

MSCI China A-Share Inclusion Decision 2017

& Overview of the KraneShares Boser
MSCI China A Share ETF (ticker: KBA)



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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.



MSCI China A-Share Inclusion Decision 2017

This June Mainland Chinese equities (A-shares) are again up for inclusion into MSCI's definition of China within their Global Standard Indexes. Why is this important to global investors? MSCI indexes have \$10 trillion in benchmarked assets with \$1.6 trillion tracking the MSCI Emerging Markets Index alone¹. The inclusion could trigger significant inflows into Mainland Chinese equities.

We believe there has been a positive change in the tone of this year's consultation released by MSCI leading up to the decision.

We will discuss the following topics:

- Regulatory changes in China
- Improved access to the Mainland markets
- Our interpretation of MSCI's recent China A-share consultation
- Valuation and correlation implications of China A-shares on portfolios, with or without inclusion

Participants will include:

- Brendan Ahern – Chief Investment Officer
- Mark Schlarbaum – Managing Partner
- Dr. Xiaolin Chen – Head of Investment Solutions

1.) Data from MSCI as of 6/30/2016, as reported on 9/30/2016, retrieved 5/01/2017

The Index Matters

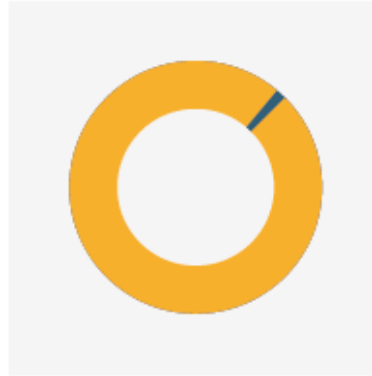
MSCI is a trusted index provider for the largest global investment managers



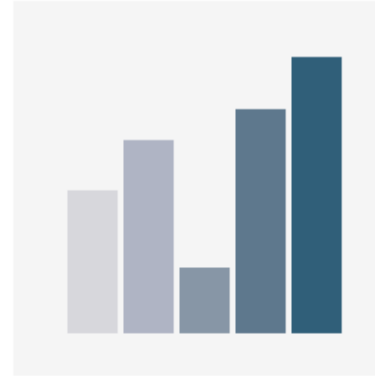
THE MSCI ADVANTAGE



c.USD 10 trillion
in assets is estimated to be benchmarked to MSCI indexes¹



97 of top 100
global investment managers are MSCI clients²



900+
ETFs are based on MSCI indexes, more than on any other index³



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

¹ As of June 30, 2016, as reported on Sept 30, 2016 by eVestment, Morningstar and Bloomberg.

² Based on P&I report published in May 2016 and MSCI clients as of December 2016.

³ As of Sept 30, 2016; 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 2015, according to Intersec LLC.

MSCI's current Global Standard definition of China only represents a small portion of China's total market

The MSCI China Index is limited to 150 Chinese companies listed on the Hong Kong Stock Exchange, the recently included 13 Chinese companies listed in the United States, and 2 stocks listed in Singapore and the United Kingdom. This definition represents only a small percentage of Chinese stocks.

MSCI's Current Global Standard Definition of China

MSCI China Index (Hong Kong and US only)
 150 Stocks
 \$1.18 Trillion Free Float Market Capitalization*

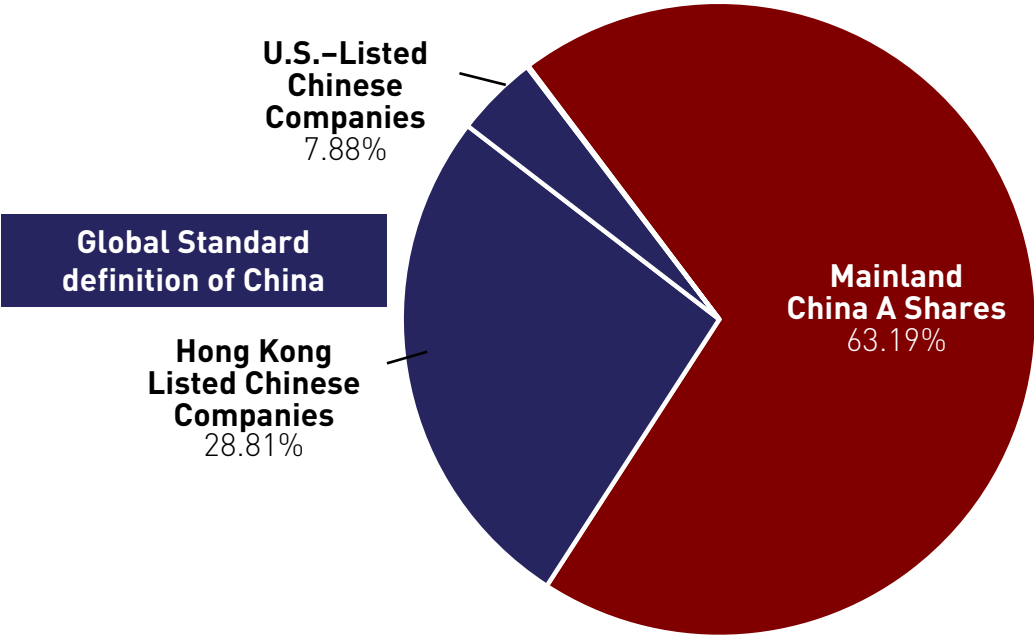
MSCI's Definition of Entire Mainland A Share Market

MSCI China A Index (Shanghai and Shenzhen only)
 864 Stocks
 \$1.7 Trillion Free Float Market Capitalization*

China A Share Slice for Potential Inclusion into MSCI's Global Standard Definition of China

MSCI China A International Index (Shanghai and Shenzhen only)
 448 Stocks
 \$914 Billion Free Float Market Capitalization*

China Share Class Breakdown of MSCI All China Investable Market Index (IMI) (MSCI Mar 31, 2017)[†]



Source: MSCI Mar 31, 2017

***Free Float Market Capitalization:** Free-float methodology market capitalization is calculated by taking the equity's price and multiplying it by the number of shares readily available in the market. Instead of using all of the shares outstanding like the full-market capitalization method, the free-float method excludes locked-in shares such as those held by promoters and governments.

