

KraneShares E Fund China Commercial Paper ETF (ticker: KCNY)

Investment Strategy

KCNY (the Fund) seeks to track the CSI Diversified High Grade Commercial Paper Index (the Index). The Fund seeks to invest at least 80% of its total assets in a diversified basket of investment-grade¹ commercial paper denominated in on-shore renminbi issued by sovereign, quasi-sovereign and corporate issuers in the People's Republic of China and traded in the inter-bank bond market. Commercial paper in the Fund is investment-grade and has a remaining term to final maturity of no more than one year and no less than one month.

China's Mainland Bond Market Quick Facts

- China's Interbank Bond Market is one of the largest in the world with a total market size of 12.5 trillion USD.²
- KCNY provides investors outside of Mainland China access to the historically closed off Interbank bond market. Foreign investors represents 2% of the total market.³
- Short term sovereign bond yields in China are comparatively higher than bonds in the United States, Europe, and Japan⁴.

A Key Decision from the International Monetary Fund (IMF)

- On October 1, 2016, the RMB was included within the IMF's Special Drawing Rights (SDR) for the first time, an elite basket of reserve currencies.
- SDR currencies are commonly regarded as the most stable and prevalently used currencies in the world.
- On 3/31/2017, the IMF added a line item for RMB to their official report on the Currency Composition of Official Foreign Exchange Reserves (COFER).
- The most recent COFER report showed the RMB accounts for 1.80% of total allocated reserves, or \$192.54 billion dollars as of 1/8/2019⁵.
- We believe the RMB's weight within COFER will increase in coming years.

Fund Details	As of 12/31/2018	
Primary Exchange	NYSE	
Total Annual Fund Operating Expense	Gross: 0.74%	Net: 0.62%*
Inception Date	12/02/2014	
Distribution Frequency	Monthly	
Index Name	CSI Diversified High Grade Commercial Paper Index	
Index Ticker	Bloomberg : HO396	
Number of Holdings (ex Cash)	26	
Credit quality of underlying securities ¹	Investment Grade	
Maturity	0.35 years	
30-day SEC Yield	4.04%	
30-day SEC Unsubsidized Yield	3.92%	

- For purposes of the Index, investment grade commercial paper is commercial paper that is issued by an issuer whose long-term bonds are rated AAA or equivalent by one or more Chinese credit rating agencies; or commercial paper that is issued by an issuer whose long-term bonds are rated AA+ or equivalent by one or more Chinese credit rating agencies and commercial paper is rated A-1 or equivalent by one or more Chinese credit rating agencies.
- Data from the Bank for International Settlements as of 3/31/2018. Retrieved on 12/31/2018.
- China Central Depository & Clearing, Shanghai Clearing House, as of 4/30/2018.
- Data from Bloomberg as of 12/31/2018.
- Data from the International Monetary Fund as of 9/30/2018, as reported on 1/8/2019, retrieved 1/14/2018.

KCNY Performance History as of 12/31/2018

	Cumulative			Annualized Calendar QTR 12/31/2018		
	3 Mo	6 Mo	Since Inception 12/02/2014	1 Yr	3 Yr	Since Inception 12/02/2014
Fund NAV	1.09%	-1.53%	1.99%	-0.93%	1.31%	0.48%
Closing Price	0.64%	-2.00%	1.62%	-0.28%	1.09%	0.39%
Index	0.77%	-2.01%	4.91%	-1.19%	1.80%	1.18%

*Fee waivers are and in effect until October 4, 2019

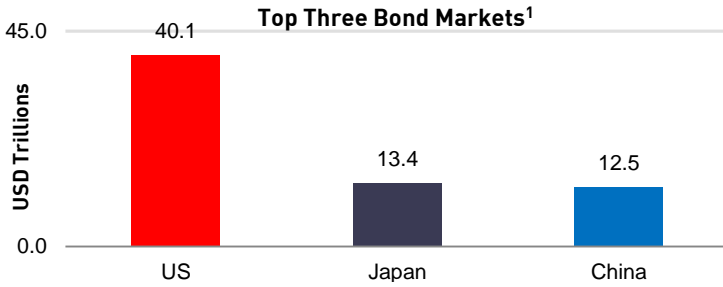
The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, please visit www.kraneshares.com

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).

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.

