

Potential Benefits of an All China Exposure to the New China Economy

An Overview of the KraneShares Zacks New China ETF (ticker: KFYP)

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.





**KraneShares Zacks
New China ETF***

Investment Strategy:

KFYP tracks the Zacks New China Index which takes a smart-beta** approach to provide exposure to companies listed in Mainland China, Hong Kong and the United States whose primary business or businesses are important in the current Five-Year Plan of the central Chinese government. The sectors expected to benefit from the plan are evaluated and the stocks within each sector are subsequently ranked based on various investment factors, including price, cash flow, free cash flow, momentum and volatility. Based on the foregoing, the top 40 stocks are included in the fund's holdings.

KFYP features:

- An innovative strategy that offers an "all China" exposure to the "new China" economy.
- Exposure to "new China" sectors highlighted in China's Five Year Plan (FYP) such as technology, consumer staples, consumer discretionary, and health care. Less emphasis on manufacturing, financials, industrials and heavy materials that defined China's past economic plans.
- Exposure to large cap, mid cap, and small cap Chinese companies trading in Mainland China, Hong Kong and the United States.
- Smart beta** investment strategy focused on sectors/industries highlighted in the FYP.

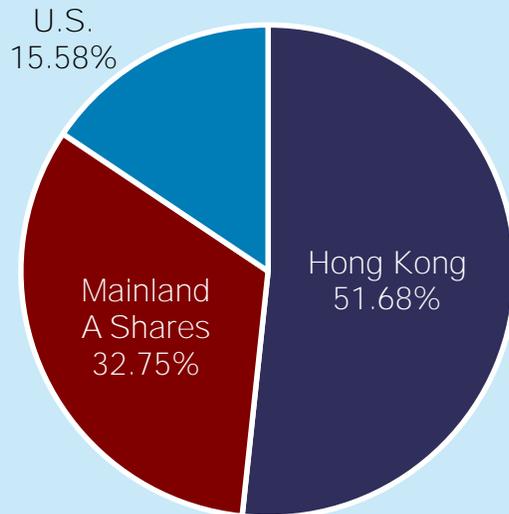
*Formerly the KraneShares CSI New China ETF

**Smart beta is an investment style where a manager passively follows an index designed to take advantage of perceived systematic biases or inefficiencies in the market.

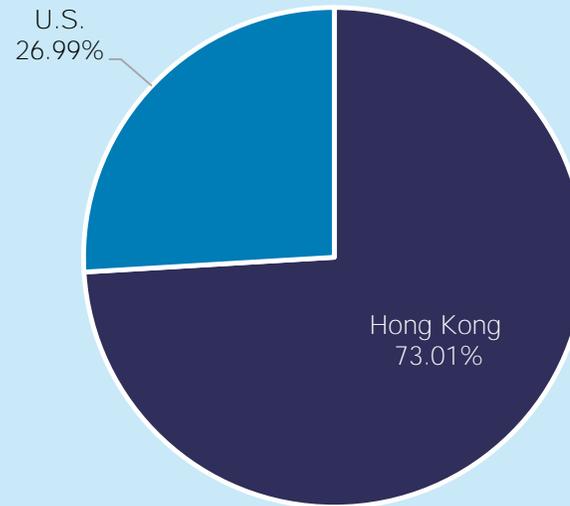
Many popular China indexes do not include China's Mainland A share equity market

Popular indexes, such as the MSCI China Index and the FTSE China 50 Index, define the investment universe for many emerging market funds. Their definition of China includes companies listed on the Hong Kong Stock Exchange and recently Chinese companies that list in the United States, but does not include Mainland A-shares listed on the Shanghai and Shenzhen stock exchanges. The KraneShares Zacks New China ETF (KFYP) includes Mainland A shares.

