

Introduction to the KraneShares CICC China Leaders 100 Index ETF: A Smart Beta Approach to Investing in Mainland China's Top 100 Companies

Introduction to China International Capital Corporation (CICC) and KraneShares

About CICC

Leading publicly traded (Hong Kong) Chinese financial services company with expertise in research, asset management, investment banking, private equity and wealth management. Majority owned by China Investment Corporation (CIC), the second largest sovereign wealth fund with over \$900 billion AUM.

CICC 2018 Awards

Institutional Investor #1 China Research Team	Asiamoney Best Local Brokerage	Forbes China Top PE (CICC Capital)	Finance Asia Best Investment Bank in China
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About KraneShares

KraneShares' mission is to provide investors with strategies to capture China's importance as an essential element of a well-designed investment portfolio. KraneShares seeks to provide innovative, first to market strategies that have been developed based on the firm and its partners' deep knowledge of investing. The firm was founded in 2013 and manages over \$2B across fourteen China-focused strategies for individuals and institutions globally. In 2017, KraneShares formed a strategic partnership with China International Capital Corporation (CICC) when they acquired a majority ownership stake.





**KraneShares CICC
China Leaders 100
Index ETF***

Investment Strategy:

KFYP tracks the CSI CICC Select 100 Index, which takes a smart-beta¹ approach to systematically invest in companies listed in Mainland China. The strategy is based on China International Capital Corporation (CICC)'s latest research on China's capital markets. This quantitative approach reflects CICC's top down and bottom up research process, seeking to deliver the 100 leading companies in Mainland China.

KFYP features:

- Smart-beta strategy which seeks to deliver cost effective alpha².
- Exposure to the top 100 industry leaders within China's Mainland A-share market identified through the CICC Research team's quantitative methodology.
- Seeks to provide exposure to performance leaders through a Return on Equity (ROE)³ filter which is further refined through bottom-line growth and valuation criteria.

About CICC & CICC Research:

- CICC is a leading, publicly traded, Chinese financial services company with expertise in research, asset management, investment banking, private equity and wealth management.
- In 2018, The CICC Research Team ranked #1 in Institutional Investor's All-China Research Category for the seventh year in a row.⁴
- CICC has over 200 branches across Mainland China, with offices in Hong Kong, Singapore, New York, San Francisco, and London.

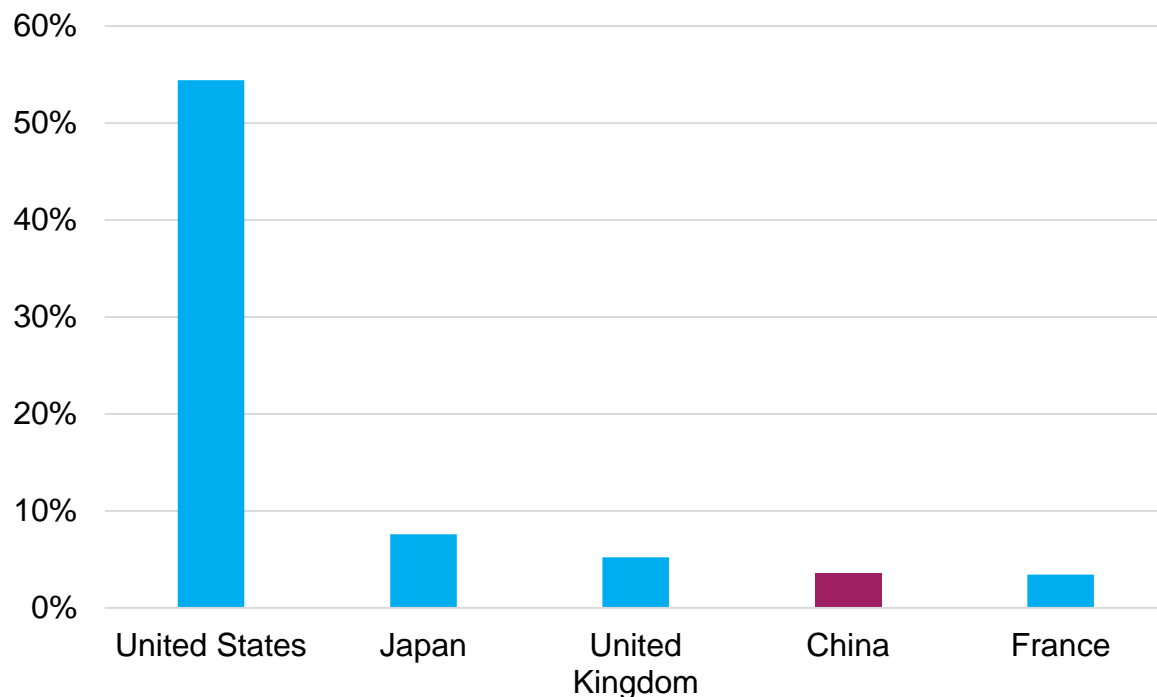
*Formerly the KraneShares Zacks New China ETF

1. 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.
2. Alpha is the active return on an investment, gauges the performance of an investment against a market index or benchmark which is considered to represent the market's movement as a whole.
3. Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity
4. Alexandra DeLuca, "The Firms Helping Investors Navigate a Trade War in China", Institutional Investor 11/1/2018.

