

An Overview of Current Trends in Emerging Markets

An Introduction to the
KraneShares FTSE Emerging Markets Plus ETF
(Ticker : KEMP)

Introduction to KraneShares

About KraneShares

Krane Funds Advisors, LLC is the investment manager for KraneShares ETFs. Our suite of China focused ETFs provides investors with solutions to capture China's importance as an essential element of a well-designed investment portfolio. We strive to provide innovative, first to market strategies that have been developed based on our strong partnerships and our deep knowledge of investing. We help investors stay up to date on global market trends and aim to provide meaningful diversification. Krane Funds Advisors, LLC is majority owned by China International Capital Corporation (CICC).



 KEMP

KraneShares FTSE Emerging Market Plus ETF

Investment Strategy:

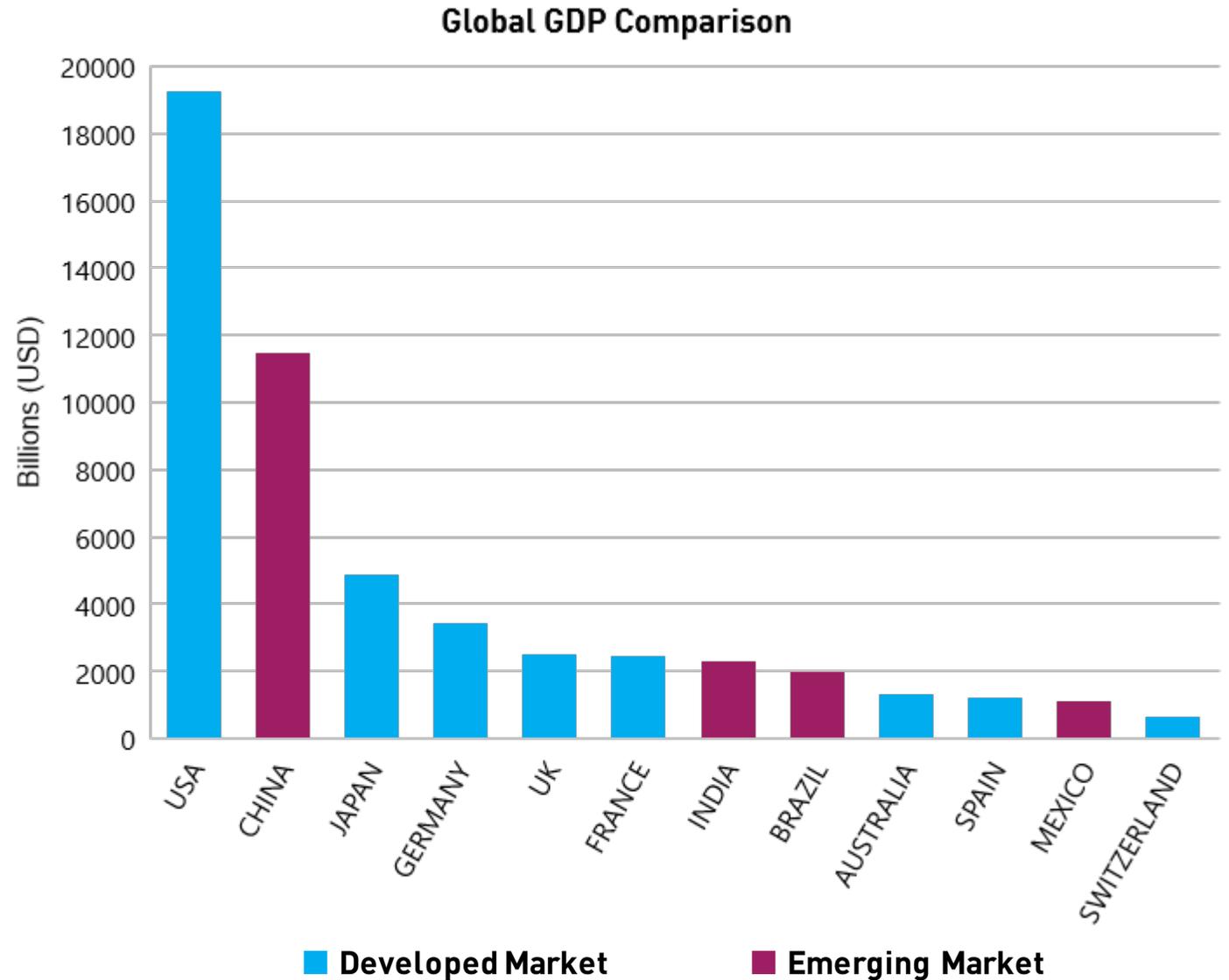
The KraneShares FTSE Emerging Markets Plus ETF (BATS:KEMP) is a gross domestic product ("GDP") weighted fund which includes China A shares and China N shares. Country allocations are based on five year purchase power parity GDP forecasts by the International Monetary Fund. China A shares are China equities 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:

- 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

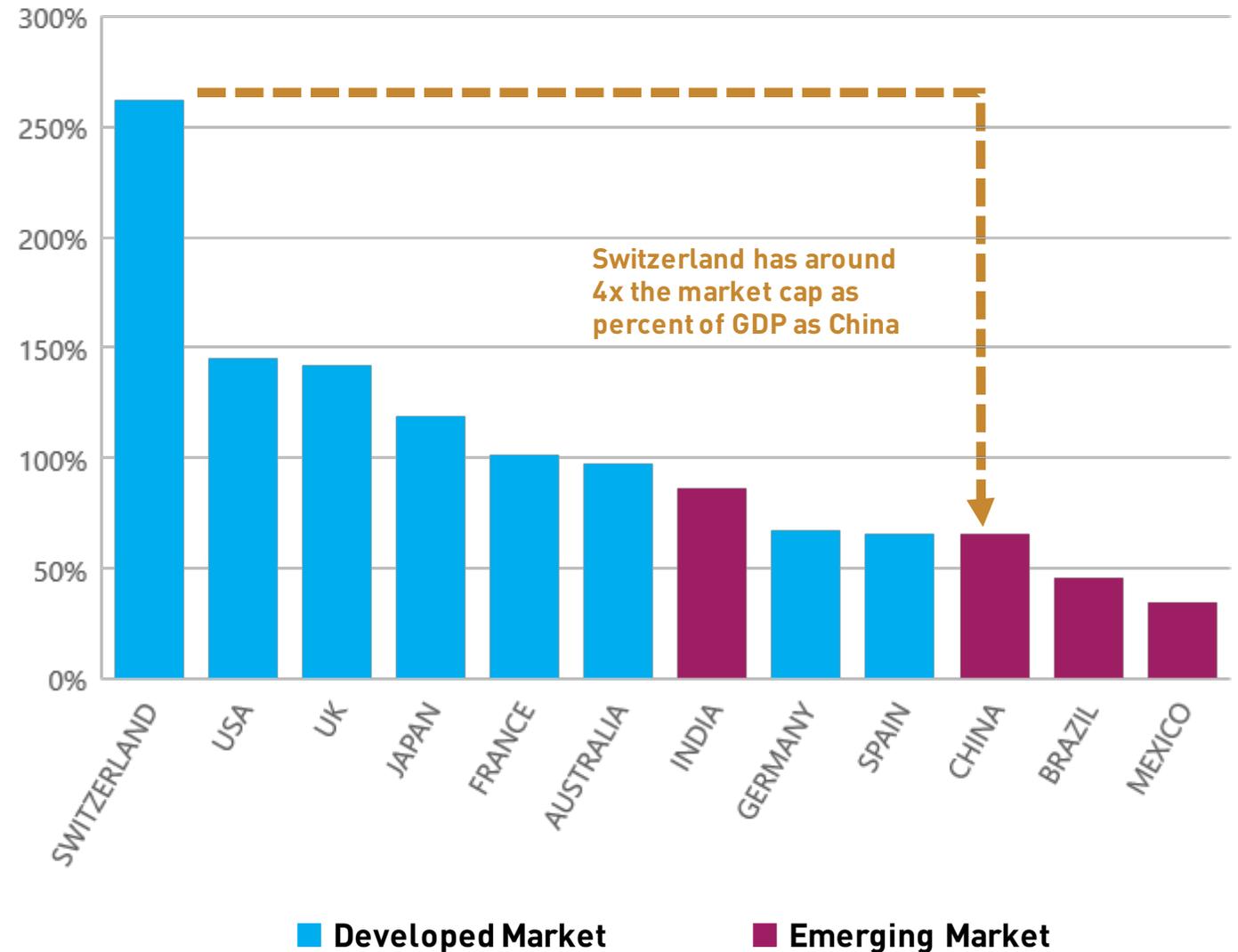
In terms of GDP, many emerging market countries rival the economic importance of their developed market counterparts.