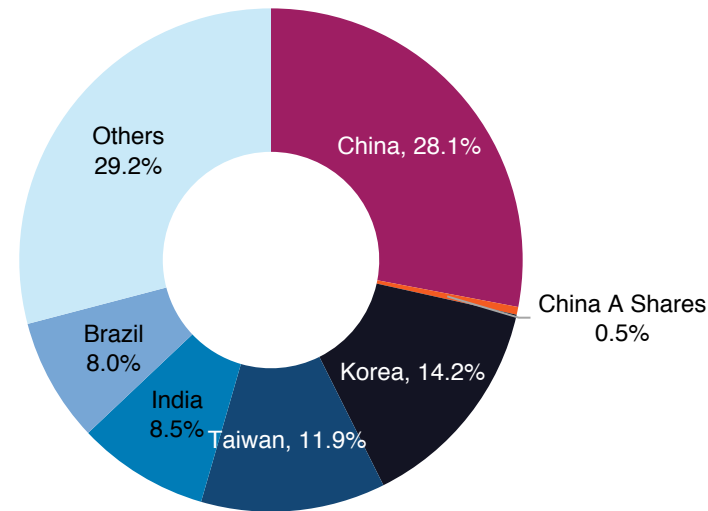
[†]Excluding Singapore listed (0.10%) and UK listed (0.02%)

Following MSCI’s annual index review in June 2016, China A Shares are still being reviewed for inclusion into MSCI’s Global Standard Indexes including the MSCI Emerging Market Index.

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.

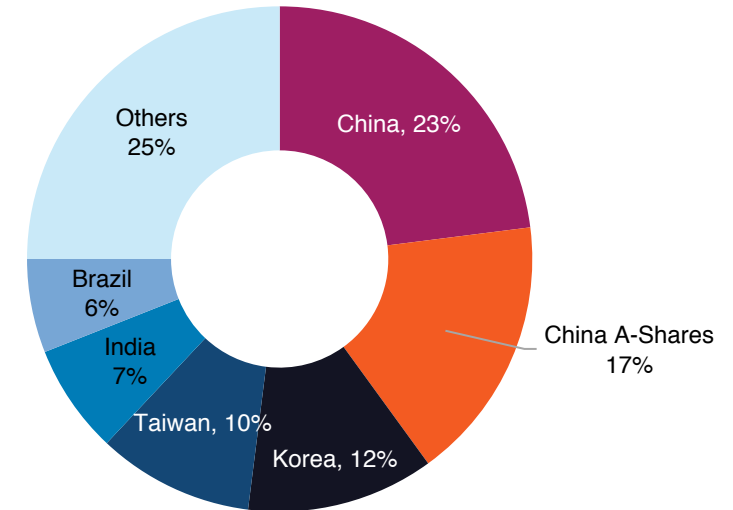
- The March 2017 MSCI “Consultation On China A-shares Potential Inclusion ” changed the initial proposed A-share inclusion weight
- The full proposed inclusion weight remains unchanged

Potential Initial Inclusion Based on New Connect Based Proposal



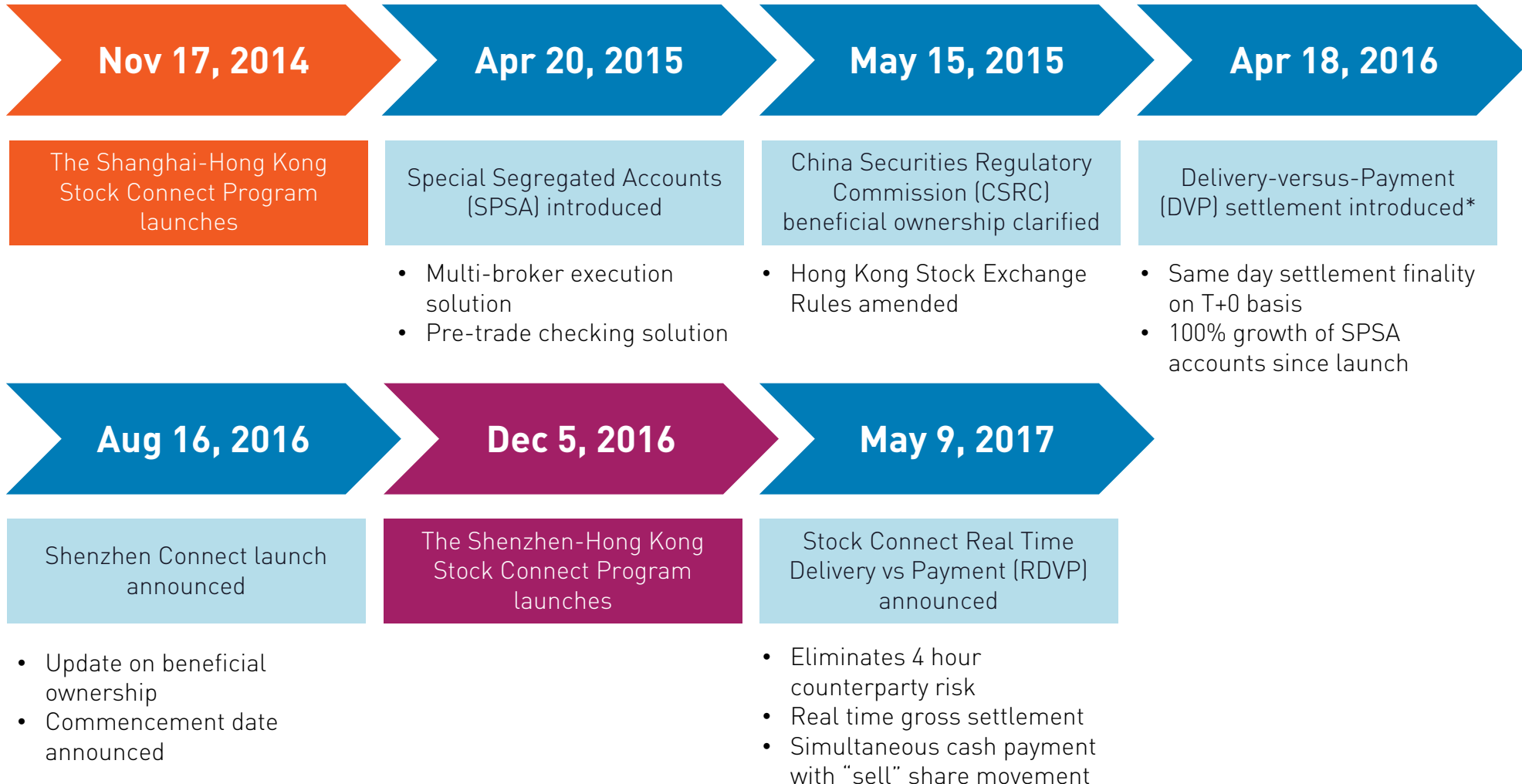
Source: MSCI Research, as of 3/24/2017

Potential Full Inclusion



Source: MSCI Research, as of 9/30/2016

Timeline of Stock Connect Program launches and major enhancements



Data from the Hong Kong Stock Exchange as of May 15, 2017

For the past three years MSCI has considered adding the securities tracked by the MSCI China A International Index to their Global Standard Indexes.

In March 2017 MSCI released their “Consultation On China A-Shares Potential Inclusion”, which marked a shift from past inclusion criteria.