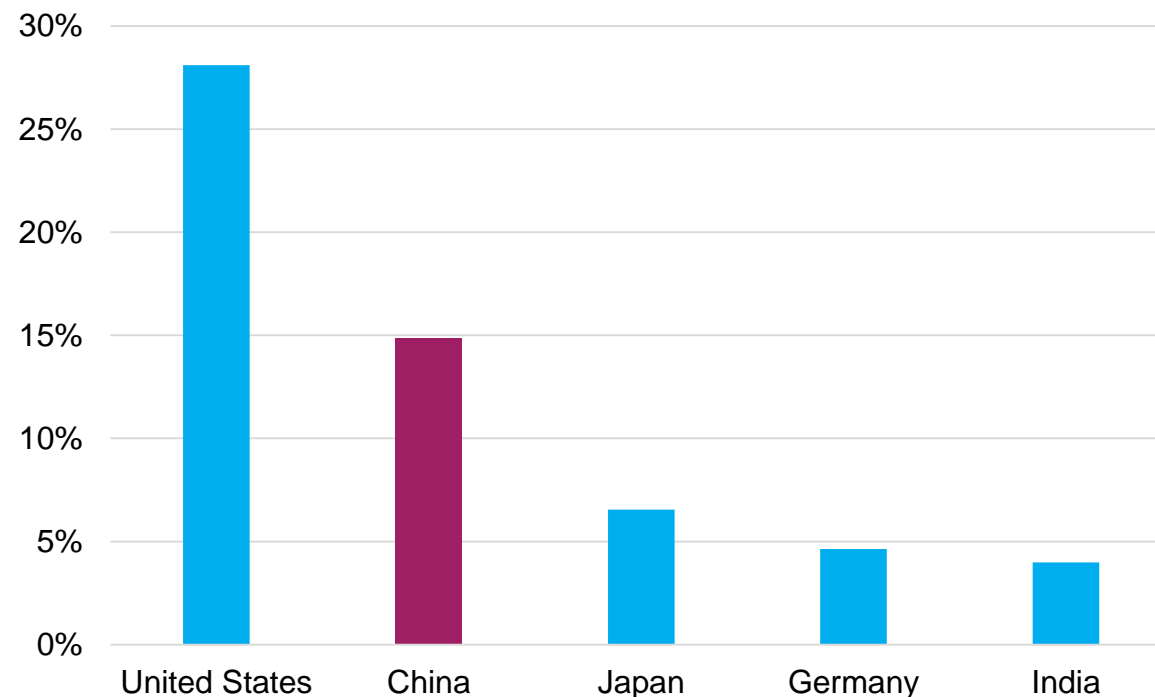
The China A-share market is too big to ignore

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

Top 5 Country Weights in MSCI All Country World Index (Market cap weighted)¹



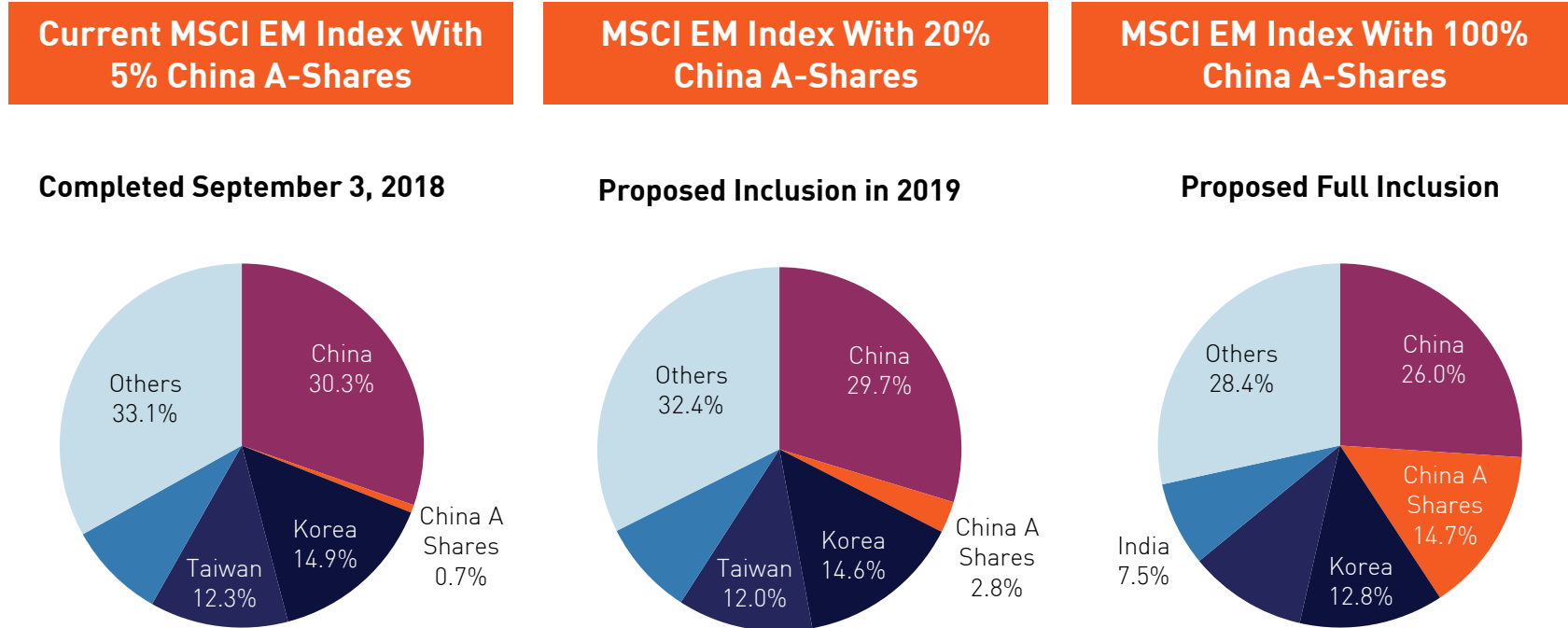
Top 5 Country Weights in the MSCI All Country World Index (GDP Weighted)¹