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

Stock Market Capitalization as % of GDP



A GDP weighted approach to emerging markets results in a much different country weighting than a market cap weighted approach.

Country	KEMP (GDP Weighted)		FTSE Emerging Index (Market Cap Weighted)		Difference
	Weight	Rank	Weight	Rank	Weight
China	38.27%	1	31.42%	1	6.85
India	15.99%	2	11.29%	3	4.70
Russia	6.43%	3	4.23%	7	2.20
Brazil	6.23%	4	7.18%	5	-0.95
Indonesia	5.54%	5	2.03%	11	3.51
Mexico	3.93%	6	3.63%	8	0.30
Taiwan	2.63%	7	12.77%	2	-10.14
Hong Kong	2.40%	8	4.24%	6	-1.84
Egypt	2.21%	9	0.21%	23	2.00
Thailand	2.18%	10	3.33%	9	-1.14
Sum	85.80%		80.32%		5.49
Other	14.20%		19.68%		-5.49

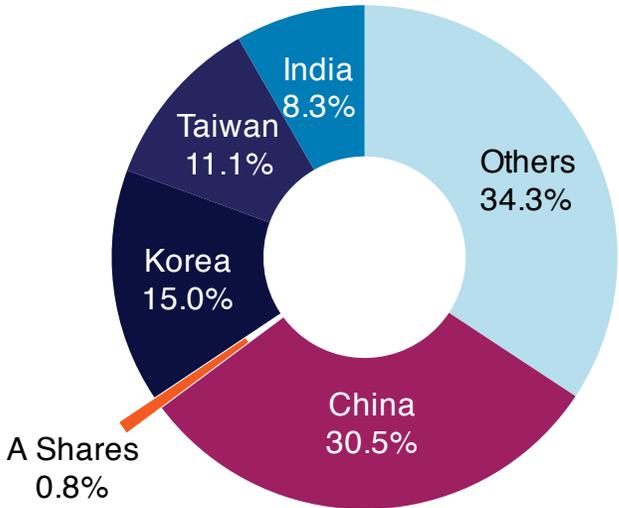
In June 2018 China A Shares were included into MSCI’s Global Standard Indexes for the first time. We believe full inclusion could take up to five years.

\$1.9 trillion track the MSCI EM Index. **\$307b** are expected to be reallocated to China A Shares after full inclusion.

- On June 1, 2018 MSCI included the first half of the initial 5% weight for China A Shares within the MSCI Emerging Markets Index. The remaining balance balance will be added in September 2018.
- The full proposed inclusion weight is projected to reach 16.2% of the Emerging Markets Index.
- We believe multiple inclusions could provide a sustained catalyst for the outperformance of the Mainland market.