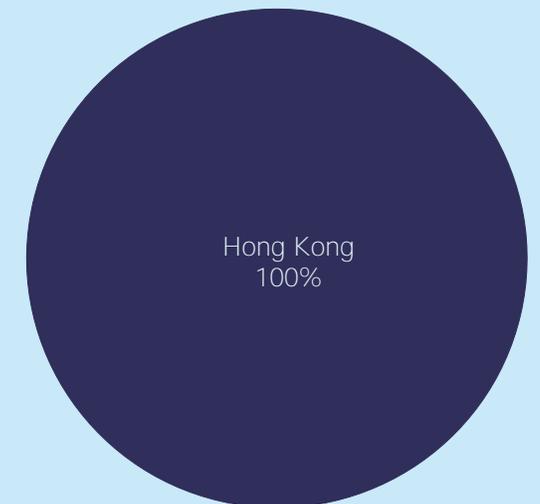
China Share Class Breakdown of KFYP¹



China Share Class Breakdown of MSCI China Index²



China Share Class Breakdown of FTSE China 50 Index³



¹Data from SEI excluding cash, as of 9/30/2017

²Data from Bloomberg, as of 9/30/2017

³Data from FTSE, as of 9/30/2017

Due to rounding, the percentage might not add up to 100%

Mainland China A-share equities exhibit low correlation to other global markets

As Emerging Markets (EM) have become more correlated with Developed Markets over the years, the diversification benefits of EM investing have largely diminished

- Frontier Markets, countries whose stocks are less mature than those in EM, still have relatively low correlations with the rest of the world
- Remarkably, China A-shares exhibit an even lower correlation to the MSCI All Country World Index than Frontier Markets

MSCI Indexes Correlation to MSCI China A Index

	ACWI	EAFE	EM	USA	China	Frontier	China A
ACWI	1.00						
EAFE	0.98	1.00					
EM	0.91	0.89	1.00				
USA	0.96	0.90	0.81	1.00			
China	0.77	0.75	0.88	0.67	1.00		
Frontier	0.83	0.81	0.86	0.75	0.70	1.00	
China A	0.45	0.41	0.54	0.40	0.68	0.41	1.00

- MSCI ACWI Index (ACWI) - All Country World Index
- MSCI EAFE Index (EAFE) - Europe, Australasia and Far East
- MSCI Emerging Markets Index (EM) - Emerging Markets
- The MSCI USA Index (USA) - United States of America
- MSCI China Index (China) - Chinese companies listed in Hong Kong & USA
- MSCI Frontier Emerging Markets Index (Frontier) - Frontier Markets
- MSCI China A Index (China A) - Chinese companies listed on Shanghai and Shenzhen Stock Exchanges

Source: Table from Bloomberg, monthly average correlation from September 30, 2007 to September 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. See page 17 for index definitions.

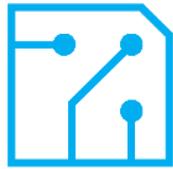
China's 13th Five Year Plan provides investors with China's business plan for its next phase of economic development

The Chinese government has outlined five key tenets that will drive all aspects of China's society. These tenets also reveal the economic sectors that the Chinese government has targeted for growth.

Five Year Plan Tenets:



Inclusivity



Innovation



Coordination



Green



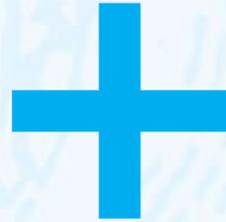
Openness



Xi Jinping – 习近平

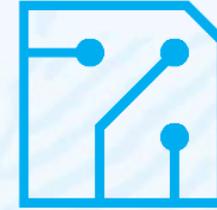
President of the People's Republic of China

Five Tenets of the 13th Five Year Plan



Inclusivity

Secure a strong middle class base by building up existing social services



Innovation

Shift China's economic structure into a higher-tech focus as a primary driver of growth



