

The One Belt One Road Initiative: A New Paradigm in Global Investing

An Overview of the KraneShares MSCI One Belt One Road ETF (ticker: OBOR)



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).





KraneShares MSCI One Belt One Road ETF

Investment Strategy:

The KraneShares MSCI One Belt One Road ETF (ticker: OBOR) seeks to provide investment results that track the price and yield performance of the MSCI Global China Infrastructure Exposure Index. The Index aims to identify potential beneficiaries of the One Belt One Road (OBOR) initiative based on how their geography, revenue, and sector attributes align with the broad theme. OBOR seeks to capture the economic growth and monetize the potential upside for the companies involved in China's One Belt One Road initiative.

OBOR Initiative Facts:

- The One Belt One Road (OBOR) initiative, established by President Xi Jinping of China, is an extensive long-term infrastructure initiative modernizing the original Silk Road trading routes. The initiative has two core components:
 - Economic land belt: linking countries by land along the ancient Silk Road through Central Asia, West Asia, the Middle East, and Europe.
 - Maritime road: linking countries by sea along the Eastern coast of Africa pushing up through the Suez Canal into the Mediterranean.
- China has signed cooperation agreements with 88 countries and international organizations¹, which, including China, represent 71% of the global population and 36% of global GDP².
- The OBOR initiative could see upwards of \$6 trillion in investment in the coming years and is poised to reshape global trade³.

OBOR ETF Highlights:

- Invests in countries who may benefit from the OBOR initiative, including: China, Russia, Singapore, Malaysia, and Israel.
- Invests in sectors of primary focus to the OBOR initiative, including industrials, utilities, materials, financials, and energy.
- Benchmarked to MSCI, a global leader in international indexing.

1. "The Belt and Road Initiative: Country Profiles", HKTDC.com as of 12/31/2018.
2. Data from the World Bank as of 12/31/2017, retrieved 12/31/2018
3. "One Belt, One Road": China's New Global Strategy, Journal of Contemporary East Asia Studies, 3/28/2017, retrieved 12/31/2018.

The OBOR initiative is a primary focus of President Xi Jinping of China. OBOR is an extensive infrastructure project modernizing China's ancient Silk Road trading routes established during the Han Dynasty. OBOR is poised to reshape the 21st century economy.

- The ancient Silk Road was a network of trade routes formally established during the Han Dynasty (206 B.C. – 220 A.D.). The road originated from Chang'an in the east (present day Xi'an) and connected the Eurasia continent via Central Asia into the Mediterranean.
- The road was extremely important facilitating the movement of trade, information, and culture between China, the Roman Empire, and all the countries along the route.
- In June 2014, UNESCO designated the Chang'an corridor of the Silk Road as a World Heritage Site.
- The One Belt One Road (OBOR) initiative, officially unveiled by President Xi Jinping in September 2013, has two core components:
 - **Economic land belt:** linking countries by land along the ancient Silk Road through Central Asia, West Asia, the Middle East, and Europe.
 - **Maritime road:** linking countries by sea along the Eastern coast of Africa through the Suez Canal into the Mediterranean.
- The key objective of the OBOR plan is to promote better connectivity, deepen linkage to improve mutual understanding, and foster long-term stability in the region.