Old Framework

RQFII / QFII framework for A-share Inclusion

Renminbi Qualified Foreign Institutional Investment (RQFII) – Quota to access A-share markets issued to international asset managers at the fund level

Qualified Foreign Institutional Investment (QFII) - Quota to Access A-share markets issued to institutional investors at the firm level

Key characteristics:

- Quota must be approved by Chinese regulators
- Only licensed investors can issue RQFII funds or invest directly via QFII
- Full access to all securities available on Shanghai / Shenzhen stock exchanges

New Framework

“Connect” access framework for A-share Inclusion

Connect Programs: Investment channels that connect the Shanghai and Shenzhen Stock Exchanges with the Hong Kong Stock Exchange. Investors in each market are able to trade shares on the other market using their local brokers and clearing houses.

Shanghai-Hong Kong Stock Connect: Launched November 2014

Shenzhen-Hong Kong Stock Connect: Launched November 2016

Key characteristics:

- Available to all investors
- No approvals required
- Limited universe of 1480+ stocks listed on Shanghai and Shenzhen Stock Exchanges

MSCI highlights significant changes over the past year

- The Shenzhen-Hong Kong Stock Connect Program launched in December 2016
- New trading suspension policies have reduced the number of halts significantly

As MSCI moves from its original proposal based on a QFII/RQFII framework to a “Connect” access framework the relevancy of the remaining issues has diminished

20% QFII repatriation limit – This concern has diminished because QFII is not designed for daily liquidity vehicles and can be bypassed through RQFII or Stock Connect Programs

Resolution of pre-approval requirements by the local exchanges on launching financial products – While RQFII funds still require pre-approval, there is no pre-approval requirement for funds to trade through Connect Programs.

Elements of the new proposal may change when put into practice

The new consultation is still in the proposal phase. In order to implement the changes MSCI would have to be consistent with their Global Investable Market Indexes Methodology.

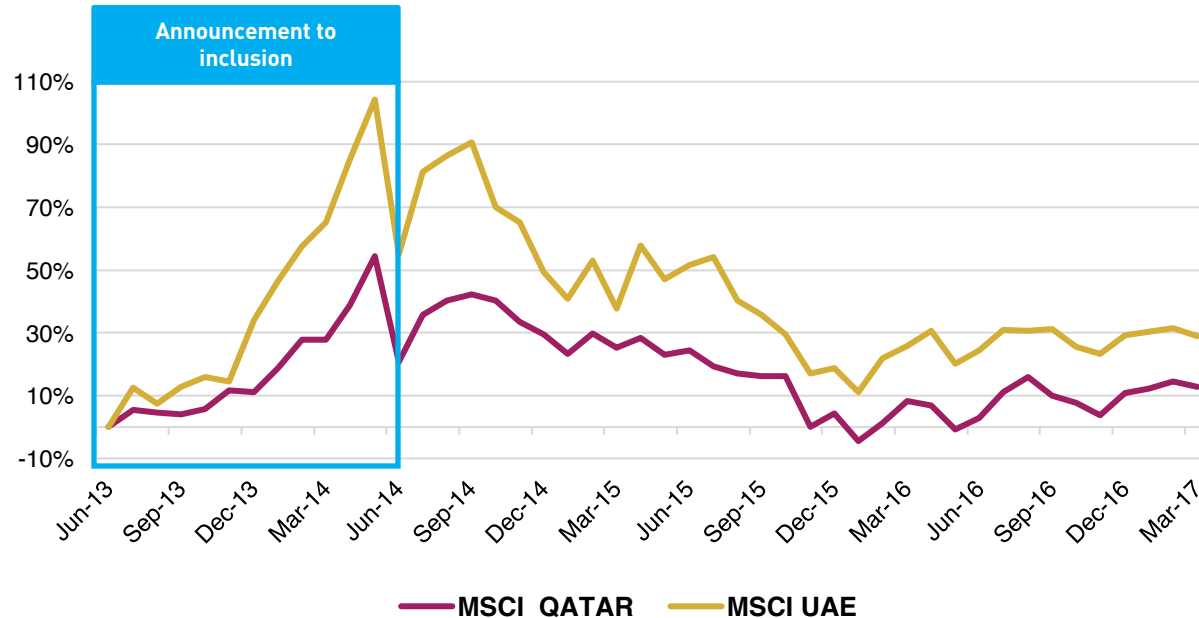
Proposed Change	Factors to consider
<p>Include only large cap securities available for trade through Stock Connect Programs</p>	<p>97% of the current MSCI China A International Index is available through Connect today: including Mid Cap Stocks*.</p>
<p>Eliminate all A-shares with dual listing in Hong Kong</p>	<p>Dual share classes are not an issue in other MSCI indexes. For example the MSCI World Materials Index includes both the Australian and UK listings for the Anglo-Australian mining company BHP Billiton*.</p>
<p>Remove securities suspended for more than 50 days</p>	<p>At the time the consultation was written this pertained to 32 securities. Assuming there are no new halts that last 50 days between now and June 1st this number should reduce to 12*.</p>

*Data from Bloomberg as of 3/31/2016

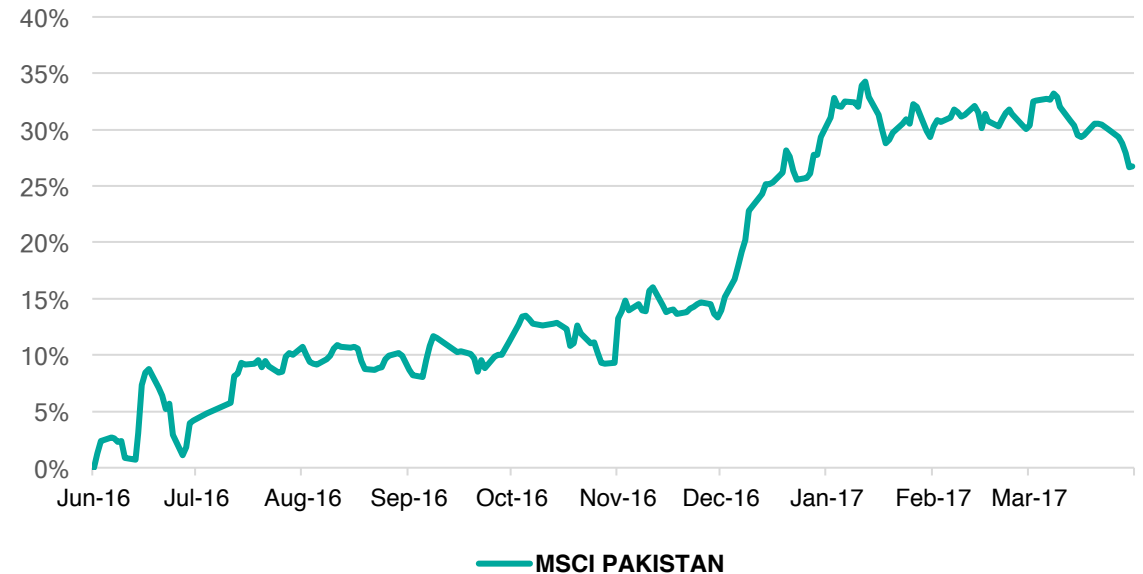
Changes to MSCI's Global Standard Index definitions can have a dramatic impact on the affected markets due to fund flows from asset managers that benchmark to MSCI Emerging Markets

Country inclusions within the MSCI Emerging Markets Index rarely occur. According to MSCI, in the last decade only three countries have migrated from Frontier to Emerging Markets status. MSCI announced the inclusion of the United Arab Emirates and Qatar on June 1st, 2013 and included the countries in the Index one year later. In June 2016, MSCI announced that Pakistan will be included into the MSCI Emerging Market Index in June 2017. The MSCI Pakistan Index has increased 25% since the announcement.