1. Data from MSCI as of 12/31/2018, retrieved 12/31/2018. See page 14 for index definitions

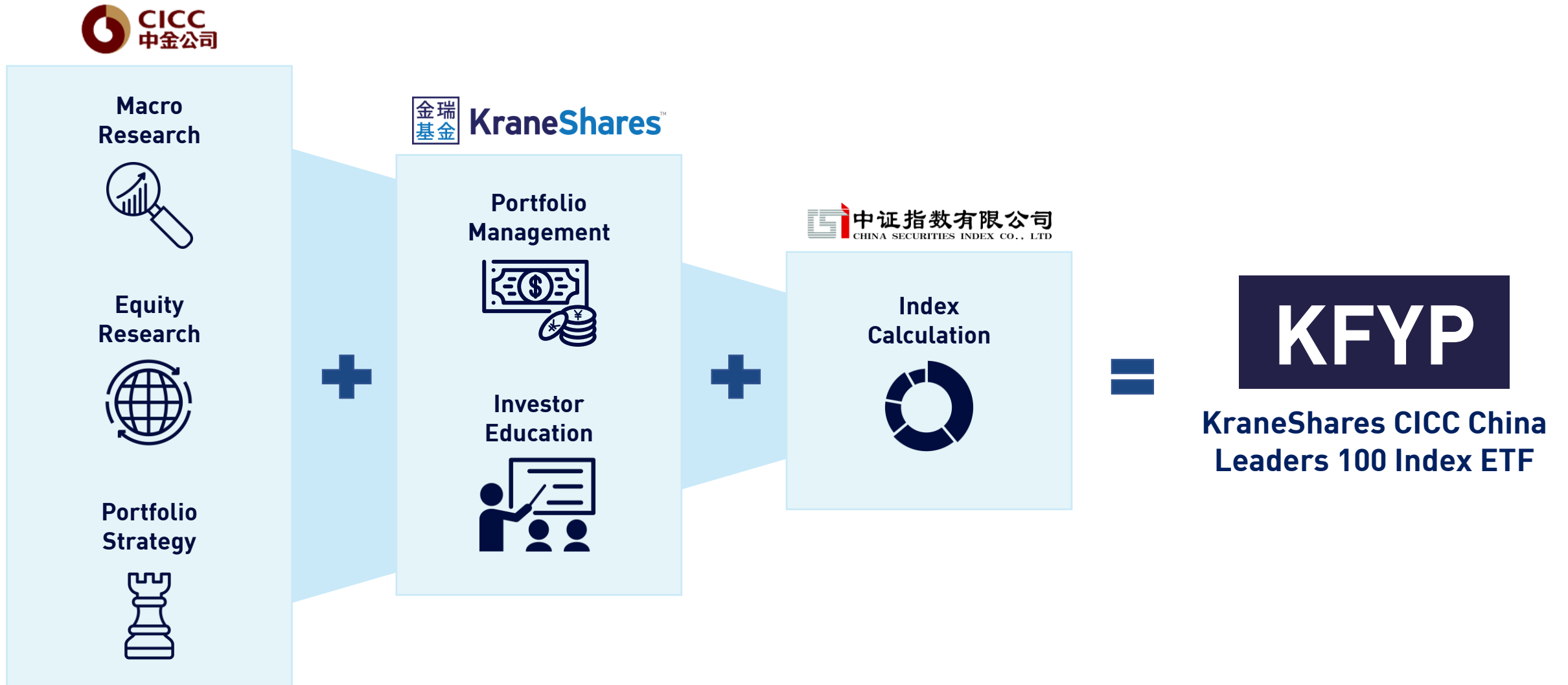
MSCI's gradual inclusion of Mainland A-shares into their Global Standard Indexes may provide a catalyst for the performance of China's mainland market

- After the first 5% inclusion was completed on September 3, 2018, MSCI issued a consultation for the next round of inclusion proposing to quadruple A-shares' current weight in 2019.
- Currently, **\$1.8 trillion** track the MSCI EM Index. **Up to \$250b** are expected to be reallocated to China A-shares after full inclusion.
- The full proposed inclusion weight is projected to reach 14.7% of the Emerging Markets Index.
- We believe multiple inclusions could provide a sustained catalyst for the outperformance of the Mainland market.



