An Overview of Current Trends in Emerging Markets

& an introduction to the KraneShares FTSE Emerging Markets Plus ETF (Ticker: KEMP)

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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 up to date on global market trends and provide meaningful diversification.
**Investment Strategy:**

The KraneShares FTSE Emerging Markets Plus ETF [BATS:KEMP] is a gross domestic product ("GDP") weighted fund which includes China A shares and China N shares. Country allocations are based on five year purchase power parity GDP forecasts by the International Monetary Fund. China A shares are China equities listed on either the Shanghai or Shenzhen stock exchanges. China N shares are China equities listed on either the New York or NASDAQ stock exchanges.

**KEMP features:**

- Significant overweight to India and China
- A country’s weight within a market capitalization weighted index may diverge significantly from that country’s share of global GDP.
- Developed Markets often trade at a multiple to their respective GDPs while emerging markets often trade at a fraction.
- Weighting by GDP, as opposed to market capitalization, increases exposure to larger economies.
- KEMP’s China investment universe includes Mainland China [A-shares], U.S.-listed Chinese companies [N-shares], and Chinese companies listed in Hong Kong [H-shares].
- KEMP includes China N-shares which comprise some of the largest internet and E-Commerce companies in China. These companies choose to list in the United States to attract a greater international investor base.
Emerging markets too big to ignore

In terms of GDP, many emerging market countries rival the economic importance of their developed market counterparts.
We believe there are two main flaws with a market capitalization approach to investing in broad-based international markets:

1. International companies with large market caps can inflate exposure to their country of listing.
   - Examples: Naspers in South Africa, Samsung in South Korea

2. Countries with newly established stock exchanges tend to have smaller total market capitalizations – not necessarily smaller economies.
   - Examples: China & India

Data from Bloomberg as of 6/30/2017
A GDP weighted approach to emerging markets results in a much different country weighting than a market cap weighted approach. Notable increases: China and India; notable decreases: Taiwan.

<table>
<thead>
<tr>
<th>Country</th>
<th>KEMP (GDP Weighted)</th>
<th>FTSE Emerging Index (Market Cap Weighted)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight</td>
<td>Rank</td>
<td>Weight</td>
</tr>
<tr>
<td>China</td>
<td>38.21%</td>
<td>1</td>
<td>26.03%</td>
</tr>
<tr>
<td>India</td>
<td>15.17%</td>
<td>2</td>
<td>12.27%</td>
</tr>
<tr>
<td>Brazil</td>
<td>6.85%</td>
<td>3</td>
<td>8.27%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>6.53%</td>
<td>4</td>
<td>2.79%</td>
</tr>
<tr>
<td>Russia</td>
<td>5.38%</td>
<td>5</td>
<td>4.20%</td>
</tr>
<tr>
<td>Mexico</td>
<td>4.59%</td>
<td>6</td>
<td>4.83%</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.81%</td>
<td>7</td>
<td>1.42%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2.37%</td>
<td>8</td>
<td>15.22%</td>
</tr>
<tr>
<td>Egypt</td>
<td>1.93%</td>
<td>9</td>
<td>0.19%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.91%</td>
<td>10</td>
<td>3.62%</td>
</tr>
<tr>
<td>Sum</td>
<td>85.75%</td>
<td>10</td>
<td>78.84%</td>
</tr>
<tr>
<td>Other</td>
<td>14.25%</td>
<td></td>
<td>21.16%</td>
</tr>
</tbody>
</table>

All data as of 6/30/2017. See page 12 for index definitions.
Following MSCI’s announcement on June 20, 2017, China A Shares will be included into their Global Standard Indexes starting in May 2018. We believe full inclusion could take up to five years.

According to MSCI as of 9/30/2016, $1.6 trillion track the MSCI EM Index. $272b are expected to be reallocated to China A Shares after full inclusion.

- The March 2017 MSCI “Consultation On China A-shares Potential Inclusion” changed the initial proposed A-share inclusion weight
- The full proposed inclusion weight remains unchanged
- We believe multiple inclusions could provide a sustained catalyst for the outperformance of the Mainland market.

Source: MSCI Research, as of 6/19/2017

See page 12 for index definitions
KEMP is the first broad emerging market ETF to include stocks listed on the Shanghai & Shenzhen\textsuperscript{1} Stock Exchanges and U.S.–Listed Chinese companies, providing a more sophisticated & robust exposure to China.

### FTSE Emerging Index: Country Allocation
- **China:** 26.03%
- **Russia:** 4.20%
- **Mexico:** 4.83%
- **Brazil:** 8.27%
- **India:** 12.27%
- **Taiwan:** 15.22%
- **Other:** 29.18%

### KEMP Country Allocation
- **China:** 38.21%
- **India:** 15.17%
- **Brazil:** 6.85%
- **Russia:** 5.38%
- **Mexico:** 4.59%
- **Taiwan:** 2.37%
- **Other:** 27.43%

### FTSE Emerging Index: China Universe
- **Hong Kong listed 100%**

### KEMP China Investment Universe
- **China A Share:** 40.82%
- **China H Share:** 45.05%
- **China N Share:** 14.13%

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### A Shares
Mainland Chinese stocks listed on the Shanghai and Shenzhen Stock Exchanges (the fourth and seventh largest exchanges globally)\textsuperscript{3}