Impact of MSCI Inclusion On MSCI UAE Index and MSCI Qatar Index
(6/01/2013 – 3/31/2017)



Impact of MSCI Inclusion On MSCI Pakistan Index
(6/01/2016 – 3/31/2017)



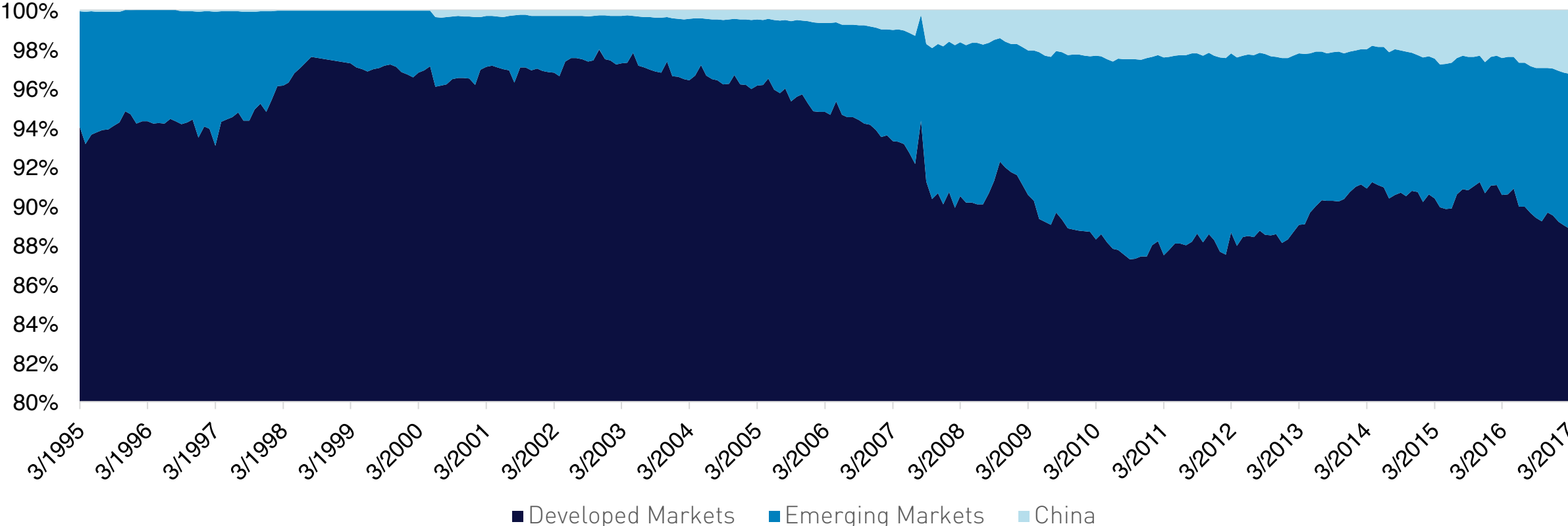
Source: Bloomberg as of 3/31/2017.

Index returns are for illustrative purposes only. Index 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.

Emerging Market Evolution

- China’s weighting in the MSCI ACWI Index has grown since 2000, but is a small percentage overall
- We believe China will occupy a larger portion of both MSCI’s ACWI Index and investors’ portfolios in general as its markets continue to open up

Historical Developed and Emerging Market Allocations within the MSCI ACWI Index



Data from Morningstar as of 03/31/2017. See page 20 for index definitions

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

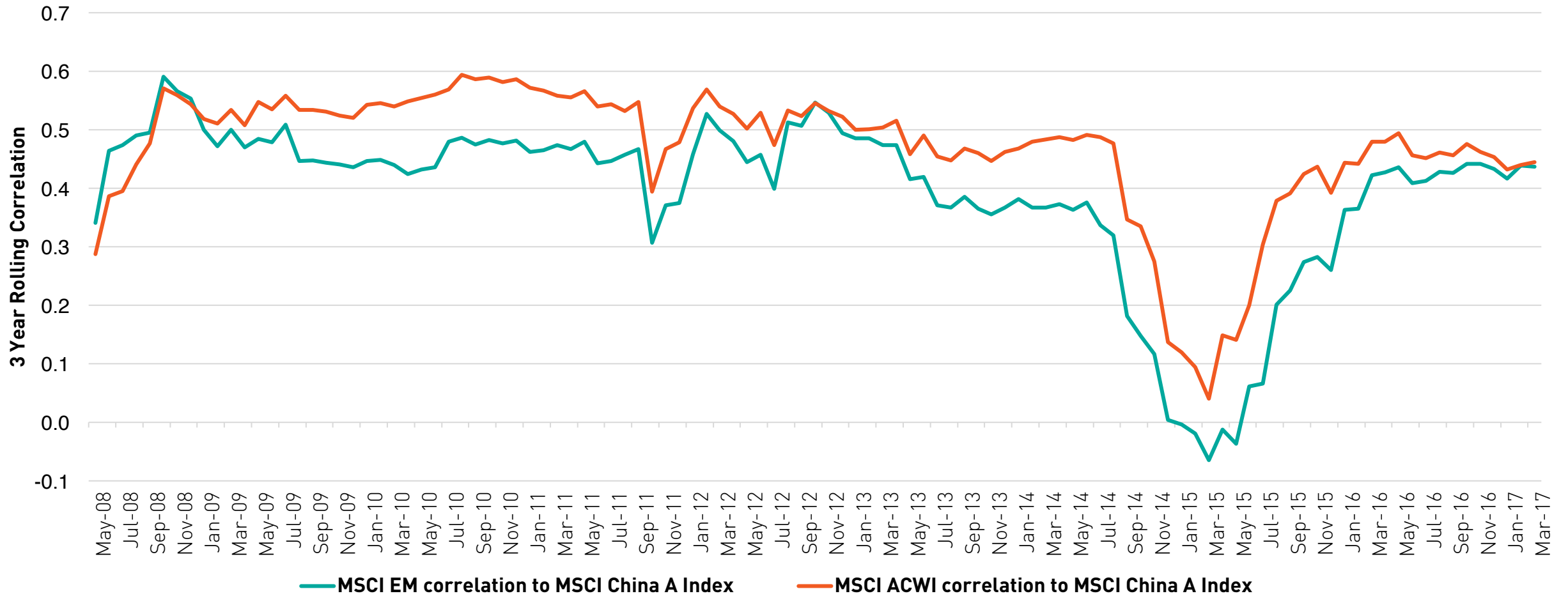
	ACWI	EAFE	EM	USA	China	Frontier	China A
ACWI	1.00						
EAFE	0.98	1.00					
EM	0.90	0.88	1.00				
USA	0.96	0.90	0.79	1.00			
China	0.74	0.73	0.88	0.63	1.00		
Frontier	0.82	0.73	0.86	0.73	0.71	1.00	
China A	0.43	0.39	0.52	0.39	0.66	0.41	1.00