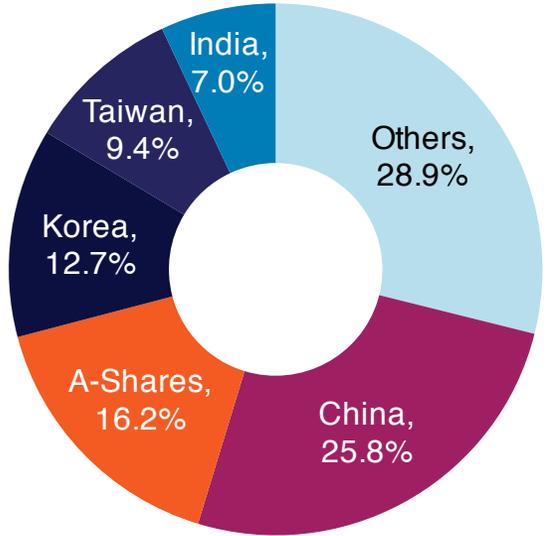
MSCI EM Index With 5% China A Shares

FIRST PHASE TO BE COMPLETED SEP 1, 2018



MSCI EM Index With 100% China A Shares

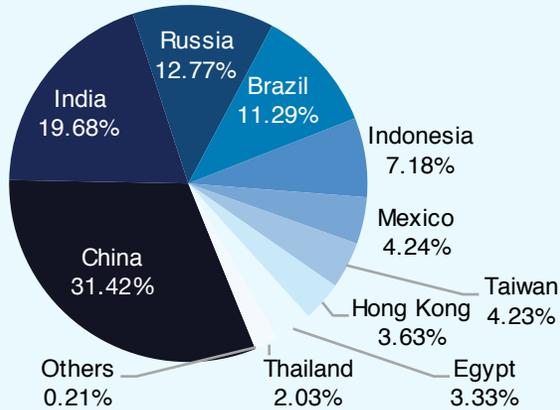
POTENTIAL FULL INCLUSION



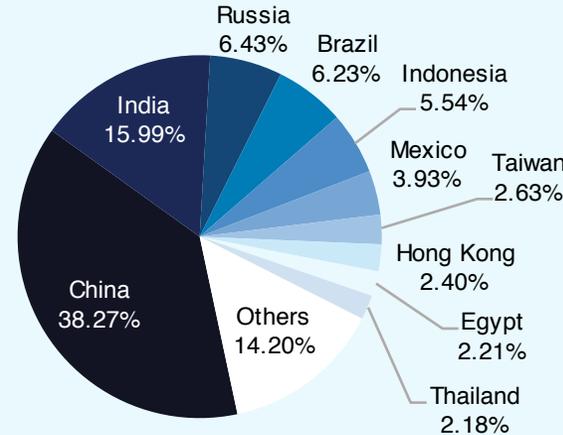
Source: MSCI Research.
Based off of data used for MSCI’s May 2018 Semi-Annual Index Review.

KEMP is the first broad emerging market ETF to include stocks listed on the Shanghai & Shenzhen¹ Stock Exchanges and U.S.–Listed Chinese companies, providing a more sophisticated & robust exposure to China.

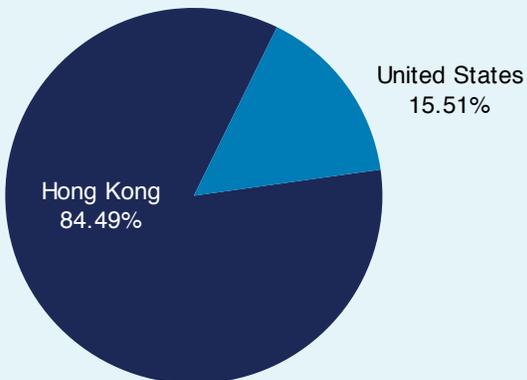
FTSE EMERGING INDEX: COUNTRY ALLOCATION²



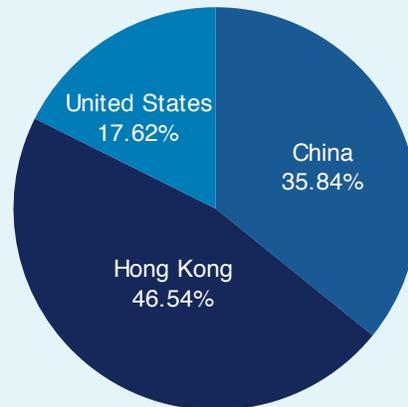
KEMP COUNTRY ALLOCATION²



FTSE EMERGING INDEX: CHINA UNIVERSE⁵



KEMP CHINA INVESTMENT UNIVERSE⁵



A Shares

Mainland Chinese stocks listed on the Shanghai and Shenzhen Stock Exchanges (the fourth and eighth largest exchanges globally)³

N Shares

U.S.–listed Chinese stocks, typically technology focused, notable examples: Alibaba, Baidu & JD.com⁴