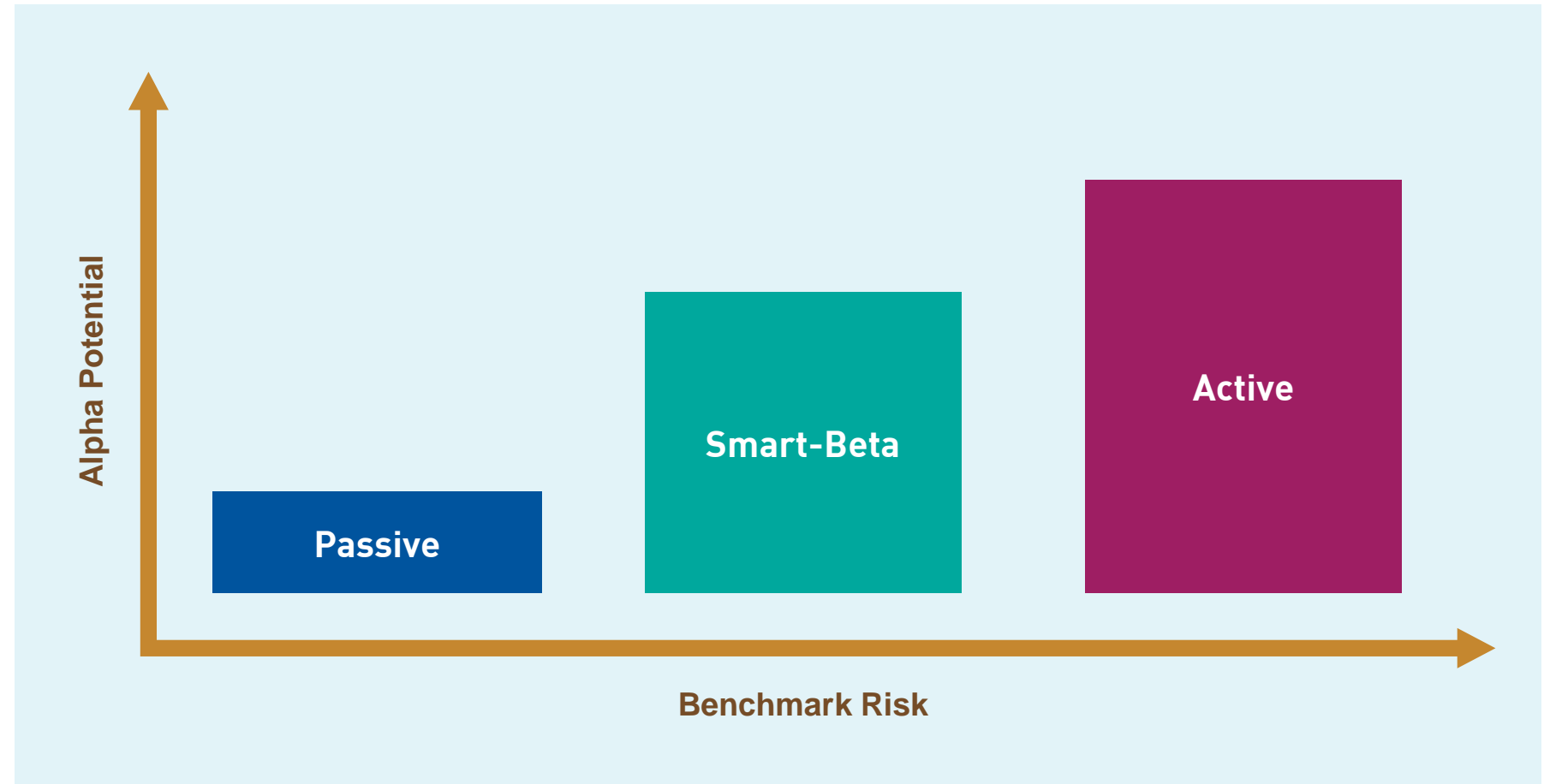
Source: MSCI, "Consultation on Further Weight Increase of China A Shares in the MSCI Indexes", September 2018. Retrieved on 12/31/2018.

KraneShares has partnered with CICC and CSI to provide investors with smart-beta investment solutions.