Coordination

Ensure equal development across both urban and rural areas



Green

Protect the environment and pursue environmentally friendly means of growth

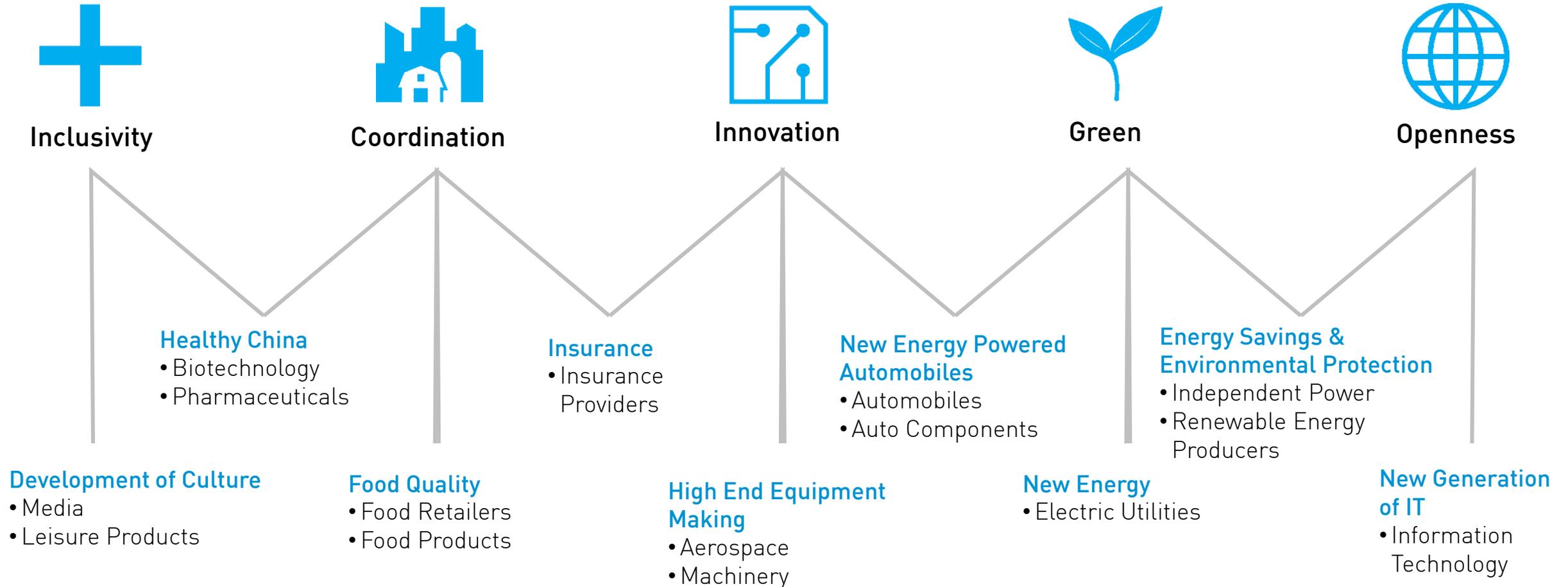


Openness

Utilize both domestic and global markets to take a more active role in global governance

The main tenets of China's 13th Five Year Plan can be subdivided into social & economic policy areas of focus

We believe these areas of focus may benefit as a direct result of the Chinese government's policies:



KraneShares partnered with Zacks Index Services to provide investors with exposure to tradable companies within the 13th Five Year Plan's focus areas

We organized the focus areas into investable sectors and provided examples of KFYP holdings within these sectors.

Policy Focus Area(s)	Sector	Largest Holding within Sector and % weight in KFYP as of 9/30/2017*
Development of Culture	Consumer Discretionary	Tianneng Power Intl Ltd (3.94%)
Food Quality	Consumer Staples	Sun Art Retail Group Ltd (2.51%)
Insurance	Financials	People's Insurance Co Grou (2.28%)
Healthy China	Health Care	Guangzhou Baiyunshan Pharm (3.81%)
New Energy Powered Automobiles High End Equipment Making	Industrials	Sinotruk Hong Kong (4.31%)
New Generation of Information Technology	Information Technology	Flex Ltd (3.47%)
New Energy Energy Savings & Environmental Protection	Utilities	Shanghai Electric Power Co (3.45%)

*The Fund's holdings are subject to change. See page 14 for the Fund's top 10 holdings

KFYP provides balanced exposure to the companies poised to benefit from the 13th Five year Plan, regardless of where they choose to list.