- 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 Mar 31, 2007 to Mar 31, 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 20 for index definitions.

MSCI China A Index 3 Year Rolling Correlation to MSCI Emerging Markets & ACWI Indexes (5/10/2008 – 3/31/2017)



Data from Bloomberg as of 3/31/2017

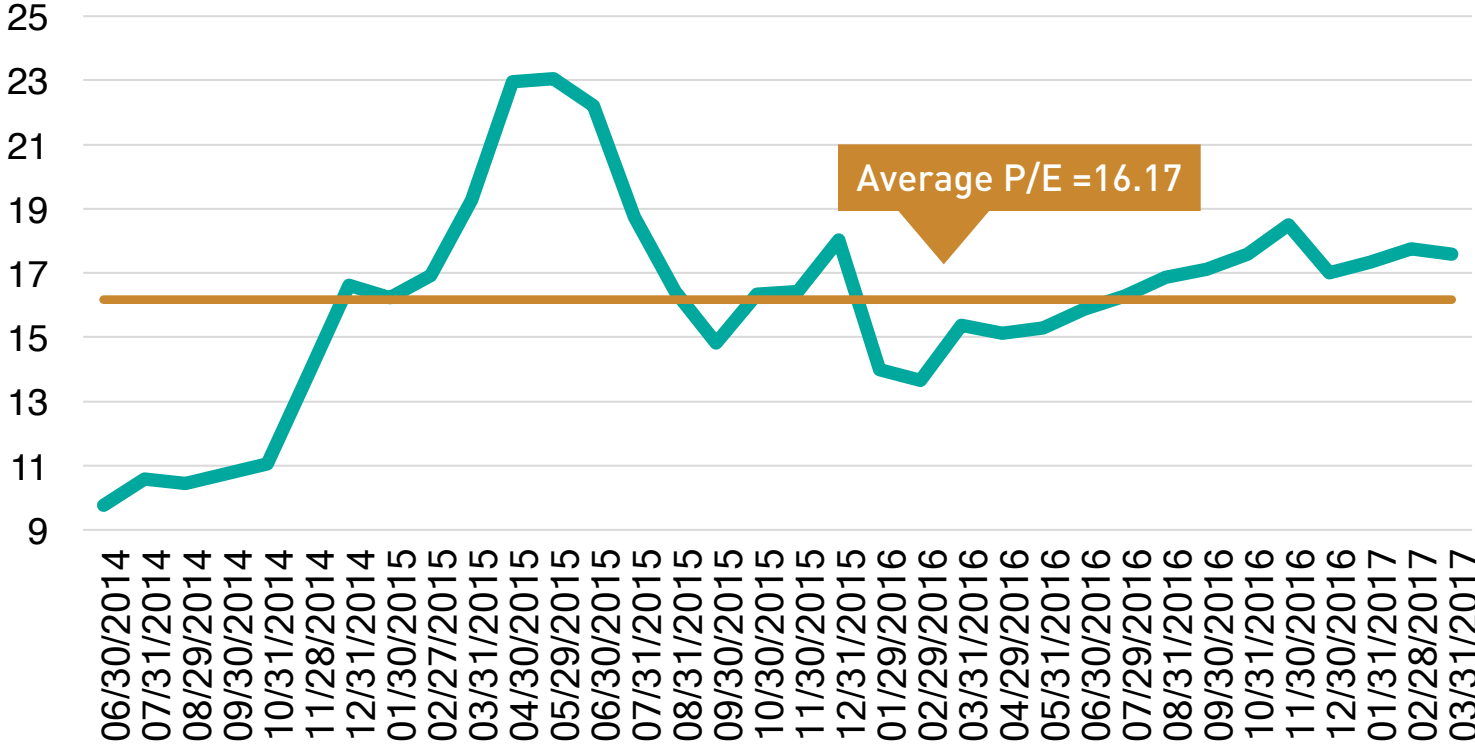
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Valuations in the Mainland Chinese equity markets are near their historic average

The MSCI China A International Index is currently close to its long run Price-Earnings (P/E)¹ average.

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Price/Earnings Ratio of MSCI of China A International Index
 (since index start date 06/26/2014 - 3/31/2017)