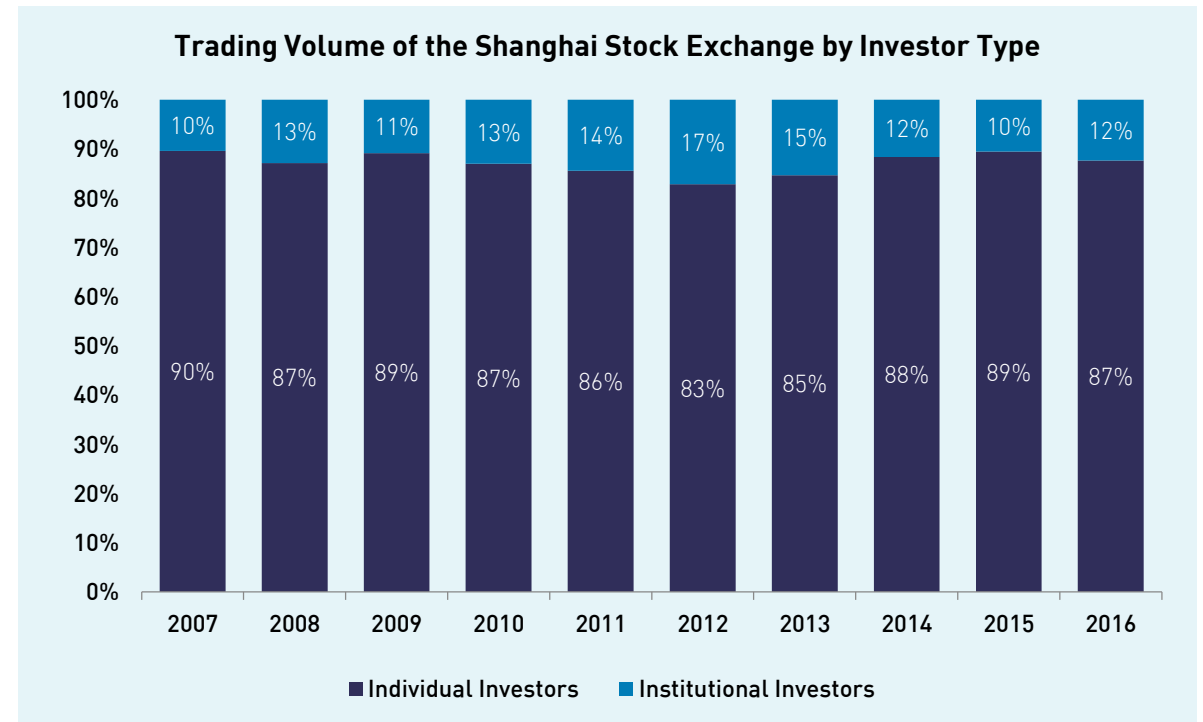
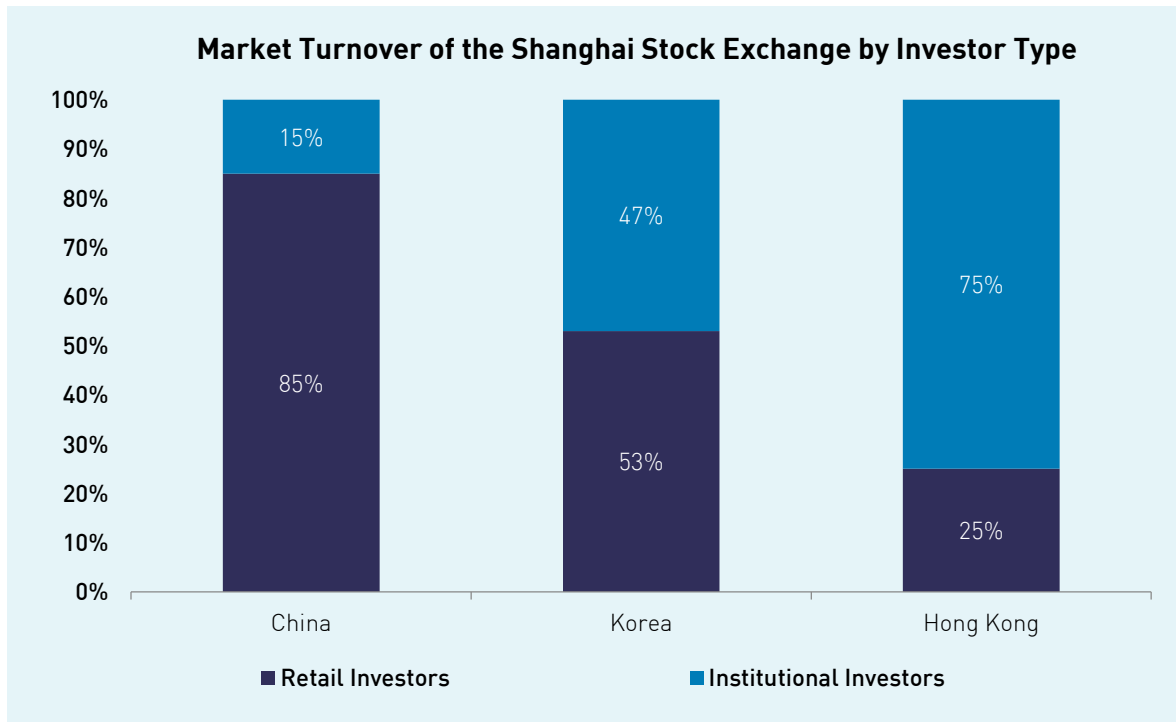
Why use the smart-beta approach with China A-shares?