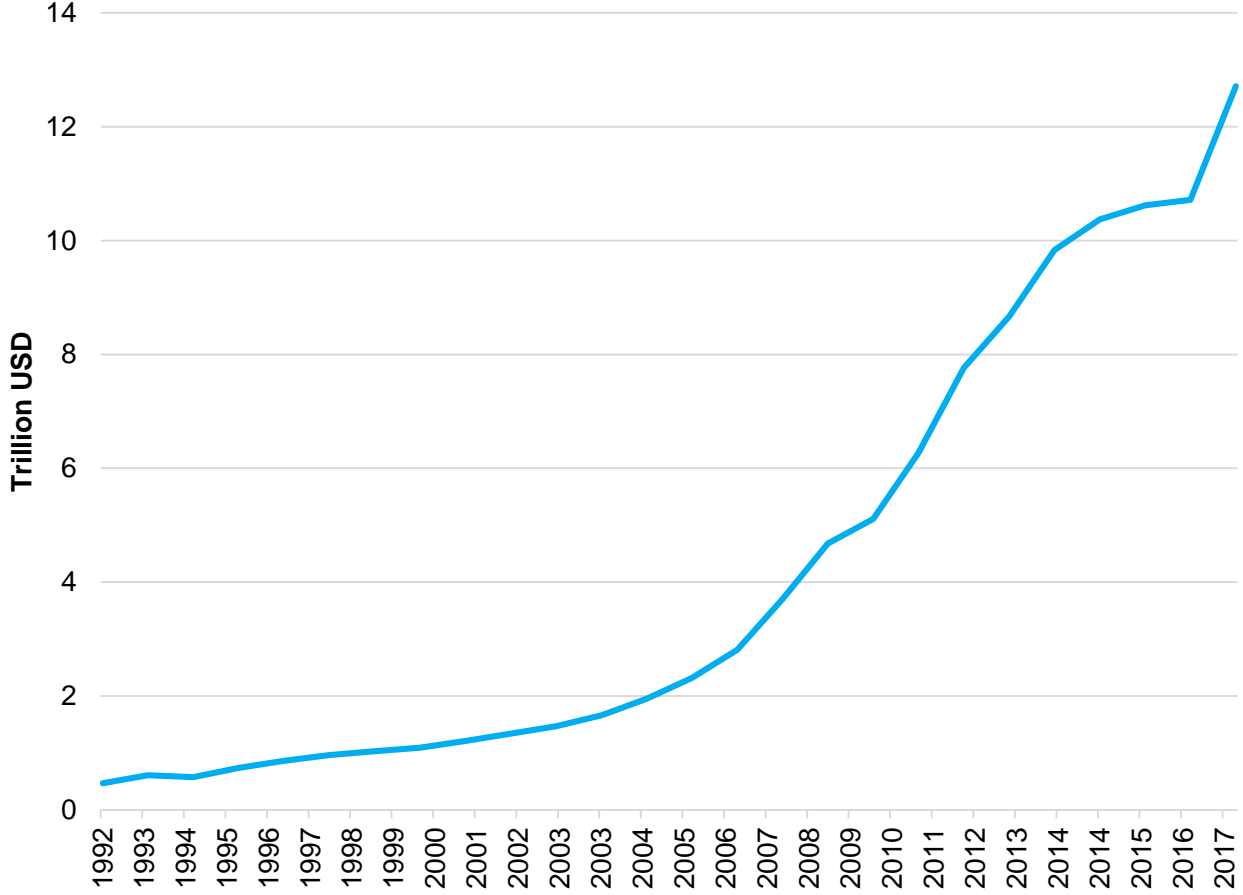
Silk Road Economic Belt and Maritime Silk Road in the making¹



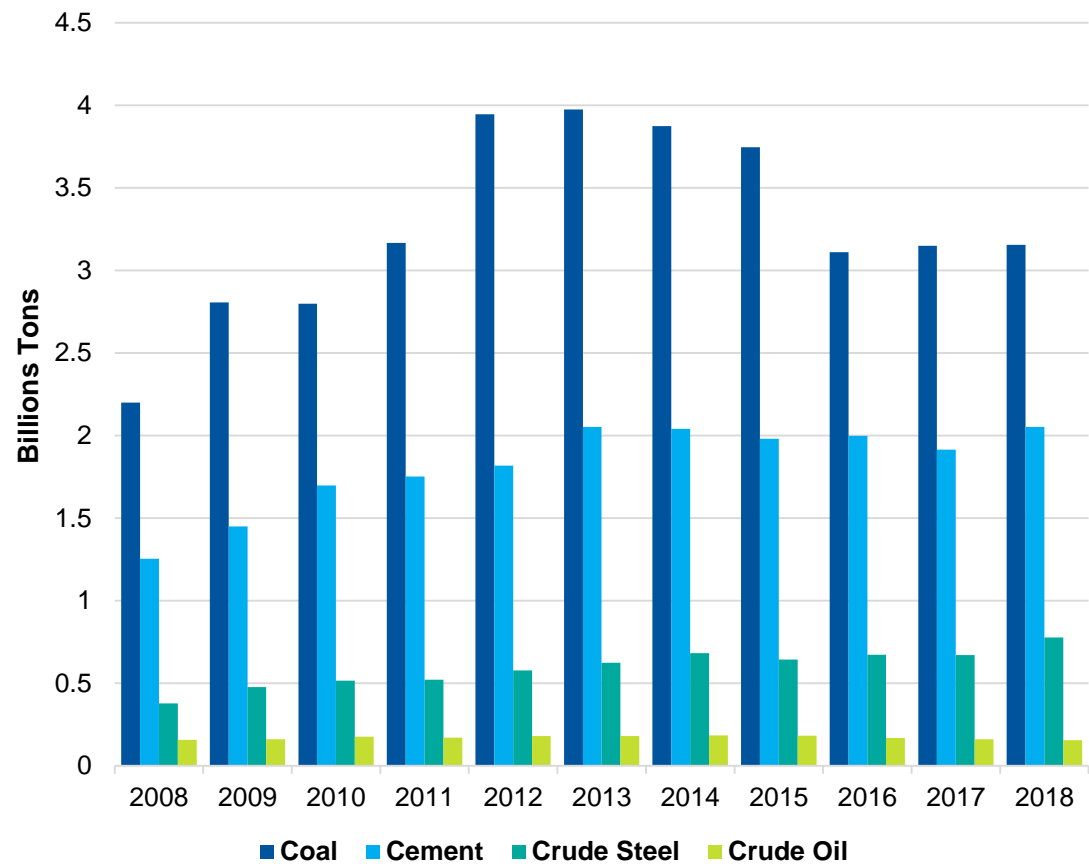
1. Chart from Xinhuanet.com and Barclays research via Container News "Topic of the day: What is 'China's One Belt, One Road?'" , April 17, 2016

China has experienced rapid growth over the past 30 years and is now the world's second largest economy¹. Much of this growth historically came from its industrial sector and production of commodities, in particular: coal, cement, and crude steel.