Consumer Discretionary	Tianneng Power		Hong Kong Listed	Tianneng Power has developed into a new energy high-tech company engaged in businesses such as motive batteries for electric vehicles, wind energy and solar energy storage batteries as well as the recycling of resources.
Consumer Staples	Sun Art Retail Group		Hong Kong Listed	Sun Art Retail is a leading hypermarket operator in China with 14.6% market share by retail sales value (According to Euromonitor), as of 31 December 2016.
Financials	People's Insurance		Hong Kong Listed	PICC is an investment holding company, primarily engages in the insurance business in China. It operates through Non-Life Insurance, Life Insurance, Health Insurance, Asset Management, and others segments.
Health Care	Guangzhou Baiyunshan Pharm		Hong Kong Listed	Guangzhou Baiyunshan manufactures and sells Chinese patent medicine. The Company also wholesales, retails, imports, and exports Western and Chinese pharmaceutical products and various medical apparatus.
Industrials	Sinotruk		Hong Kong Listed	SINOTRUK is China's first heavy duty truck manufacturer, currently the third largest truck manufacturer in Mainland China.
Information Technology	Flex		U.S. Listed	Flex is an American multinational technological manufacturer. It is the third largest global electronics manufacturing services (EMS), original design manufacturer (ODM) company by revenue.
Utilities	Shanghai Electric Power		Mainland Listed	Shanghai Electric Group is one of the largest mechanical and electrical equipment manufactory enterprises in China.

*Antineoplastic: inhibiting or preventing the growth or development of malignant cells
The Fund's holdings are subject to change. See page 14 for the Fund's top 10 holdings

While elements of the Five Year Plan affect all aspects of China’s economy, the 13th Five Year Plan is dominated by technology, consumer discretionary, healthcare, and consumer staples.

KFYP sector weightings vs. popular China index sector weightings (as of Sep 30 2017)

Sector [†]	KFYP ¹	MSCI China Index ²	FTSE China 50 Index ²
Technology	50.8	40.3	9.4
Consumer Discretionary	18.2	10.1	5.5
Healthcare	9.8	2.0	0.0
Consumer Staples	11.4	2.0	0.0
Financials	0.0	22.4	48.4
Utilities*	4.6	2.4	0.5
Industrials	5.1	4.6	5.6
Materials	0.0	1.3	0.9
Energy	0.0	4.8	11.4
Telecom	0.0	5.3	9.9
Real Estate	0.0	4.9	8.4

KEY

Sectors highlighted in Current Five Year Plan

 Overweight

*Clean energy companies, such as Beijing Jingneng Clean Energy, are classified as utilities, which results in KFYP’s overweight.

[†]Excluding cash

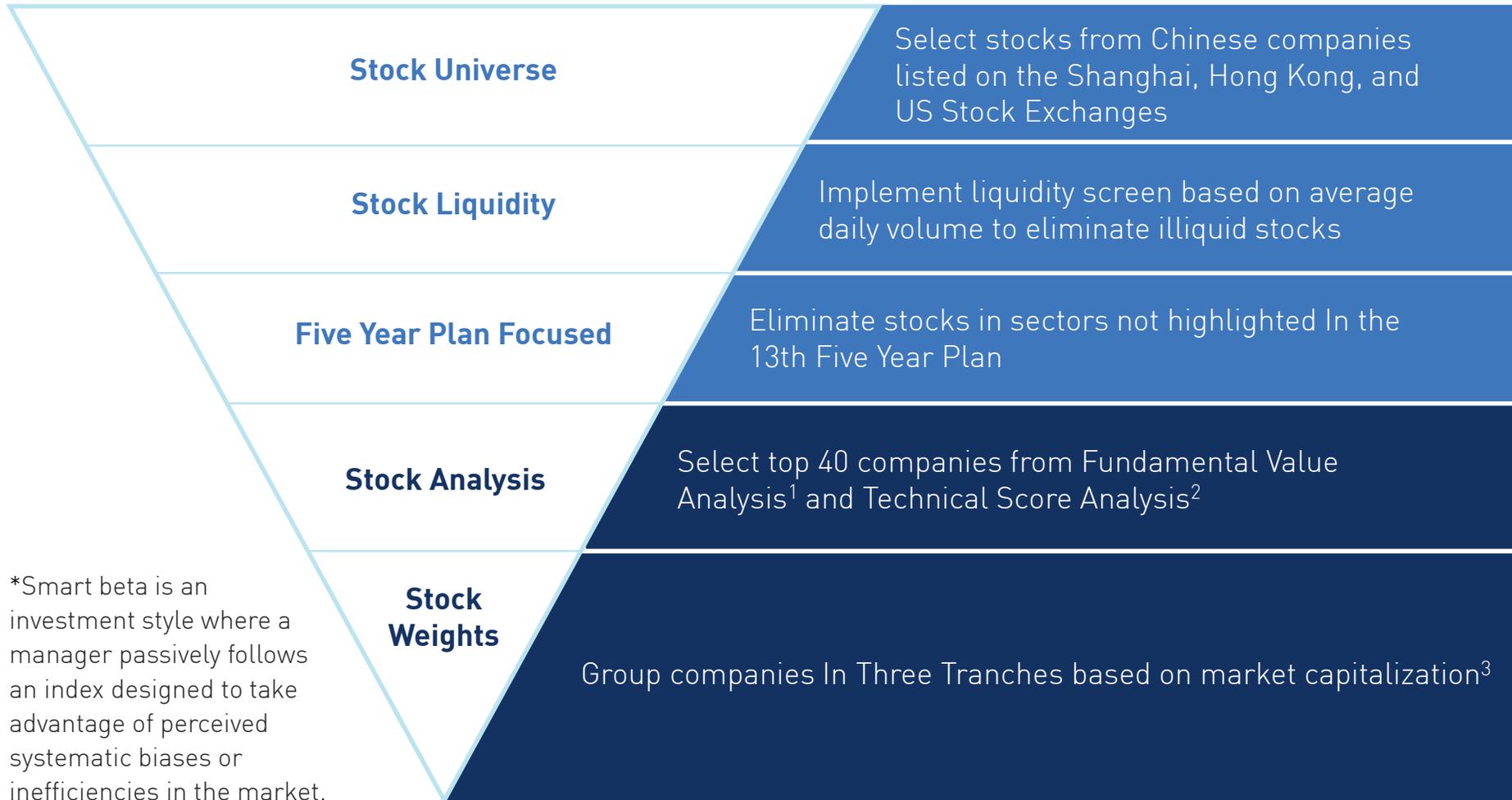
Due to rounding, the percentage might not add up to 100%.