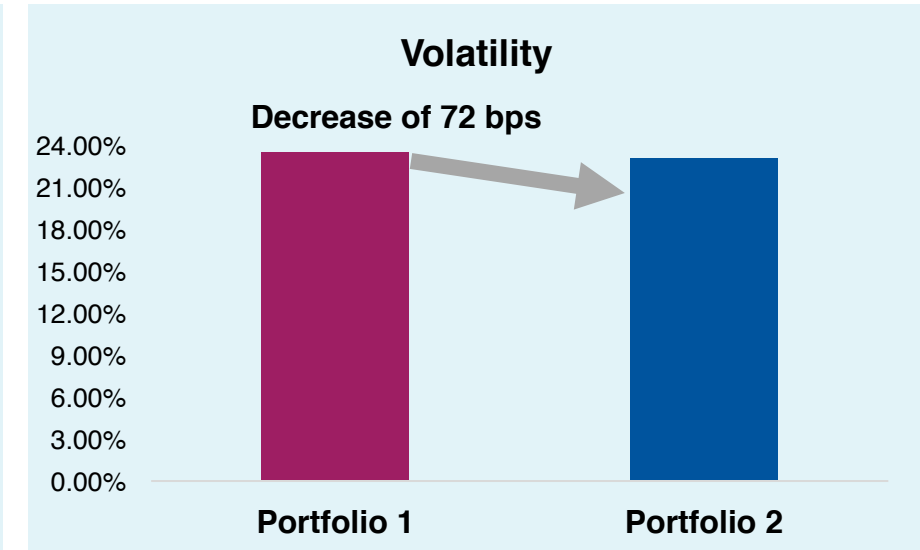
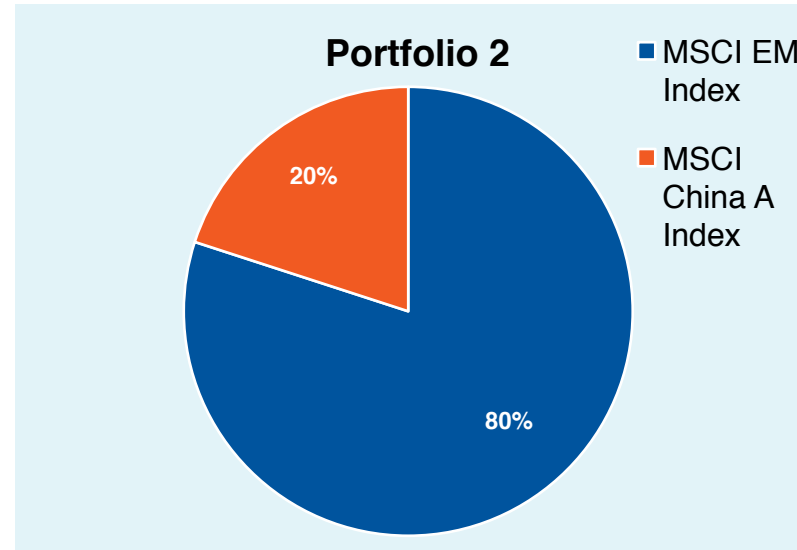
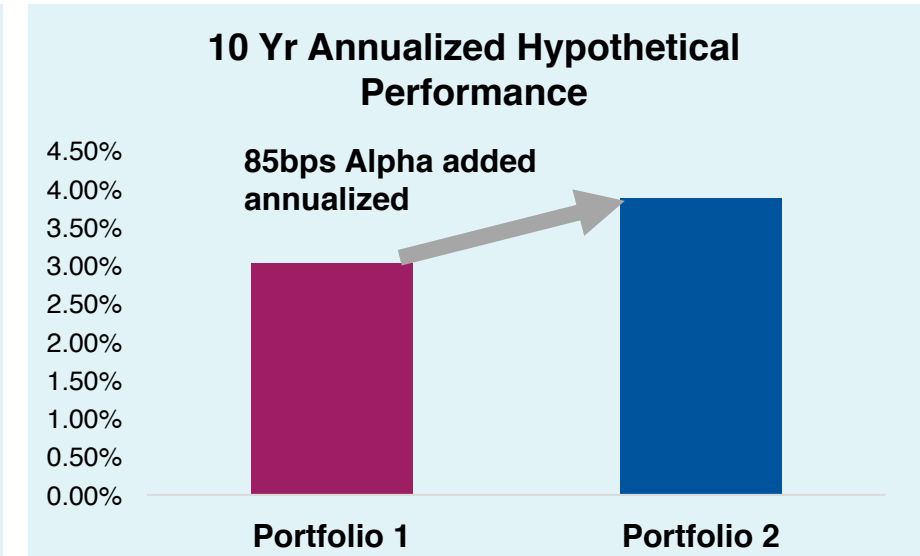
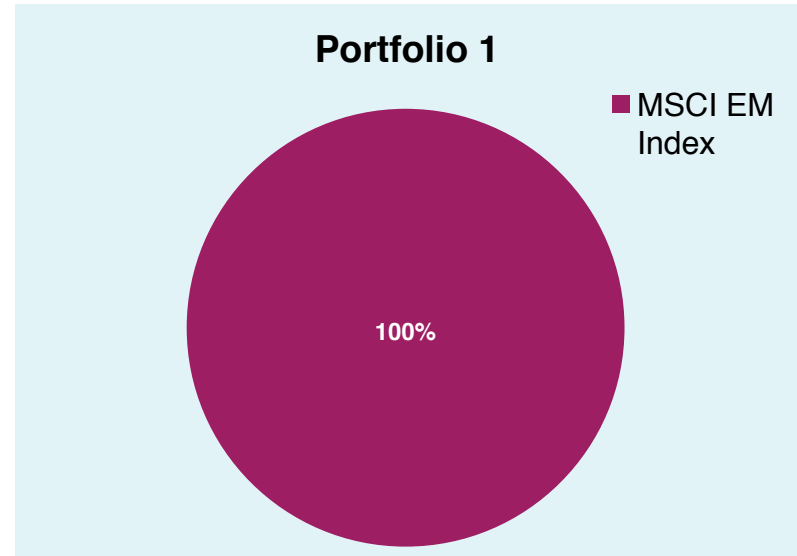
Source: MSCI as of 3/31/2017

¹The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings.

How China A shares can potentially benefit an Emerging Market portfolio

Adding an allocation of 20% of the MSCI China A Index to an MSCI Emerging Market portfolio could potentially add 85bps alpha annualized over 10 years and decrease volatility* by 72 bps to achieve a better risk adjust return

***Volatility:** is a statistical measure of the dispersion of returns for a given security or market index. For this example volatility is measured by Standard Deviation: a measure of the dispersion of a set of data from its mean.