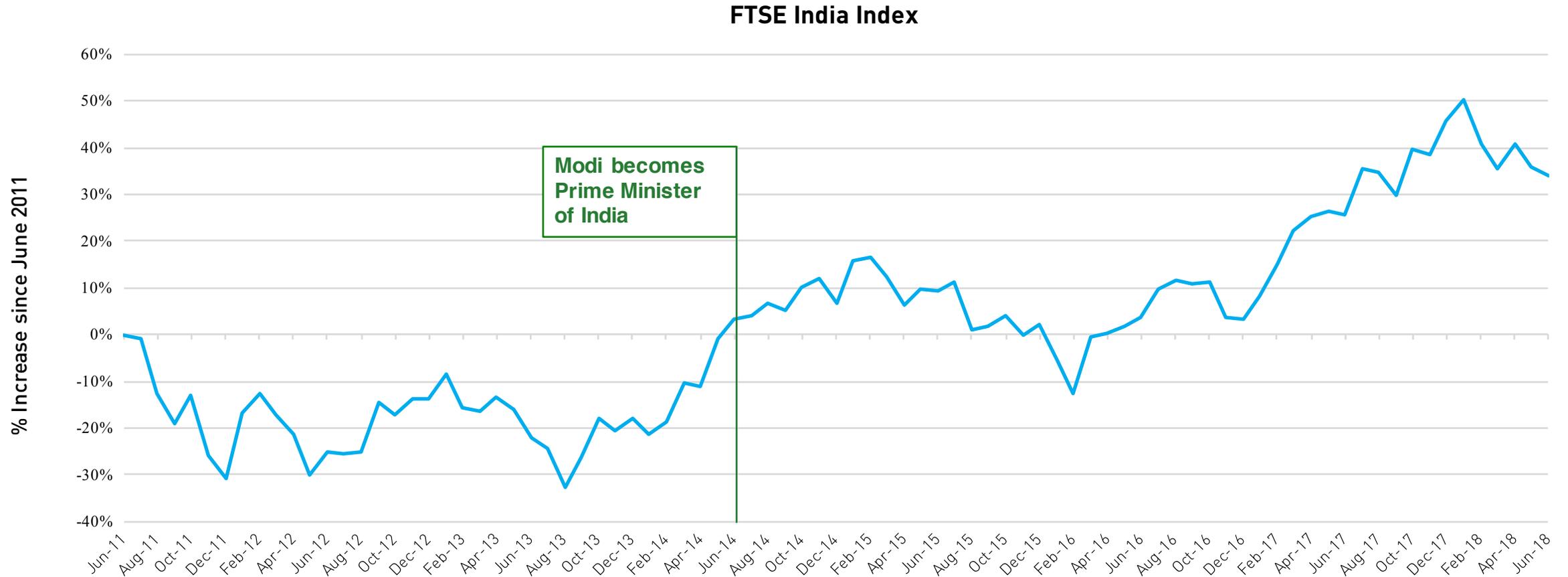
H Shares

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

1. Todd Shriber, (Feb 7, 2015), "Finally, an Emerging Markets ETF Including China A-Shares", ETF Trends
 2. Data from Bloomberg as of 6/30/2018. See page 11 for index definitions.
 3. Data from the World Federation of Exchanges as of 5/31/2018, retrieved 6/30/2018.
 4. Percent of KEMP net assets of holdings mentioned above as of 6/30/2018: Alibaba: 3.22%, Baidu: 2.50%. The Fund's holdings are subject to change. JD.com is not included in KEMP as of 6/30/2018.
 5. Data from Bloomberg as of 12/29/2017.

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.



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, 2018. See page 11 for index definitions.

KraneShares FTSE Emerging Markets Plus ETF

Investment Strategy:

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Key Fund Information

Ticker	KEMP	
Index Name	FTSE Emerging incl China Overseas non-R/QFII GDP Weighted Index	
Primary Exchange	BATS	
Total Annual Fund Operating Expense	Gross: 0.86%	Net: 0.72%*
Inception Date	02/12/2015	

Top Ten Holdings as of 6/30/2018 (excluding cash) The Fund's Holdings Are Subject to Change.	Ticker	%
KRANESH BOSERA MSCI CHINA A	KBA US	12.81
HDFC BANK LTD-ADR	HDB US	6.54
TENCENT HOLDINGS LTD	700 HK	5.33
INFOSYS LTD-SPADR	INFY US	3.56
ALIBABA GROUP HOLDING-SPADR	BABA US	3.22
BAIDU INC - SPON ADR	BIDU US	2.50
CHINA CONSTRUCTION BANK-H	939 HK	2.20
ICICI BANK LTD-SPON ADR	IBN US	2.06
VEDANTA LTD-ADR	VEDL US	1.64
KRANESH BOSERA MSCI CHINA A	LKOH RM	1.64

KEMP Performance History as of 6/30/2018

	Cumulative			Annualized Calendar QTR (6/30/2018)		
	3 Mo	6 Mo	Since Inception 02/12/2015	1 Yr	3 Yr	Since Inception 02/12/2015
Fund NAV	-8.42%	-7.80%	8.64%	5.52%	0.97%	2.48%
Closing Price	-9.27%	-7.79%	9.28%	5.22%	1.07%	2.66%
Index	-8.68%	-8.40%	11.72%	4.26%	1.02%	3.33%

*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

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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 Boserá 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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