World Bank China GDP Current Price¹



China Production By Major Industry²



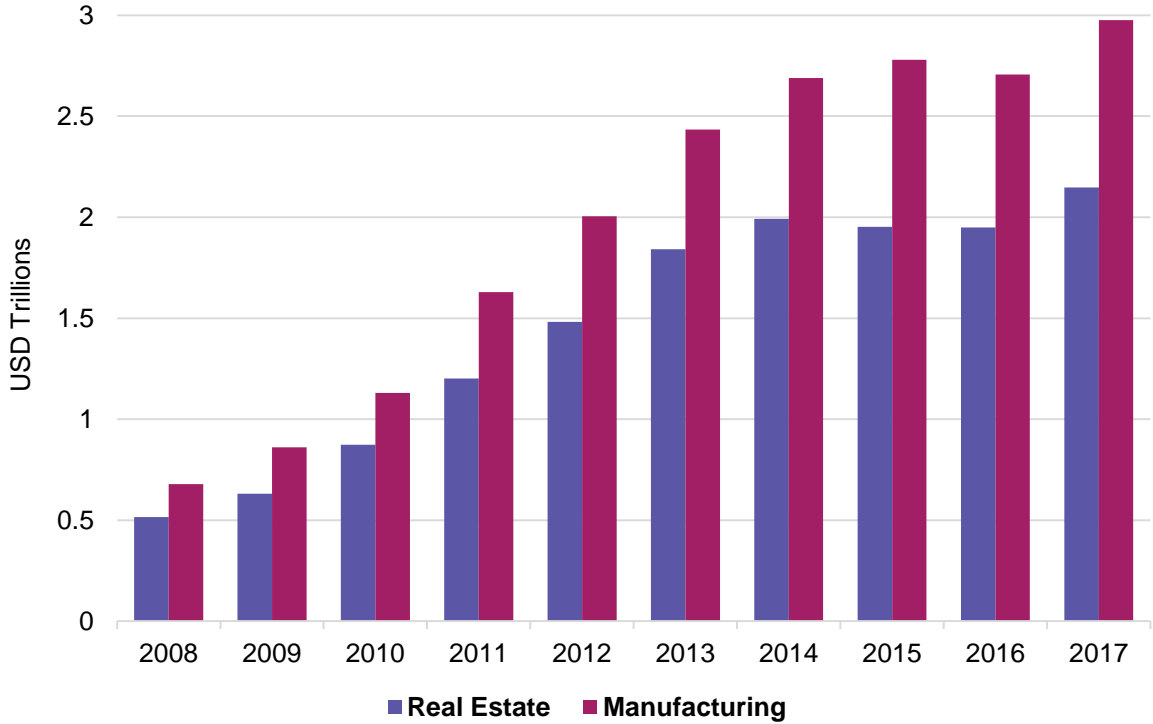
1. Data from the National Bureau of Statistics as of 12/31/2017, retrieved 12/31/2018

2. Data from National Bureau of Statistics as of 11/30/2018, retrieved 12/31/2018.

As China's economy has matured, growth in fixed investment has leveled. China must now find new channels for growth.

- Over the past decade, China has devoted nearly 50% of its GDP to investment, resulting in tremendous industrial capacity which can be leveraged through the OBOR initiative¹
- China has developed a competitive edge and gained vast experience in infrastructure development and construction activities in the last 10 years
- Compared to other emerging countries, China has expertise and management skills in large scale infrastructure projects

China Annual Fixed Asset Investment



Data from Bloomberg as of 12/31/2017, retrieved on 12/31/2018.

Top Five Countries For Fixed Capital Formation Investment in 2017



Data from World Bank as of 11/14/2018, retrieved 12/31/2018.