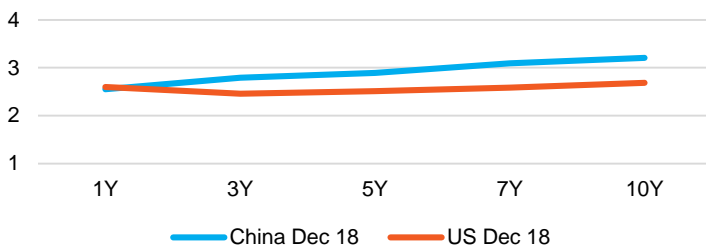
China Interbank Bond Market Opportunity

China's Interbank Bond Market is the 3rd largest globally



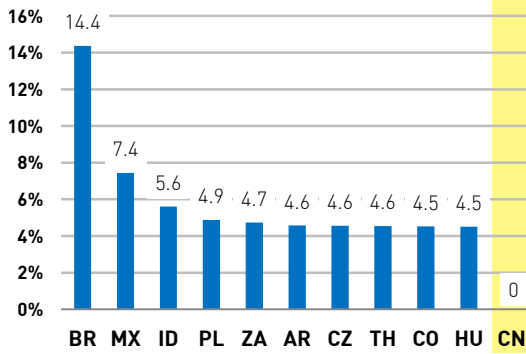
China Interbank Bond Market may provide attractive yields

US China Yield Curve 2018²



Surprisingly, international investors have little exposure to China's Interbank Bond Market

Top 10 country Weight in the J.P. Morgan Government Bond Index (Emerging Market Global Core)³



BR	Brazil
MX	Mexico
ID	Indonesia
PL	Poland
ZA	South Africa
AR	Argentina
CZ	Czech Rep.
TH	Thailand
CO	Colombia
HU	Hungary
CN	China (interbank)

Top Ten Holdings as of 12/31/2018. (Excluding cash)
The Fund's holdings are Subject to Change.

Top Ten Holdings	%
SHAANXI COM CONST	8.69
GD POWER DEVELOPMENT CO	7.46
TSSTEE 4.87 04/04/19	6.22
HENAN PINGGAO ELECTRIC	4.98
LYG CITY CONST INVT CO	4.97
ALUMINUM CORP OF CHINA	4.97
SHANDONG HONGQIAO	4.97
CENTRAL HUIJIN INV	4.96
CHINA DATANG CORP RENEWA	4.96
GUANGZHOU YUE XIU HOLDING	4.96

About E Fund:*

- E Fund is the sub advisor for KCNY. The firm is one of the largest asset managers, and the largest fixed income manager in China with more than \$177b in AUM.
- The firm is headquartered in Guangzhou, with offices in Beijing, Shanghai and Hong Kong.
- Established in 2001, E Fund was among the 1st Chinese asset management companies approved to do business in Mainland China

*E Fund data from efunds.com as of 12/31/2018, retrieved 12/31/2018



Guangdong (Jeffrey) Qi – Portfolio Manager

Mr. Guangdong Qi is a co-manager for the Fund. Mr. Qi is currently a fund manager and responsible officer (RO) of E Fund. He holds a master's degree in Financial Engineering from Shanghai University of Finance and Economics and a B.S. in Physics from Shanghai Fudan University.

- Data from the Bank for International Settlements as of 3/31/2018. Retrieved on 12/31/2018.
- Data from Bloomberg as of 12/31/2018. A yield curve is a line that plots a set point in time of bonds having equal credit quality but differing maturity dates.
- Based on the J.P. Morgan Government Bond Index (Emerging Market Global Core) 15% Cap 4.5% Floor – This index is designed to track a basket of bonds issued in local currencies by emerging market governments. Data as of 12/31/2018.

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.

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 KraneShares E Fund China Commercial Paper ETF is subject to interest rate risk, which is the chance that bonds will decline in value as interest rates rise. The components of the securities held by the Fund will be rated by Chinese credit rating agencies, which may use different criteria and methodology than U.S. entities or international credit rating agencies. The Fund may invest in high yield and unrated securities, whose prices are generally more sensitive to adverse economic changes and consequently more volatile. The Fund is subject to industry concentration risk and is non-diversified. Narrowly focused investments typically exhibit higher volatility.

Although the information provided in this document has been obtained from sources which Krane Funds Advisors, LLC believes to be reliable, it does not guarantee accuracy of such information and such information may be incomplete or condensed.

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