### N Shares
U.S.–listed Chinese stocks, typically technology focused, notable examples: Alibaba, Baidu & JD.com\textsuperscript{2}

### H Shares
Hong Kong listed Chinese companies. H shares comprise the traditional definition of China still used by the FTSE Emerging Index. H shares are heavily weighted to banks and insurance companies

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2. Percent of KEMP net assets of holdings mentioned above as of 6/30/2017: Alibaba: 2.25%, Baidu: 1.31%. The Fund’s holdings are subject to change. JD.com is not included in KEMP as of 6/30/2017.
3. Data from the World Federation of Exchanges as of 6/30/2017

All data as of 6/30/2017. See page 11 for index definitions.
Indian prime minister Narendra Modi has been a catalyst for major financial development in India.

Since Modi came to office in May 2014, the FTSE India Index has exhibited accelerated growth. KEMP has a +5.65% overweight to India vs. the FTSE Emerging Index as of 6/30/2017.

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. Past performance does not guarantee future results.

Source: Bloomberg as of June 30, 2017. See page 12 for index definitions.
KEMP's unique approach to emerging markets

FTSE Index Methodology characterizes Korea as a Developed Markets thus eliminating from it from KEMP. We believe Korea’s economy is highly dependent on China, as evidenced by the amount of total trade with China in 2016. We believe removing Korea removes a duplicative exposure to China.

<table>
<thead>
<tr>
<th>South Korea Top 10 Trading Partners</th>
<th>2016 Total Trade ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>246,158.7</td>
</tr>
<tr>
<td>United States</td>
<td>113,321.7</td>
</tr>
<tr>
<td>Japan</td>
<td>72,479.7</td>
</tr>
<tr>
<td>Vietnam</td>
<td>44,983.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>32,004.67</td>
</tr>
<tr>
<td>Germany</td>
<td>26,016.89</td>
</tr>
<tr>
<td>Australia</td>
<td>23,866.72</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>21,502.37</td>
</tr>
<tr>
<td>Singapore</td>
<td>21,122.24</td>
</tr>
<tr>
<td>Mexico</td>
<td>17,944.03</td>
</tr>
</tbody>
</table>

Source: International Monetary Fund’s Direction of Trade from Bloomberg as of 12/31/2016, retrieved 3/31/2017
KraneShares FTSE Emerging Markets Plus ETF

Investment Strategy:
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Ticker | Index Name | Primary Exchange | Total Annual Fund Operating Expense | Inception Date |
-------|------------|-----------------|-----------------------------------|---------------|
KEMP   | FTSE Emerging incl China Overseas non-R/QFII GDP Weighted Index | BATS            | Gross: 1.11% Net: 0.91%*           | 02/12/2015    |

KEMP Performance History as of 06/30/2017

<table>
<thead>
<tr>
<th>Cumulative</th>
<th>Annualized Calendar QTR (06/30/2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund NAV</td>
</tr>
<tr>
<td>Fund NAV</td>
<td>5.01%</td>
</tr>
<tr>
<td>Closing Price</td>
<td>5.24%</td>
</tr>
<tr>
<td>Index</td>
<td>4.64%</td>
</tr>
</tbody>
</table>

*KraneShares has contractually agreed to reduce its management fee in an amount equal to any Acquired Fund Fees and Expenses incurred by the Fund from its investments in the KraneShares Bosera MSCI China A Share. This expense limitation may be reduced at any time. In the absence of current fee waivers, performance would be reduced.

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

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. Past performance does not guarantee future results.
**Index Definitions:**

**FTSE Emerging Index:** FTSE Emerging Markets indices are part of the FTSE Global Equity Index Series (GEIS). The series includes large and mid cap securities from advanced and secondary emerging markets, classified in accordance with FTSE’s transparent Country Classification Review Process. The FTSE Emerging Index provides investors with a comprehensive means of measuring the performance of the most liquid companies in the emerging markets.

**FTSE Emerging Markets incl China Overseas Inclusion GDP Weighted Index:** Designed to reflect the performance of the constituent companies in an index where country weightings are proportionate to each country’s forecast GDP. The index constituents correspond to the underlying universe of the FTSE Emerging Index, FTSE China A Index, FTSE China N Share Index and the FTSE China S Chip Index. The index has been created to prepare market participants for the inclusion of China A-shares in FTSE’s standard indices.

**FTSE India Index:** The FTSE India is a free float market capitalization weighted index, designed to measure the performance of the Indian market.
Important Notes

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. Read the prospectus carefully before investing.

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 when buying and receive less than net asset value (NAV) 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].

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 a decline in value. Fluctuations in currency of foreign countries may have an adverse effect on domestic currency values. Emerging markets involve heightened risk related to the same factors as well as increased volatility and lower trading volume.

The ability of the KraneShares FTSE Emerging Markets Plus ETF to achieve its investment objective is dependent, in part, on the continuous availability of A Shares through the Fund’s investment in the KraneShares Bosera MSCI China A Share ETF and that fund’s continued access to the China A Shares market. The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund’s gains or losses.

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