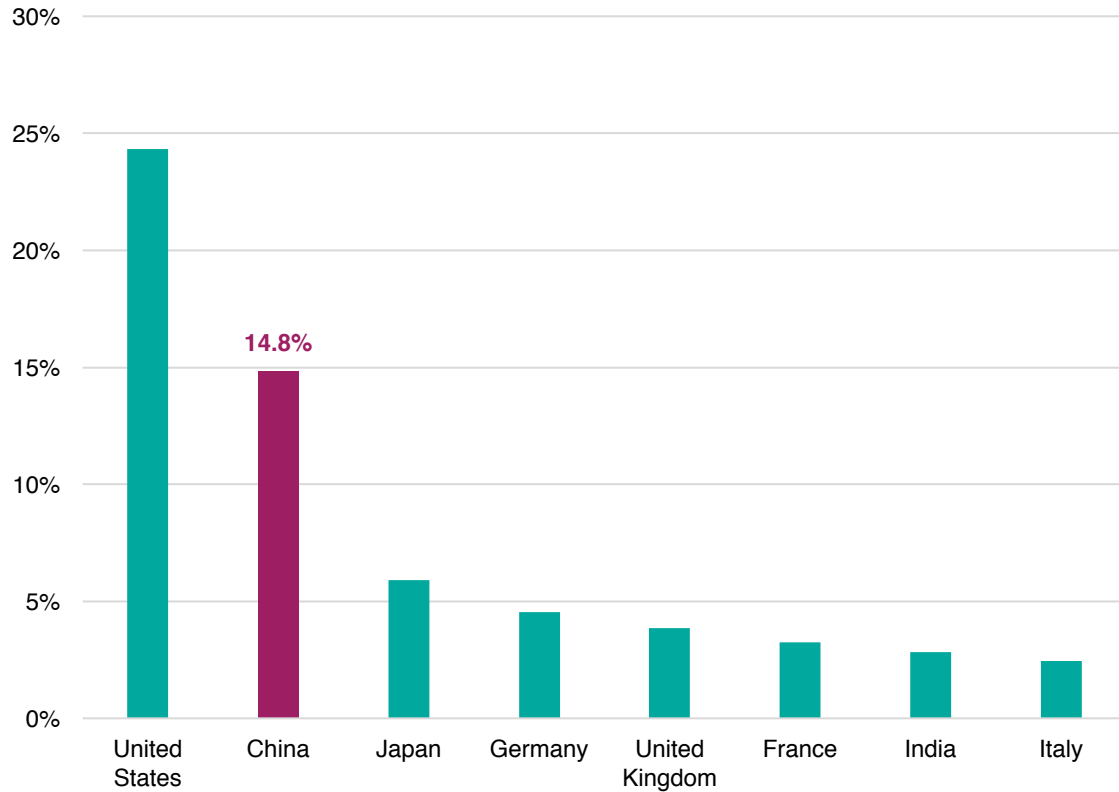
Data from Bloomberg as of 3/31/2017

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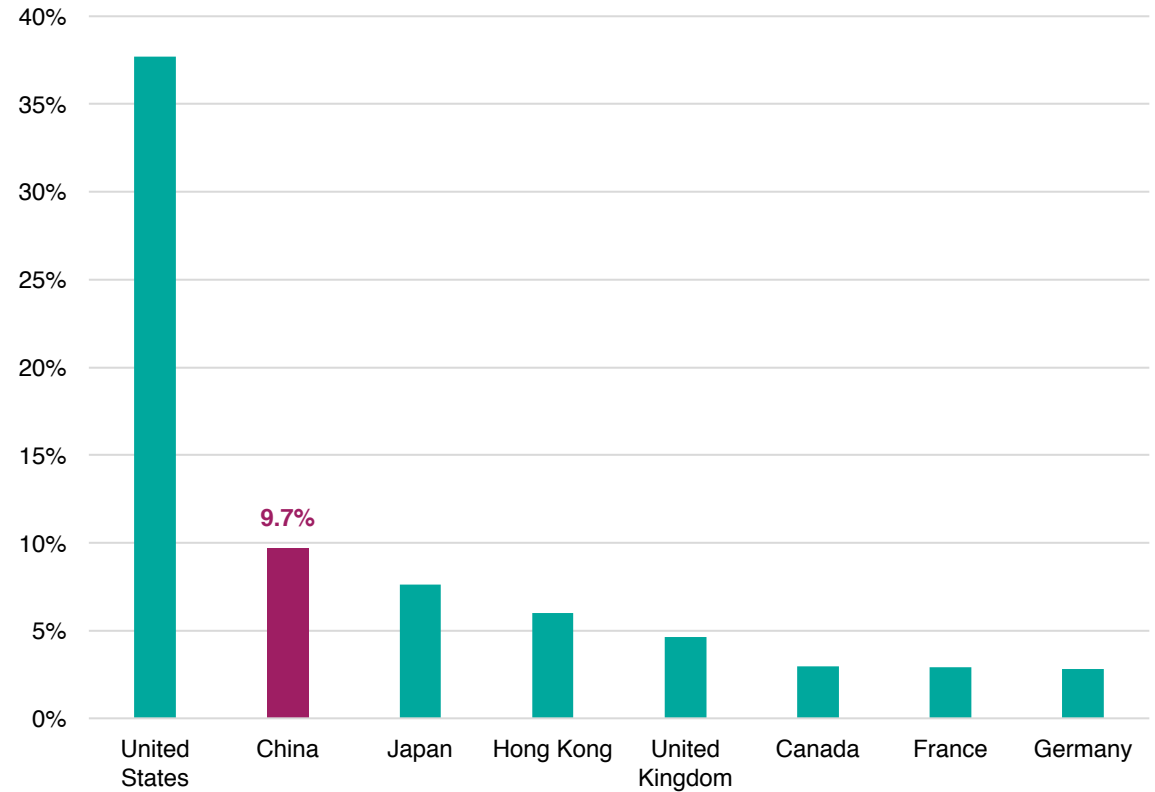
China A-share market is too big to ignore

As the world's second largest economy and stock market, investment in China A-shares still underrepresented in global capital markets

Share of World GDP



Share of Market Capitalization 2015



Data from the World Bank as of 12/31/2015 retrieved via Bloomberg as of 3/31/2017

KraneShares Bosera MSCI China A ETF (ticker: KBA)

Investment Strategy:

KBA (the Fund) tracks the MSCI China A International Index (the Index): a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of large-cap and mid-cap Chinese securities listed on the Shanghai and Shenzhen Stock Exchanges. The Index is based on the concept of the integrated MSCI China equity universe with mainland Chinese securities included. Bosera Asset Management is the subadvisor to the fund.

Key Fund Information

Ticker	KBA	
Index Name	MSCI China A International	
Primary Exchange	NYSE	
Total Annual Fund Operating Expense	Gross: 1.03%	Net: 0.83%*
Inception Date	3/04/2014	

Top Ten Holdings as of 3/31/2017 (Excluding cash) The Fund's Holdings Are Subject to Change.	%
PING AN INSURANCE GROUP C	2.42
KWEICHOW MOUTAI CO LTD-A	2.21
INDUSTRIAL BANK CO LTD -A	1.82
SHANGHAI PUDONG DEVEL BAN	1.66
CHINA STATE CONSTRUCTION	1.58
CHINA MINSHENG BANKING-A	1.51
CHINA MERCHANTS BANK-A	1.48
AGRICULTURAL BANK OF CHIN	1.44
CHINA YANGTZE POWER CO LT	1.27
CHINA EVERBRIGHT BANK CO-	1.27

KBA Performance History as of 3/31/2017

	Cumulative**			Annualized Calendar QTR 3/31/2017	
	3 Mo	6 Mo	Since Inception 03/04/2014	Preceding 12mos .	Since Inception 03/04/2014
Fund NAV	4.49%	0.66%	27.47%	-2.04%	8.22%
Closing Price	7.36%	0.66%	29.35%	-0.42%	8.74%
Index†	5.17%	2.54%	42.95%	1.40%	12.31%

†The Hybrid KBA Index (noted as "Index" above in the chart) consists of the MSCI China A Index from the inception of the Fund through October 23, 2014, and the MSCI China A International Index going forward.

*Pursuant to the terms of an Expense Limitation Agreement, Krane has contractually agreed to reduce its management fee until July 31, 2017.

