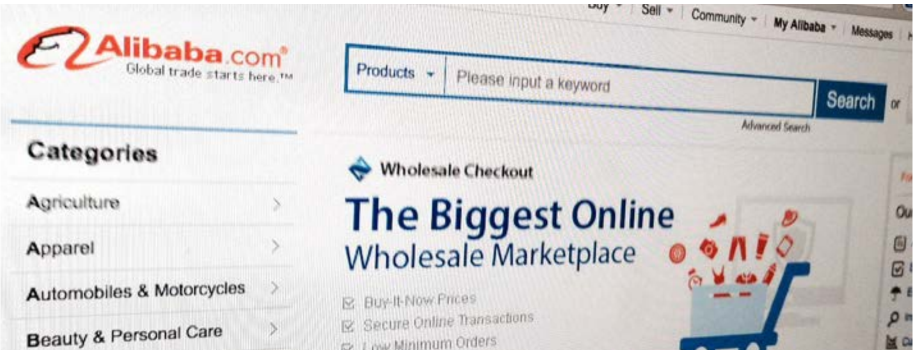
KraneShares Weekly

Major News and Events:



Alibaba's Listing Date Greatly Anticipated

Anticipation remains high as to when Alibaba Group will list its shares and on what exchange.

Alibaba filed for a nominal $1 billion initial public offering on May 6. The SEC is currently reviewing the company's F-1 filing. It is expected that a number of questions will be raised by the SEC and the company will likely take a few weeks to respond.

If successful in its response to the SEC, the company could look to go public during the first week of August, according to CNBC. There is speculation the stock might start trading on August 8, because the number 8 is considered lucky in Chinese culture. The one issue with August 8 is that it falls on a Friday, preventing trading by Asian investors as it would be Friday night and most brokers would be closed for the weekend.

If the listing does not happen in the first week of August, Alibaba would likely postpone its market debut until after Labor Day, when people return from summer vacation, according to sources.

E-Commerce Feeds China Online Banking Growth

China's banking industry is behind those of developed markets but its number of Internet users, now more than 618 million, is sparking a boom in online and mobile payments. The total transaction value of

China's third-party online payments is expected to reach 18.5 trillion yuan ($2.97 trillion) by 2017, up from 5.4 trillion yuan last year, according to Shanghai-based data firm iResearch

Alibaba's IPO announcement has raised the profile of the tremendous growth in China's online banking industry as well as that of its payment site Yu'e Bao.

Yu'e Bao, a service similar to PayPal, is owned by an affiliate of Alibaba and is available on smartphones, conveniently linking users to China's biggest online payments platform Alipay. Consumers can dip directly into Yu'e Bao to pay for goods bought through Alibaba's various sites. As an incentive to leave cash in their accounts users are being offered interest rates of 4-5%, higher than those paid out by traditional bank accounts.

Alibaba's separately incorporated Alipay is currently seeking to buy a 51% stake in Yu'e Bao and is waiting for regulatory approval.

Baidu and Tencent which along with Alibaba make up China's big three e-commerce companies are in fierce competition to attract these new banking customers. Baidu and Tencent have developed their own investment funds that are attracting online mobile investors as well.

China's Provinces and Cities to Issue First Muni Bonds

China will allow 10 provinces and cities to sell bonds on their own credit later this year, introducing the country's first Western-style municipal bonds as it broadens the financial choices for local governments according to the Wall Street Journal. The list will cover six provinces, as well as the largest cities, Beijing, Shanghai, Shenzhen, said a person familiar with the situation.

Local governments have generally not been allowed to issue debt because of concerns over rising debt and fears that some local administrations don't have the ability to manage their own funds. Beijing started a trial program in late 2011 to allow a few provinces and cities to sell bonds directly, as a potential first step toward putting local-government finances in order.

The new municipal bonds will be rated and investors will probably ask for higher yields because the local authorities will repay the debt themselves instead of the central government. The finance ministry is opening the doors to governments that prove they can manage their finances successfully. It has also asked local governments to make proper use of the bond proceeds, with increased support for social welfare and economic restructuring, the Xinhua news agency reported.

China Takes Bold Steps to Develop Renewable Energy

China, recently announced plans to speed up the development of solar power targeting a tripling of installed capacity to 70 gigawatts by 2017 to cut its reliance on coal.

The country's National Development and Reform Commission in an announcement also set plans to have 150 gigawatts of installed wind power capacity by 2017, 11 gigawatts of biomass power and 330 gigawatts of hydro power.The plans come as the nation seeks to get 13 percent of the energy it consumes from non-fossil fuels.

"This suggests the trend that China will develop alternative energy is stable," according to Wang Xiaoting, a Hong Kong-based analyst from Bloomberg New Energy Finance. *"The new solar target set for 2017 will be easily attained if China keeps the current development pace."*

As part of its goal, China also aims to operate 40 gigawatts of nuclear plants by 2015 and 50 gigawatts by 2017. The government also plans to increase natural gas output and speed up the development of coal-bed gas and shale gas, according to the statement.