- Compared to active and traditional passive funds, a smart-beta approach provides investors with a cost effective way to potentially gain excess returns in China's A-share market.
- Lower fees compared to average fees of active A-share funds
- Liquidity and transparency provided through the ETF structure



The Chinese market is dominated by retail investors which can make smart-beta investing more challenging

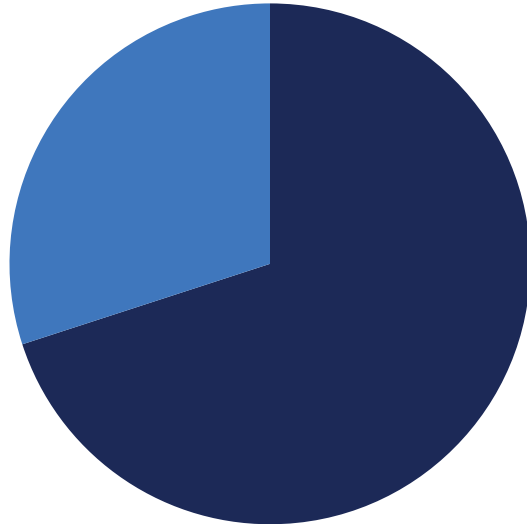
- Individual investors account for more than 80% of total trading volume in the China A-share market
- China A-shares see a higher proportion of retail investors in market turnover than other major markets
- Retail investors are typically more sentiment driven than institutions, which may cause stock prices and fundamentals to diverge significantly



CICC has identified that smart-beta investing is more effective for companies with high ROE¹ in China

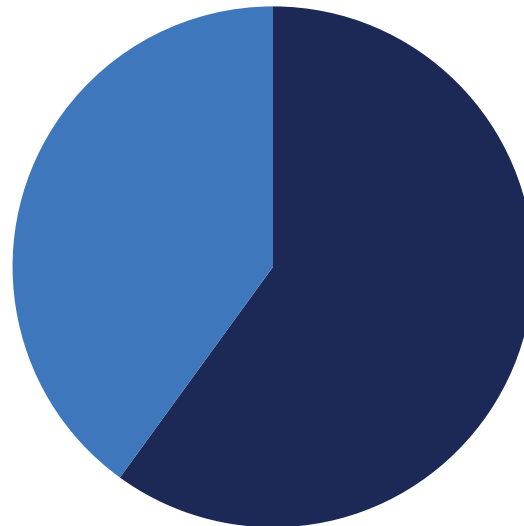
- An ROE filter is a useful tool for identifying stocks that perform in line with fundamentals
- CICC Research has determined that smart-beta factors work more effectively when applied to the top 50% of A-share stocks as ranked by normalized ROE
- These stocks tend to have a more stable shareholder base because institutional investors typically make decisions based on fundamentals over longer time horizons