****Cumulative return is the aggregate amount that an investment has gained or lost over time. Annualized Return is the average return gained or lost by an investment each year over a given time period. 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.**

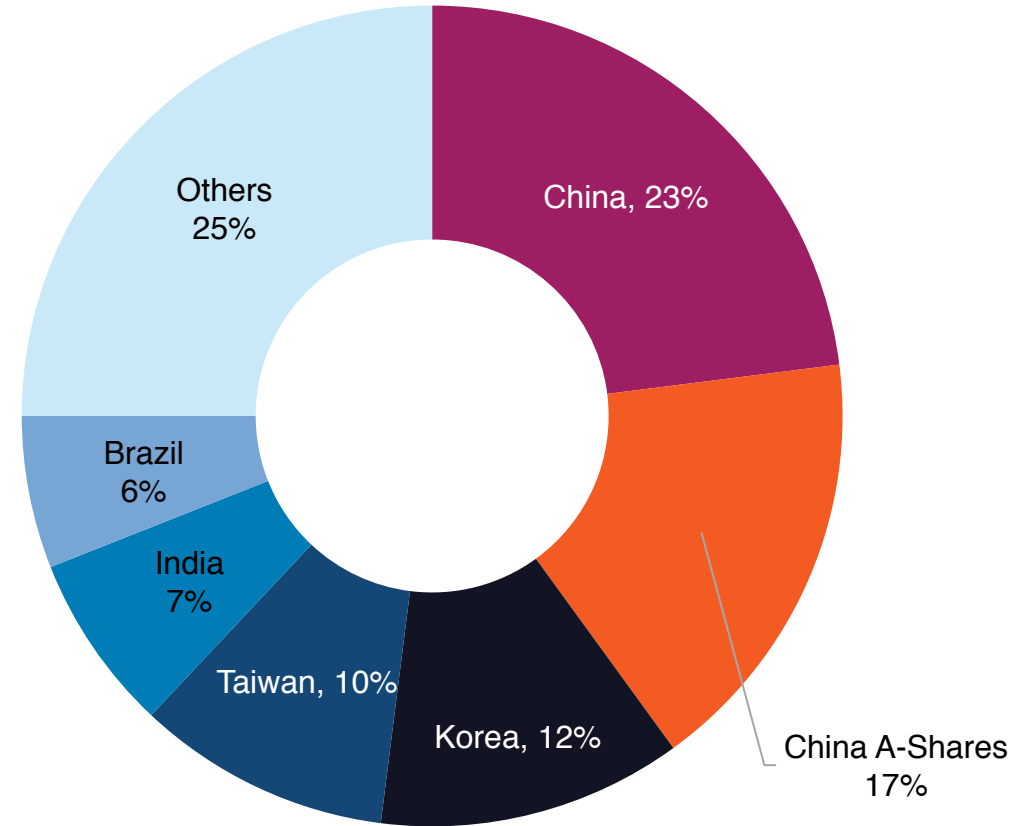
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For performance data current to the most recent month end, please call +(1) 855 8KRANE8 or visit our website at www.kraneshares.com/kba.

Conclusion:

- The date of MSCI's announcement is set for June 20th 2017
- There have been a number regulatory changes in China that allow international investors to have greater access to the Mainland markets.
- We believe the likelihood of that MSCI includes China A-shares into their Global Standard Indexes has increased significantly based off the new consultation issued leading up to the announcement.
- Regardless of whether inclusion occurs, we believe China A-shares can potentially benefit investors' portfolios because of their low valuation and low correlation to global markets.

Potential Full Inclusion



Source: MSCI Research, as of 9/30/2016

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.

MSCI All China Investable Market Index (IMI): captures large, mid and small cap representation across all China securities that are listed in China and Hong Kong, the US and in Singapore. The index includes: A shares, H shares, B shares, Red chips and P chips as well as China securities that are listed on the NYSE Euronext (New York), NASDAQ, New York AMEX and Singapore exchanges.

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: 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.

The MSCI China A International Index: is a free-float adjusted market capitalization weighted index that is designed to track the equity market performance of large-cap and mid-cap Chinese securities listed on the Shanghai and Shenzhen Stock Exchanges. The Index is based on the concept of the integrated MSCI China equity universe with mainland Chinese securities included.

The MSCI United Arab Emirates (UAE) Index: designed to measure the performance of the large and mid cap segments of the UAE market.

The MSCI Qatar Index: designed to measure the performance of the large and mid cap segments of the Qatari market.

The MSCI Pakistan Index: designed to measure the performance of the large and mid cap segments of the Pakistan market. With 16 constituents, the index covers approximately 85% of the Pakistan equity universe.

The MSCI World Materials Index: is designed to capture the large and mid cap segments across 23 Developed Markets (DM) countries*. All securities in the index are classified in the Materials sector as per the Global Industry Classification Standard (GICS®).

Important Notes

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any securities, or to participate in a trading strategy, to or from any person in any jurisdiction. Any such offer or solicitation can only be made pursuant to a fund prospectus and otherwise in accordance with applicable laws. Any representation to the contrary is not permitted.

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 broker-dealer. 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 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 (closing price) not NAV. Market price returns are based on the midpoint of the bid/ask spread at 4:00 p.m. Eastern Time (when NAV is normally determined).

An active secondary market for the Fund's shares may not exist. Although the Fund's shares will be listed on an exchange, subject to notice of issuance, it is possible that an active trading market may not develop or be maintained. There is no guarantee that distributions will be paid.

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its 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. Diversification may not protect against market risk.

The ability of the KraneShares Boserá 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.

Important Notes (continued)

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.

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Forward-looking statements (including Krane’s opinions, expectations, beliefs, plans, objectives, assumptions, or projections regarding future events or future results) contained in this presentation are based on a variety of estimates and assumptions by Krane. These statements generally are identified by words such as “believes,” “expects,” “predicts,” “intends,” “projects,” “plans,” “estimates,” “aims,” “foresees,” “anticipates,” “targets,” “should,” “likely,” and similar expressions. These also include statements about the future, including what “will” happen, which reflect Krane’s current beliefs. These estimates and assumptions are inherently uncertain and are subject to numerous business, industry, market, regulatory, geo-political, competitive, and financial risks that are outside of Krane’s control. The inclusion of forward-looking statements herein should not be regarded as an indication that Krane considers forward-looking statements to be a reliable prediction of future events and forward-looking statements should not be relied upon as such. Neither Krane nor any of its representatives has made or makes any representation to any person regarding forward-looking statements and neither of them intends to update or otherwise revise such forward-looking statements to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying such forward-looking statements are later shown to be in error. Any investment strategies discussed herein are as of the date of the writing of this presentation and may be changed, modified, or exited at any time without notice.

Carefully consider the Funds’ investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds’ full or summary prospectus, which may be obtained by visiting www.kraneshares.com or by calling 1-855-8KRANE8.

The KraneShares ETFs are distributed by SEI Investments Distribution Company, which is not affiliated with Krane Funds Advisors, LLC, the investment adviser for the Fund, or Boserá Asset Management

Questions?

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