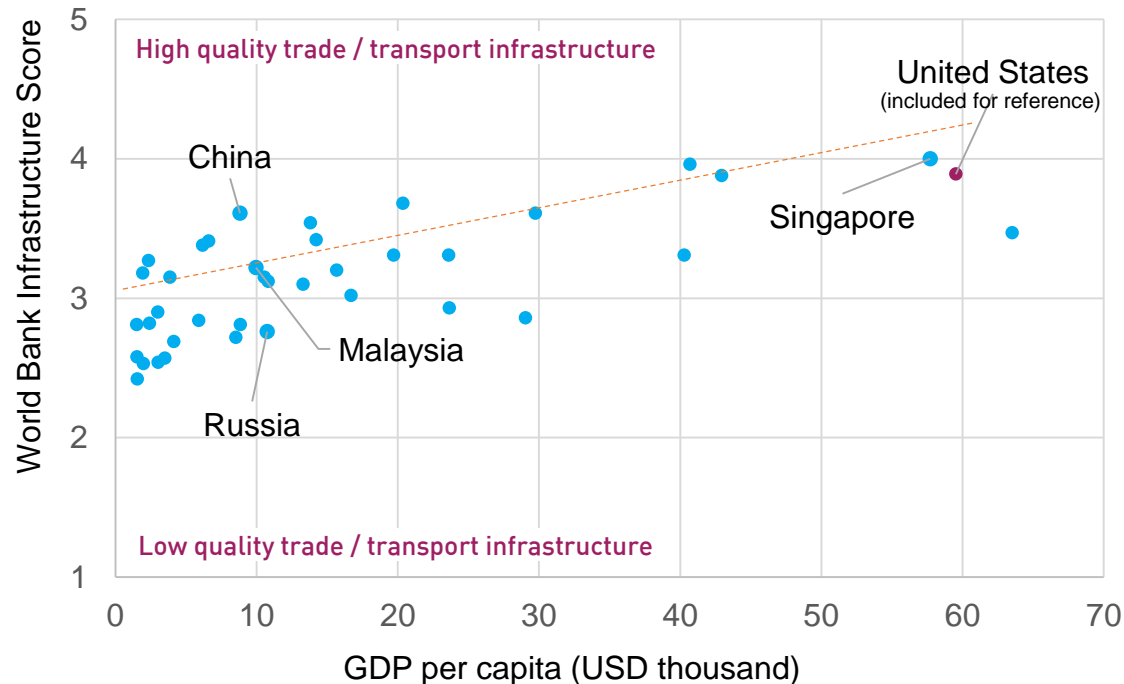
1. Data from the National Bureau of Statistics of China as of 12/31/2015, retrieved 12/31/2018

There is considerable demand for infrastructure and development investment among the countries participating in the OBOR initiative

The countries participating in the OBOR initiative need significant investment for development and infrastructure upgrades

- The OBOR initiative seeks to create trade and investment opportunities in infrastructure and construction providing China with a new channel to broaden its export market
- The initiative could raise China's global economic and political influence and facilitate renminbi (RMB) internationalization
- The OBOR initiative attempts to provide a win-win approach to satisfying the needs of the region

Many OBOR countries are in need of more infrastructure investment



The Asia Development Bank estimates that Asia and the Pacific will need \$1.7 Trillion in annual infrastructure investment amounting to as much \$26 Trillion by 2030.

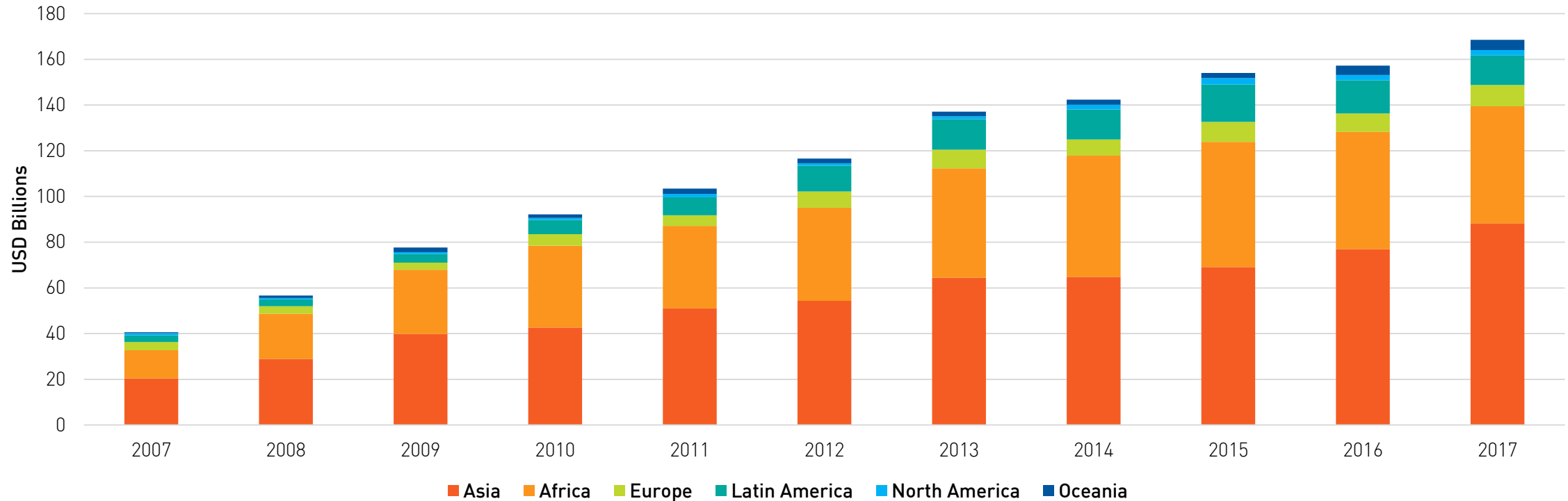
ADB- estimated infrastructure investment needs by region (45 developing member countries, 2016-2030, in 2015 US\$bn)			
Region	Baseline estimates*		
	Investment needs	Annual average	Investment needs as % of GDP
Central Asia	565	38	7.8
East Asia	16,062	1,071	5.2
South Asia	6,347	423	8.8
Southeast Asia	3,147	210	5.7
The Pacific	46	3.1	9.1
Asia Pacific total	26,167	1,745	36.6