Shareholding Breakdown by Overseas Investors



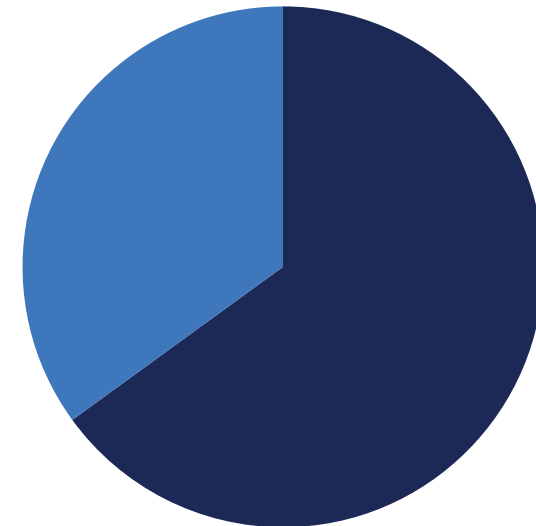
■ High ROE ■ Low ROE

Shareholding Breakdown by Social Security Funds



■ High ROE ■ Low ROE

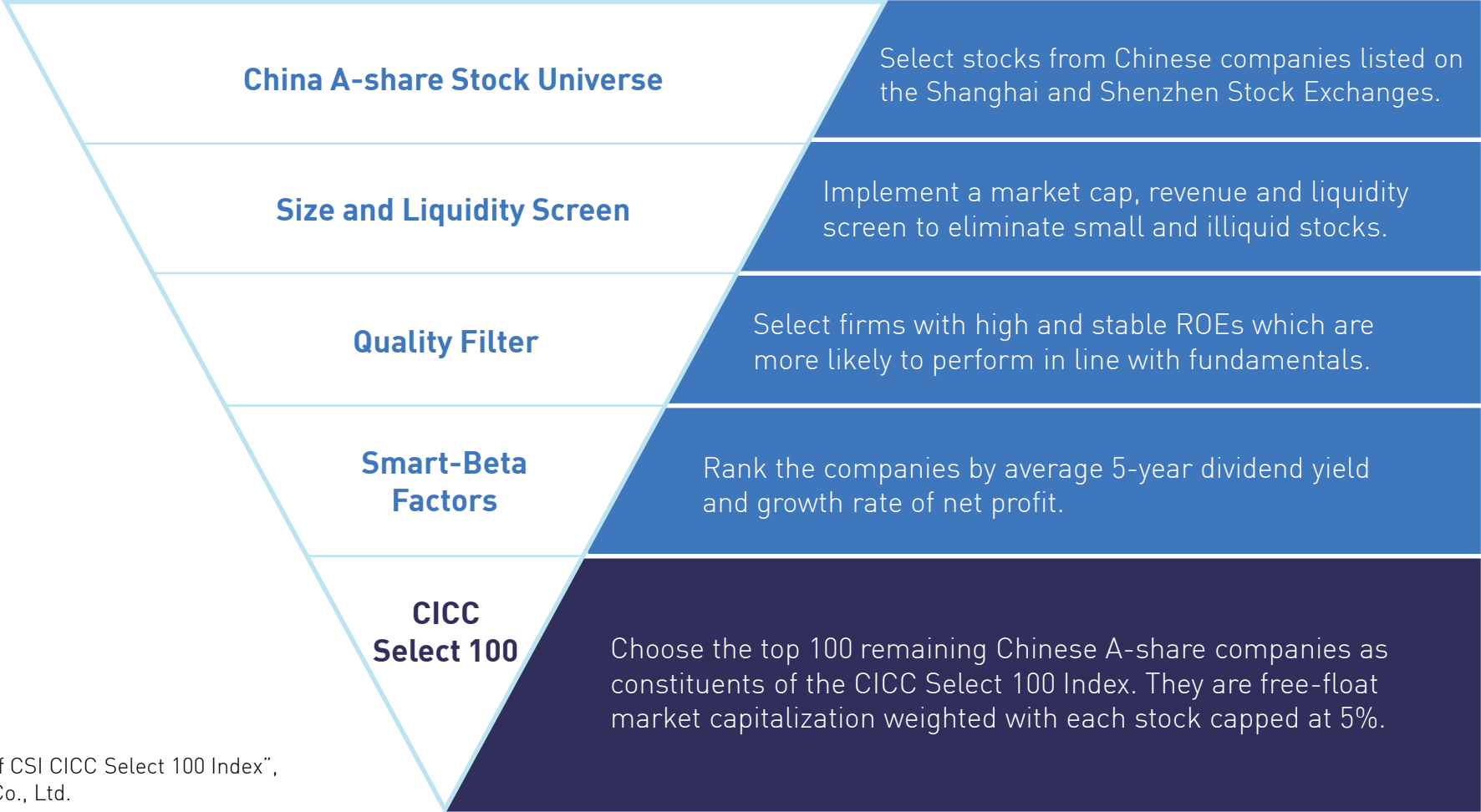
Shareholding Breakdown by Insurance Firms



■ High ROE ■ Low ROE

The CICC smart-beta approach selects companies with a combination of high and stable ROEs, high dividend yields, and high earnings growth rates to determine China’s top 100 A-share companies

Smart-Beta Filtering Process for Constituent Selection

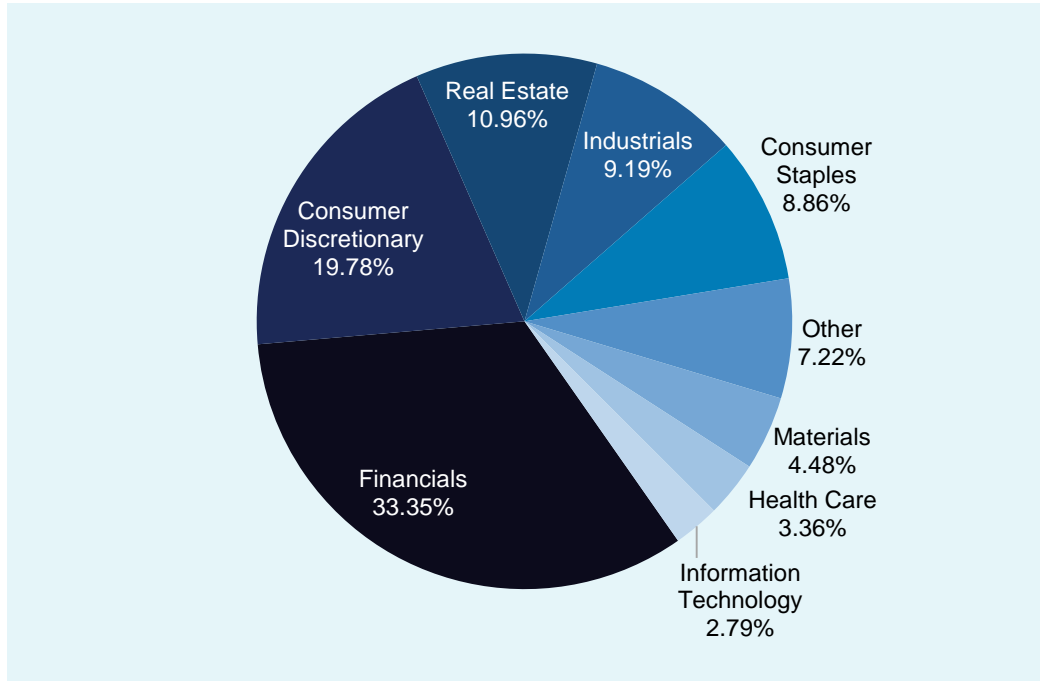


Quantitative investment in line with CICC research principles

Source: “Methodology of CSI CICC Select 100 Index”, China Securities Index Co., Ltd.