¹Data from ETF Research Center as of 9/30/2017. Sector weights are subject to change

²Data from Bloomberg as of 9/30/2017

Our smart-beta* approach eliminates companies not highlighted in China’s 13th Five Year Plan and screens for positive attributes among stocks in favored sectors across five major exchanges where Chinese companies list.

Smart Beta Filtering Process for Holdings Selection



General Narrowing Process

Specific Narrowing Process

1. Fundamental Value Analysis: Rank by Price to Cash Flow & Free Cash Flow
2. Technical Score Analysis: Rank by 3 month momentum & 6 month volatility
3. Three Tranches: Top third of Companies at a 3.75% Weight, Second Tranche at 2.5% and Third Tranche at 1.25%

*Smart beta is an investment style where a manager passively follows an index designed to take advantage of perceived systematic biases or inefficiencies in the market.

About KFYP’s Index Construction: The Zacks New China Index

- The primary business of a constituent must operate in a targeted industry of China’s 13th Five-Year Plan
- Eligible constituents are stocks listed on the Hong Kong Stock Exchange, Shanghai-Hong Kong Stock Connect as well as common stocks and American Depositary Receipts listed on major U.S. exchanges
- The 3-month average daily trading volume must be greater than U.S.\$1 million and the per share price must be greater than U.S. \$0.10
- Sectors expected to benefit from the Plan are evaluated and then stocks within each sector are ranked according to specific investment factors, including price, cash flow, free cash flow, momentum and volatility
- At rebalance, the top 10 largest capitalization stocks will each represent approximately 3.75%, the middle 20 capitalization stocks will each represent approximately 2.5%, and the smallest 10 capitalization stocks will each represent approximately 1.25%
- At rebalance, no sector will represent more than 40% of the Index
- The Index is rebalanced once a year

Index Characteristics (as of 9/30/2017)	
Number of positions	40
Largest Market Capitalization	\$409,584.07 million
Smallest Market Capitalization	\$470.79 million
Weighted Average Market Capitalization	\$16,466.07 billion

KraneShares Zacks New China ETF* (ticker: KFYP)

KFYP tracks the Zacks New China Index which takes a smart-beta approach to provide exposure to companies listed in Mainland China, Hong Kong, and the United States whose primary business or businesses are important in the current Five-Year Plan of the central Chinese government.