*Climate-adjusted Estimates

China is steadily increasing the value of its overseas projects

- Chinese firms have experience conducting business along the OBOR routes and countries participating in the OBOR Initiative are the largest recipients of Chinese investment.
- We believe the OBOR initiative may accelerate the rate of growth in China's overseas projects over the next decade.
- Since the OBOR initiative was announced, China has signed 18,346 contracts with OBOR countries (as of Nov 30, 2017)¹.
- More than 8,000 construction contracts were signed with OBOR countries in 2016 alone, amounting to \$126 Billion².

Completed value of China's overseas contracted projects³



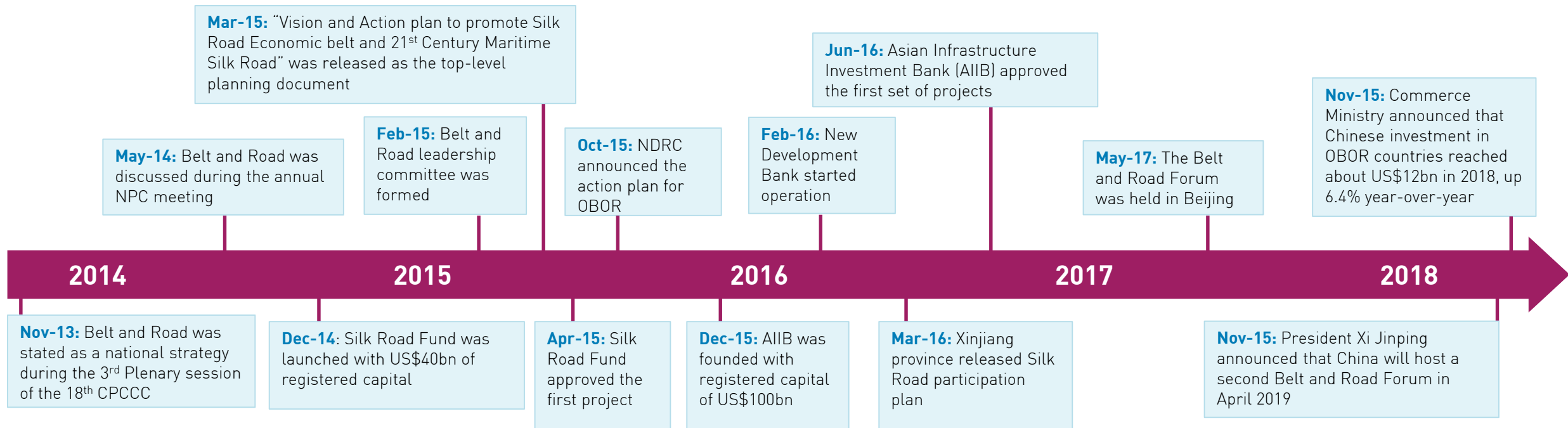
1. "Cooperation statistics with the One Belt One Road countries" (Translated from Chinese), MOFCOM, 11/30/2017, retrieved 12/31/2018.

2. DBS Asia Insights, "One Belt One Road Infrastructure Sector", Page 6. 7/24/2017, retrieved 12/31/2018.

3. Data from National Bureau of Statistics as of 12/31/2017, retrieved 12/31/2018

Within China, the OBOR initiative has gained support from the highest levels of government and is now an official national strategy

- Since it was unveiled in 2013, OBOR was included in the Third Plenum policy program and has become an official national strategy
- In May 2017, the OBOR Forum was held in Beijing China, with heads of state & senior policy makers from more than 30 countries. It was the highest profile international meeting so far on the OBOR initiative¹.
- During the Forum, China signed cooperation deals with 68 countries & international organizations. The Forum resulted in 270 deliverables in areas including policy coordination, infrastructure building, trade, investment and cultural exchange².
- According to the People’s Bank of China (PBOC), China signed currency swap agreements with 21 OBOR nations and granted 6 nations with Renminbi Qualified Foreign Institutional Investor (RQFII) quota, paving the way for RMB-denominated transactions down the road³.



1. “Belt and Road Forum for International Cooperation round table host by President Xi” (Translated from Chinese), Belt and Road Forum, 05/15/2017
2. “Accomplishment list for Belt and Road Forum” (Translated from Chinese), Belt and Road Forum, 05/16/2017
3. Lan Shen, “China’s ‘One Belt, One Road’ gains traction”, Beyond Borders, 12/02/2016

Timeline from xinhuanet.com and China’s Ministry of Commerce website as of 12/31/2018

The OBOR initiative has generated strong interest from global investors and has achieved large scale participation from countries within Emerging Markets

- The OBOR initiative aims to reach:
 - 91 countries (including China) along the land and maritime routes¹.
 - An aggregate population of 5.4 Billion².
 - A total nominal GDP of \$29 trillion, representing 71% of world population and 36% of the world's total GDP in 2017².
- The average per capita GDP for these 91 countries is only \$10,636² reflecting the early development stage of these countries, and strong growth potential.