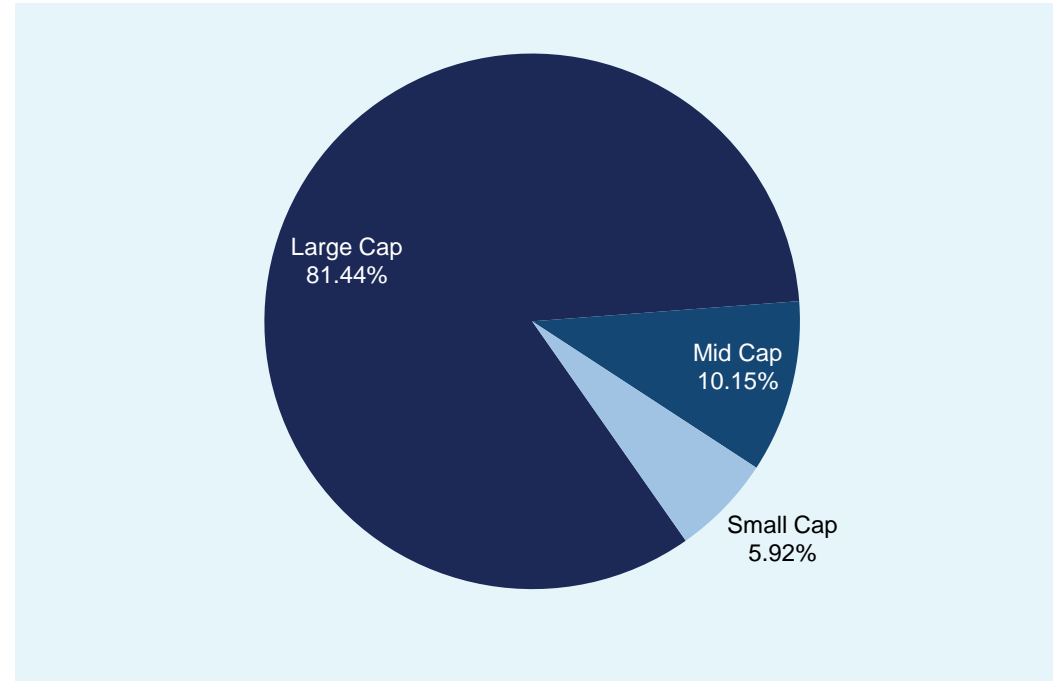
The KraneShares CICC China Leaders 100 Index ETF provides exposure to predominantly large cap China A-share companies across a diverse range of sectors

KFYP Sector Breakdown



Data from Bloomberg as of 12/31/2018.

KFYP Market Cap Breakdown



Data from Bloomberg as of 12/31/2018.

Since inception, the CICC Select 100 Index has generally outperformed other China A-share indexes

CICC Select 100 Index Performance vs. Broad A-share Market Index Performance



Total return data from Bloomberg as of 12/31/2018. See page 13 for standard performance.

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

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

See page 14 for index definitions.

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.

KraneShares CICC China Leaders 100 Index ETF* (ticker: KFYP)

KFYP tracks the CSI CICC Select 100 Index, which takes a smart-beta approach to systematically invest in companies listed in Mainland China. The strategy is based on China International Capital Corporation (CICC)'s latest research on China's capital markets. This quantitative approach reflects CICC's top down and bottom up research process, seeking to deliver the 100 leading companies in Mainland China.

*Formerly the KraneShares Zacks New China ETF

Fund Details	As of 12/31/2018
Ticker	KFYP
Index Name	CSI CICC Select 100 Index
Primary Exchange	NYSE
Total Annual Fund Operating Expenses	0.71%
Inception Date	7/22/2013
Distribution Frequency	Semiannually

Top Ten Holdings as of 12/31/2018 The Fund's Holdings are Subject to Change.	Ticker	%
BANK OF COMMUNICATIONS CO	601328 C1	5.06
AGRICULTURAL BANK OF CHIN	601288 C1	4.84
INDUSTRIAL BANK CO LTD -A	601166 C1	4.75
MIDEA GROUP CO LTD-A	000333 C2	4.71
GREE ELECTRIC APPLIANCES	000651 C2	4.63
PING AN INSURANCE GROUP C	601318 C1	4.36
CHINA MERCHANTS BANK-A	600036 C1	4.33
CHINA STATE CONSTRUCTION	601668 C1	4.2
CHINA VANKE CO LTD -A	000002 C2	4.07
SHANGHAI PUDONG DEVEL BAN	600000 C1	4.04

KFYP Performance History as of 12/31/2018

	Cumulative %			Average Annualized %			
	3 Mo	6 Mo	Since Inception 7/22/2013	1 Yr	3 Yr	5 Yr	Since Inception 7/22/2013
Fund NAV	-15.06%	-20.64%	49.44%	-21.87%	4.84%	2.81%	7.66%
Closing Price	-14.59%	-22.67%	46.31%	-23.15%	4.79%	2.15%	7.25%
Index	-14.83%	-20.50%	44.71%	-21.39%	3.05%	2.10%	7.02%

†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, the Zacks New China Index from June 1, 2016 through November 1, 2018, and the CSI CICC Select 100 Index going forward.

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Index Definitions:

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

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

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

CSI 300 Index: is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. Inception date is 4/8/2005.

CSI CICC Select 100 Index: is designed to select 100 A-Shares companies with high and stable ROEs, high dividend yields and high earnings growth rates amongst a stock pool which is comprised of the A-Shares companies with higher size, liquidity and operating revenue in each Industry Group according to CSI Industry Classification Standard. Inception date is 2/14/2018.

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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