The sectors expected to benefit from the Plan are evaluated and the stocks within each sector are subsequently ranked based on various investment factors, including price, cash flow, free cash flow, momentum and volatility. Based on the foregoing, the top 40 stocks are included in the fund's holdings.

*Formerly the KraneShares CSI New China ETF

Fund Details	As of 9/30/2017
Ticker	KFYP
Index Name	Zacks New China Index
Primary Exchange	NYSE
Total Annual Fund Operating Expenses	Gross: 0.84%
	Net: 0.72%**
Inception Date	7/22/2013
Distribution Frequency	Semiannually

Top Ten Holdings as of 9/30/2017 The Fund's Holdings are Subject to Change.	Ticker	%
SINOTRUK HONG KONG LTD	3808 HK	4.31
HAITIAN INTERNATIONAL HLD	1882 HK	4.09
TIANNENG POWER INTL LTD	819 HK	3.94
GUANGZHOU BAIYUNSHAN PHAR	874 HK	3.81
FLEXTRONICS INTL LTD	FLEX	3.47
FUJIAN LONGKING CO LTD-A	-	3.46
SHANGHAI ELECTRIC POWER C	-	3.45
ASM PACIFIC TECHNOLOGY	522 HK	3.29
HUANENG POWER INTL INC-H	902 HK	3.24
HUANENG POWER INTL-SPONS	HNP	3.21

KFYP Performance History as of 9/30/2017

	Cumulative %			Average Annualized %		
	3 Mo	6 Mo	Since Inception 7/31/2013	1 Yr	3 Yr	Since Inception 7/31/2013
Fund NAV	7.07%	18.20%	83.66%	31.77%	11.72%	15.61%
Closing Price	6.70%	19.83%	85.09%	36.63%	12.02%	15.83%
Index [†]	7.02%	10.12%	83.62%	23.52%	10.39%	15.37%

[†]The Hybrid KFYP Index (noted as "Index" above in the chart) consists of the CSI China Overseas Five Year Plan Index from the inception of the Fund through May 31, 2016, and the Zacks New China Index going forward.

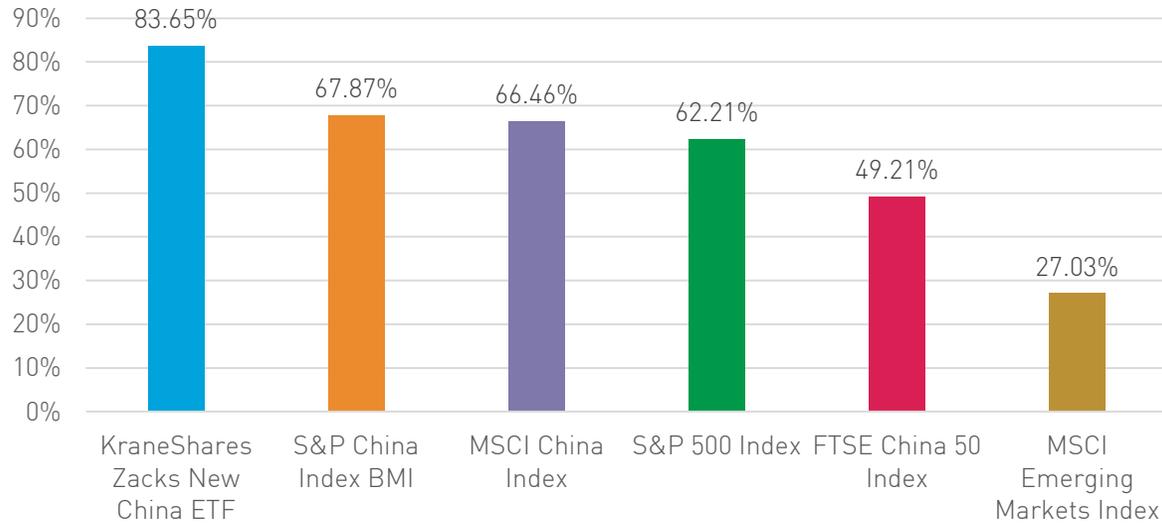
**Fee waivers are contractual and in effect until 7/31/18.