OBOR Countries as % of world as of 2017



1. "The Belt and Road Initiative: Country Profiles", HKTDC.com as of 9/30/2018, retrieved 12/31/2018.

2. Data from the World Bank as of 12/31/2017, retrieved 12/31/2018.

The key objective of the OBOR plan is to promote better connectivity, deepen linkage to improve mutual understanding and foster long-term stability in the region

- Two major policy banks in China; China Development Bank (CDB) & Export-Import Bank of China (EIBC), issued over \$200 Billion in loans to finance OBOR projects¹.
- Three major state-owned banks, Bank of China (BOC), Industrial and Commercial Bank of China (ICBC) & China Construction Bank (CCB), have planned for a total of \$527 Billion in loans and equity investment for 1,012 OBOR related projects based on recent estimates from the China Banking Association².
- Following the announcement of the OBOR initiative two government backed banks and one fund were established in 2014 to help finance OBOR projects.

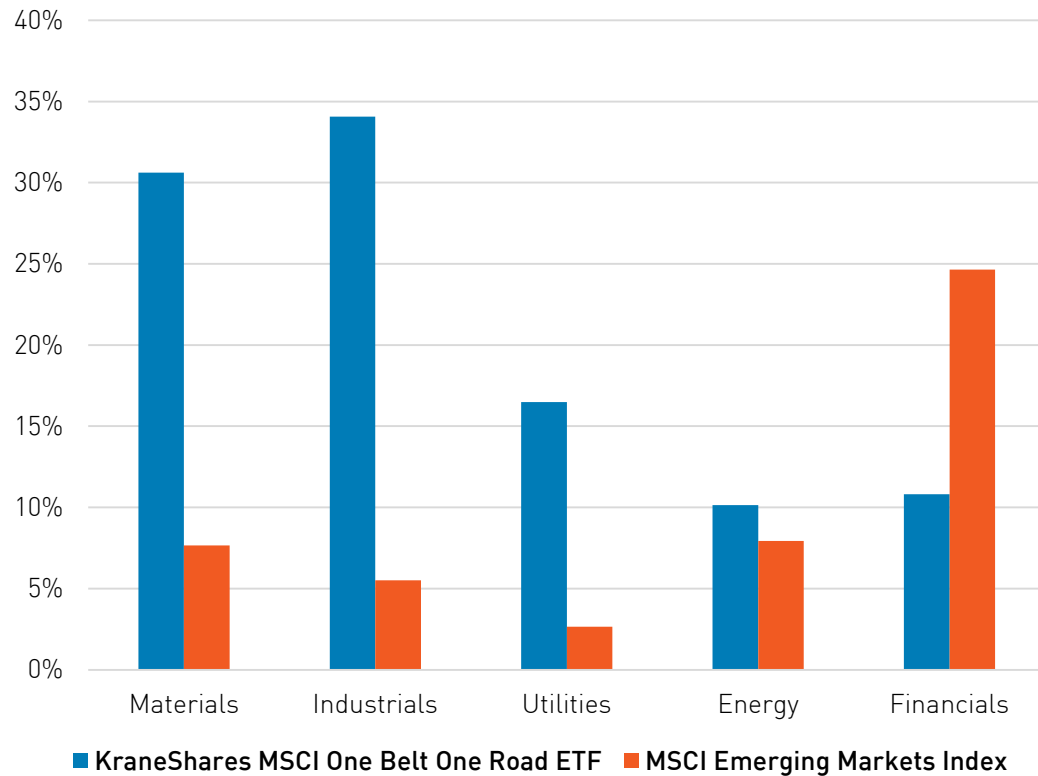
	Silk Road Fund	Asian Infrastructure Investment Bank (AIIB)	New Development Bank	Asian Development Bank (ADB)
Year of establishment	2014	2014	2014	1966
Number of Members	NA	52 members	[ALL 5 BRICS countries]	[48 from Asia, 19 outside]
Headquarters	Beijing, China	Beijing, China	Shanghai, China	Manila, Philippines
President	Jin Qi (China)	Jin Liqun (China)	NA	Takehiko Nakao (Japan)
Registered Capital	\$40 billion	\$100 billion	\$100 billion	\$147 bb
Funding source	All pledged by China but welcomes foreign capital	\$50 billion pledged by China remainder funded by other countries	Funded equally by 5 BRICS countries	Contributed by member countries - Japan/US/EU are the top 3
Target	Promote trade and economic cooperation as well as connectivity to achieve development of China and other Belt and Road countries	Promote regional economic growth through infrastructure development	Foster greater financial development and cooperation among the BRICS countries	Poverty relief

1. Peng Qinqin and Denise Jia, "China State Banks Provide Over \$400 Bln of Credits to Belt and Road Projects", Caixin.com, 5/11/2017.