Another Chinese City to Surpass Hong Kong in Growth

Tianjin, the city with the highest per-capita income in China, is poised to pass Hong Kong in economic output as early as next year, according to the South China Morning Post.

Shanghai overtook Hong Kong in 2009. Beijing did so in 2011. Tianjin's move is based on last year's growth rate of 11.5 percent and average estimates for Hong Kong's GDP and the Chinese yuan in economist surveys. Ten years ago, Tianjin's economy was about one quarter that of Hong Kong.

Tianjin, has a population of about 14 million people, or twice Hong Kong's population. The city is a shipping hub for commodities and a growing manufacturing site. Airbus put its first final-assembly line outside Europe in the city. Toyota is adding 50,000 units to its local capacity this year.

Tianjin is connected to Beijing by a high-speed train which takes less than 40 minutes. The entire area is becoming a busy economic zone which has China's economic planners focused on infrastructure development to lessen overcrowding and traffic.

Local Broker Insight:*

BOC International—

The "New Nine Rules" is a more detailed version of rules released by the State Council in March and represents a systematic conclusion to the ongoing capital market development plan started in 2012. The "New Nine Rules" should boost market sentiment slightly but implementation will be closely watched as many of the measures were anticipated by analysts and investors.

http://www.bocigroup.com/pub/en/

Industrial Securities—

The PBOC held a housing financial service meeting in -mid May, calling for priority in meeting loan demand from first home buyers. We think this fine-tuning on mortgage loans for first home buyers can be deemed as a signal that monetary policy is providing support to the real estate industry. We think cuts in the reserve requirement ratio or benchmark interest rate are unlikely to appear in the short term. However, policy fine-tuning targeting home mortgages is likely to appear more frequently. These policies may ease a sharp decline of home sales volume.

http://www.xyfunds.com.cn/column.do?mode=searchtopic&english=1&channelid=62&categoryid=1377

CICC—

On May 16th, the People's Bank of China (PBoC),and other regulatory bodies jointly issued the Circular on Regulating Financial Institutions' Interbank Business referred to as Document No. 9. The announcement indicated the Chinese government will check growth in the informal shadow-banking industry and strengthen regulation on interbank borrowing. We think the introduction of Document No. 9 has helped clear market concerns that have been weighing on banks' share prices and we see no more negative government policies in the near term.

http://www.cicc.com/index_en.xhtml?locale=en

**KraneShares is not affiliated with any of the brokers listed, and neither KraneShares nor SEI Investments Distribution Co. sponsor the opinions or information offered by these brokers, nor do they assume liability for any loss that may result from relying on these opinions or information. The material is not intended as an offer or solicitation for purchase or sale of any security, nor is it individual or personalized investment advice.*

For more information about investing in China, KraneShares or KraneShares' ETFs please contact us:

Brendan Ahern
Managing Director
brendan.ahern@kraneshares.com
+1.650.866.9975

Christian Ruppenstein
Managing Director
chris.ruppenstein@kraneshares.com
+1.203.921.8359

******Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' summary or full prospectus, which may be obtained by clicking here (KFYP, KWEB, KBA). Read the prospectus carefully before investing.******

Investing involves risk, including possible loss of principal. There can be no assurance that the Funds will achieve their 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.

The ability of the KraneShares Bosera MSCI China A ETF to achieve its investment objective is dependent 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 due to the limited availability of A Share quota, the Fund could seek exposure to the component securities of the Underlying Index by investing in depositary receipts. The Fund may, in some cases, also invest in Hong Kong listed versions of the component securities and B Shares issued by the same companies that issue A Shares in the Underlying Index. The Fund may also use derivatives or invest in ETFs that provide comparable exposures. Investments in derivatives, including swap contracts and index futures in particular, may pose risks in addition to those associated with investing directly in securities or other investments, including illiquidity of the derivatives, imperfect correlations with underlying investments, lack of availability and counterparty risk. The use of swap agreements entails certain risks, which may be different from, and possibly greater than, the risks associated with investing directly in the underlying asset.

The Fund, may be concentrated in the financial services sector. Those companies may be adversely impacted by many factors, including, government regulations, economic conditions, credit rating downgrades, changes in interest rates, and decreased liquidity in credit markets. This sector has experienced significant losses in the recent past, and the impact of more stringent capital requirements and of recent or future regulation on any individual financial company or on the sector as a whole cannot be predicted.

The KraneShares ETFs are distributed by SEI Investments Distribution Company, 1 Freedom Valley Drive, Oaks, PA 19456, which is not affiliated with Krane Funds Advisors, LLC, the Investment Adviser for the Fund.

CapitalVue™ delivers real-time capital market, reference, fundamental, and time-series statistical databases, with the speed, depth and breadth institutions require. Our principled approach to sourcing, aggregating and integrating data and content from multiple domestic and international partners ensures Clients receive timely, comprehensive, and reliable Greater China intelligence.