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

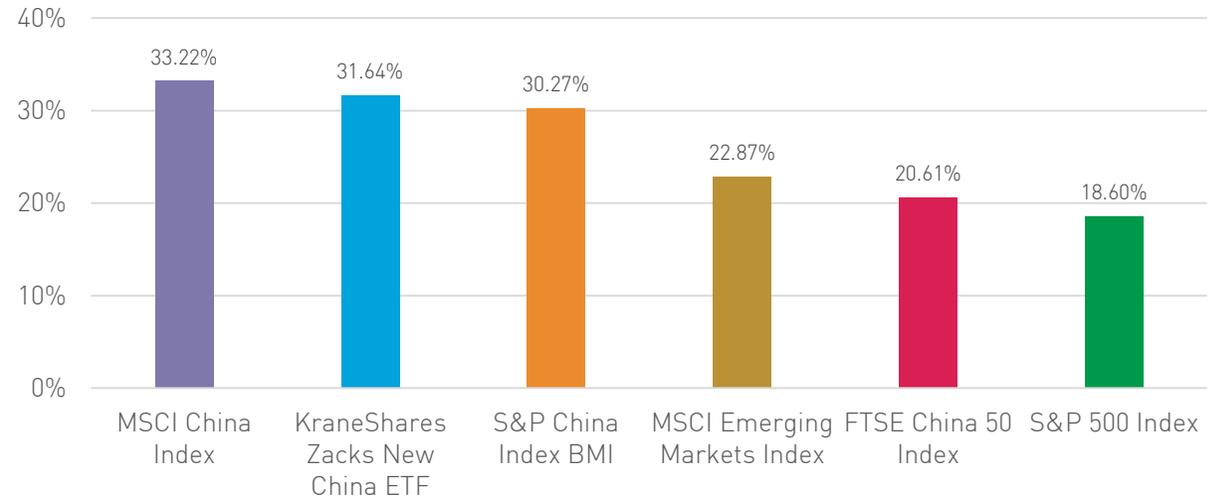
Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

KFYP's performance compared to the U.S., Emerging Markets, & Other China Indexes

Since KFYP Inception (7/22/2013) as of 9/30/2017*



Past Year as of 9/30/2017*



Total return gross dividend tax data from Bloomberg as of 9/30/2017. See page 14 for standard performance.

***Cumulative return is the aggregate amount that an investment has gained or lost over time.**

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See page 17 for index definitions.

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The S&P 500 and MSCI Emerging Markets Indexes were chosen to represent the U.S. and broader emerging markets respectively because they are considered to be the industry standard bearers for representing these markets. The S&P China BMI, MSCI China and FTSE China 50 indexes were chosen because they are popular measures of the broad Chinese market.

KraneShares Zacks New China ETF provides unique policy driven exposures utilizing a smart-beta methodology

- Proprietary multi-factor smart-beta methodology screens for companies with strong risk/reward characteristics
- Selection universe based on China's 13th Five Year Plan and focuses on strategic sectors and industries stated in the plan
- Directly holds Chinese companies listed on the Shanghai, Hong Kong and US Exchanges
- Focuses on domestic consumption with a specific emphasis on internet and technology integration with manufacturing
- Provides a vehicle to “co-invest” with the Chinese government



The ceiling of the 10,000-seat auditorium in China's Great Hall of the People.

Index Definitions:

MSCI China Index: The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips and P chips.

FTSE China 50: is a real-time tradable index comprising 50 of the largest and most liquid Chinese stocks (H Shares, Red Chips and P Chips) listed and trading on the Stock Exchange of Hong Kong (SEHK).

The S&P 500 Index: is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

S&P China BMI Index: is a comprehensive benchmark that defines and measures the investable universe of publicly traded companies domiciled in China, but are legally available to foreign investors.

MSCI ACWI Index: captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries.

The MSCI EAFE Index: is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada.

The MSCI Emerging Markets Index: captures large and mid cap representation across 23 Emerging Markets (EM) countries.

The MSCI USA Index: is designed to measure the performance of the large and mid cap segments of the US market.

The MSCI Frontier Emerging Markets (FEM) Index: captures large and mid cap representation across 27 Frontier Emerging Markets countries.

The MSCI China A Index: captures large and mid cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

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 (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).

Narrowly focused investments typically exhibit higher volatility. Technology companies may be subject to severe competition and rapid obsolescence. The Fund is non-diversified.

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.

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