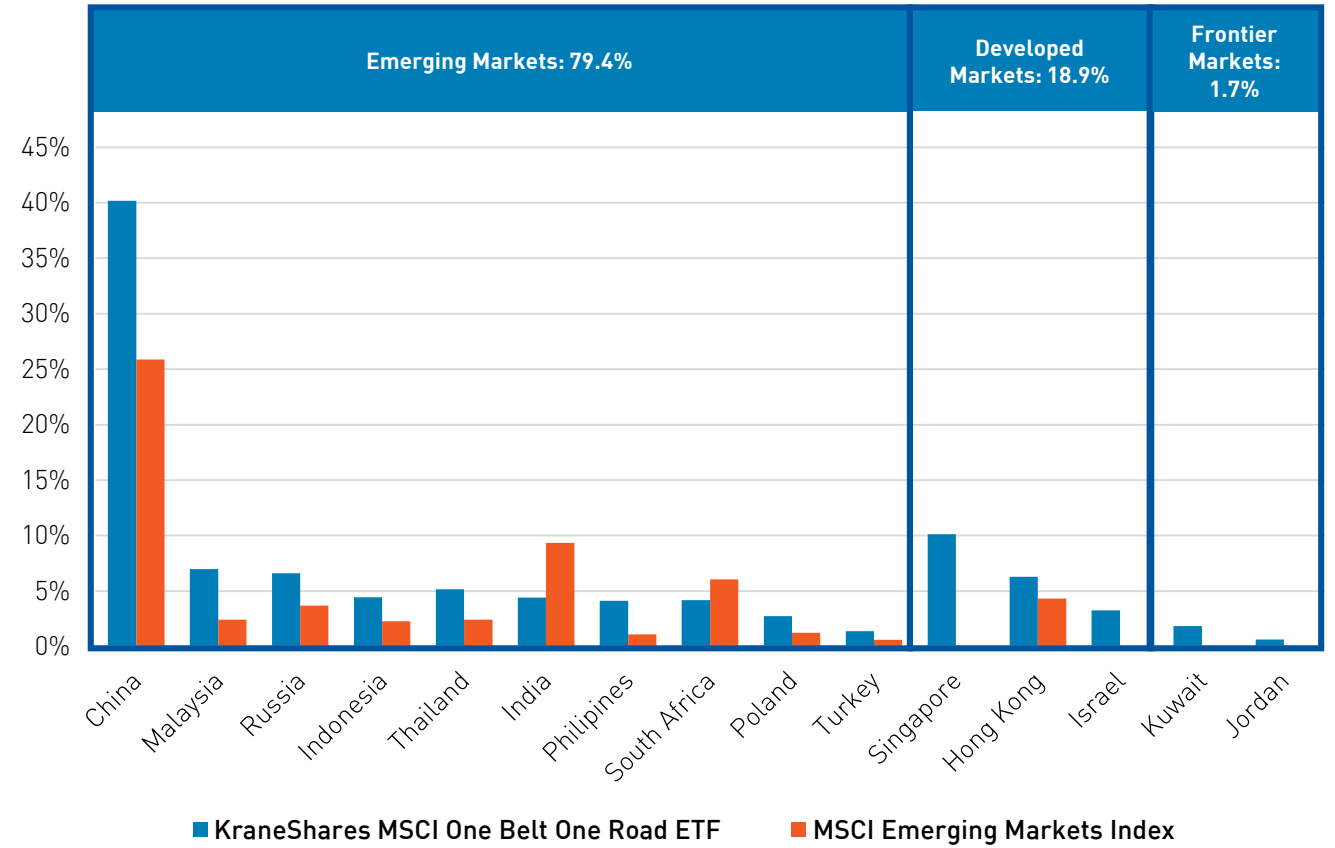
2. Wang Cong, "Chinese banks expand loans in Belt and Road nations", thesafiablog.com, 5/12/2017.

The OBOR ETF offers distinct portfolio characteristics from the MSCI Emerging Markets Index. We believe the countries and sectors within the OBOR ETF may potentially outperform over the long term due to the positive catalyst generated by the One Belt One Road Initiative.

OBOR Index sectors breakdown vs MSCI EM Index equivalent*



OBOR countries breakdown vs MSCI EM Index equivalent*



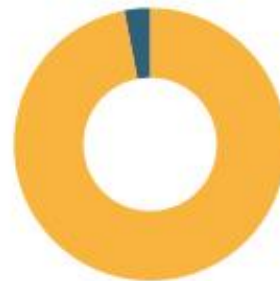
*Data from Bloomberg as of 12/31/2018

The Index Matters

- MSCI is a global leader in international indexing and serves as a trusted index provider for the largest global investment managers.
- MSCI is well qualified to establish the investable universe of companies participating in the OBOR initiative.



>\$13.9 trillion
in equity assets are
estimated to be
benchmarked to
MSCI indexes¹



99 of top 100
global investment
managers are
MSCI clients²



1030+
ETFs are based on
MSCI indexes, more than
any other index provider³



94%
of US pension fund
assets invested in
global equities are
benchmarked to MSCI⁴

¹ As of December 31, 2017, as reported on March 31, 2018 by eVestment, Morningstar and Bloomberg.

² Based on latest P&I AUM data and MSCI clients as of March 2018

³ As of March 2018; defined as each share class of an exchange traded fund, as identified by a separate Bloomberg ticker. Only primary listings, and not cross-listings, are counted.






⁴ As of Dec 2016, according to Intersec LLC.

In order to make the OBOR Initiative theme investable KraneShares worked closely with MSCI to develop the MSCI Global China Infrastructure Exposure Index.

**OBOR Initiative Filtering Process
for Index Constituent Selection**



The KraneShares MSCI One Belt One Road Index ETF tracks a variety of companies across the sectors and countries aligned with the OBOR initiative

Sector (by weight in OBOR ETF)	Sector weight in index ETF	Top holding in sector	Company weight in index ETF	Company Logo	Company country of domicile	Company description
Industrials	34.07%	China State Construction Engineering Corporation	3.07%		China	Chinese state-owned enterprise engaged in housing construction, international building contracting, property development and investment, and infrastructure construction.
Materials	30.90%	Petronas Chemicals Group BHD	4.47%		Malaysia	Malaysia's leading integrated chemicals producer, which is primarily involved in manufacturing, marketing and selling a diversified range of chemical products, including olefins, polymers, fertilizers, methanol and other basic chemicals and derivative products.
Utilities	16.48%	China Yangtze Power Company	2.93%		China	Chinese state-owned enterprise that owns Three Gorges Dam Hydroelectric Plant and Gezhouba Hydroelectric Plant in China. The company builds hydroelectric plants globally.
Energy	10.15%	Rosneft	5.69%		Russia	Integrated oil company majority owned by the Government of Russia. The company conducts oil and gas exploration and production activities on Sakhalin island, Siberia, Timan-Pechora field and in southern Russia.
Financials	10.82%	Overseas-Chinese Banking Corporation Limited	6.35%		Singapore	The Company's services include deposit-taking, corporate, enterprise and personal lending, international trade financing, investment banking, private banking, treasury, stockbroking, insurance, credit cards, cash management, asset management and other financial and related services.

The Fund's holdings are subject to change

Data from Bloomberg as of 12/31/2018. See page 16 for top 10 holdings of the ETF.

KraneShares MSCI One Belt One Road ETF

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Fund Details	As of 12/31/2018
Primary Exchange	NYSE
Cusip	500767405
Total Annual Fund Operating Expense	0.80%
Inception Date	09/07/2017
Distribution Frequency	Annually
Index Name	MSCI Global China Infrastructure Exposure Index
Index Ticker	Bloomberg: M1CXKSH
Number of Holdings (ex Cash)	96

Top Ten Holdings (ex Cash) as of 12/31/2018 The Fund's Holdings are Subject to Change.	Ticker	%
OVERSEA-CHINESE BANKING CORP	OCBC SP	6.2
ROSNEFT OIL CO PJSC	ROSN RM	5.56
PETRONAS CHEMICALS GROUP BHD	PCHEM MK	4.36
PTT GLOBAL CHEMICAL PCL	PTTGC TB	3.56
ISRAEL CHEMICALS LTD	ICL IT	3.18
HINDALCO INDUSTRIES LTD	HNDL IN	3.04
CHINA STATE CONSTRUCTION -A	601668 CH	2.72
KGHM POLSKA MIEDZ SA	KGH PW	2.68
JG SUMMIT HOLDINGS INC	JGS PM	2.49
CHINA YANGTZE POWER CO LTD-A	600900 CH	2.48

OBOR Performance History as of 12/31/2018

	Cumulative %			Average Annualized %		
	3 Mo	6 Mo	Since Inception	1 Yr	3 Yr	Since Inception
Fund NAV	-5.97%	-3.42%	-10.27%	-12.13%	-	-7.92%
Closing Price	-6.19%	-3.35%	-10.79%	-12.63%	-	-8.32%
Index	-5.84%	-2.47%	-7.20%	-9.95%	-	-5.52%

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.

Definitions

Fixed Asset Investment: investment in physical assets such as machinery, land, buildings, installations, vehicles, or technology.

Fixed Capital Formation: Fixed capital formation refers to the process of a firm increasing its stock of fixed capital. Fixed capital are assets used in the productive process, that a firm holds for over a year. Examples of fixed capital formation: building or expanding existing factory, purchase of transport equipment, office equipment.

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

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. The ability of the KraneShares MSCI One Belt One Road ETF to achieve its investment objective is dependent, in part, on the continuous availability of A Shares and the ability to obtain, if necessary, additional A Shares quota. The fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. 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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