Opportunities From Emerging Healthcare Markets

KraneShares Emerging Market Healthcare Index ETF (Ticker: KMED)
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).
Investment Strategy:

KMED seeks to provide investment results that, before fees and expenses, track the performance of the Solactive Emerging Markets Healthcare Index. The index seeks to track the equity market performance of companies engaged in the healthcare sector in various emerging markets. The issuers include small-cap, mid-cap, and large-cap companies involved in hospital management, healthcare management, pharmaceutical manufacturing, and biotechnology, among other sub-industries.

Emerging Market Healthcare Sector Highlights:

- By 2040, emerging market countries on average are projected to increase healthcare spending as a percent of GDP by 24.4% compared to just 9.8% in developed markets over the same time period.\(^1\)
- In emerging markets, rapid urbanization and rising income are fueling growth in the demand for healthcare services and treatments.
- Cases of non-communicable diseases (NCDs) such as diabetes and cancer are rising steadily in emerging market countries, driving demand for healthcare services.
- Emerging markets governments are enacting policies such as India’s “National Health Protection Mission” and China’s “Healthy China 2030 Plan” to meet the growing demand for healthcare.

KMED Features:

- Exposure to the Emerging Market (EM) healthcare industry with a low correlation to US healthcare equities. Specifically: pharmaceuticals, biotechnology, healthcare administration services, and medical equipment.
- Access to emerging market innovators in healthcare and pharmaceutical research.
- Exposure to companies that benefit from EM demographic shifts

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The populations of emerging market countries are growing and aging

- The UN predicts that, by 2050, world population will exceed 9.7 billion people with emerging market countries accounting for over one third of total population and having over 588 million people aged 65 or more.
- For example, by 2020, China’s 65+ demographic could rise by 50% which would cause an increasing demand for domestic healthcare services as life expectancy continues to rise.

Rapid urbanization and rising income look to increase consumption in emerging markets

- In EM countries, the total population living in urban areas has increased by over 337 million people in just 10 years.
- Asian countries like China, Thailand and Malaysia are experiencing particularly rapid urbanization rates.
- Urbanization in emerging markets has been accompanied by a sharp rise in average GDP per capita which more than doubled from 2004 to 2017.
- The McKinsey Global Institute estimates that 91% of global consumption will come from cities between 2015 and 2030, and the global distribution of consumption wealth is tilting towards the emerging markets. Consumers living in emerging market cities are predicted to contribute 56% (or $14.1 trillion) to global consumption growth, compared to 35% (or $8.8 trillion) for consumers in developed market cities from 2015-2030.

As China’s population moves to cities and wages increase, healthcare is becoming a greater focus

- As average household income and urbanization rates have risen, Chinese citizens have greater access to healthcare knowledge and have a greater ability to pay for medical-related costs.
- However, rising incomes and urbanization have given rise to China’s current obesity problem as more citizens adopt western eating habits.
- Today, about 30% of Chinese adults, approximately 320 million people, are overweight, while 11.9% of adults are obese\(^1\).
- Additionally, instances of cancer in China are rising, with 4.3 million new cancer cases in 2018 alone\(^2\).
- In 2016, the government responded to growing healthcare concerns by launching the “Healthy China 2030 Plan”, which is a national initiative that promotes diet, exercise, and access to healthcare services.

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Health care spending is on the rise in other emerging market economies

- Urbanization is placing many in emerging market countries within reach of modern healthcare services, and aging populations are fueling growth in the demand for healthcare services and treatments\(^1\).
- Moreover, due to urbanization and the resulting lifestyle changes it brings, cases of non-communicable diseases (NCDs) such as diabetes and cancer are rising steadily in emerging market countries, presenting a growth opportunity for innovators in the healthcare space\(^1\).
- Global health care spending is projected to increase at an annual rate of 4.1% from 2017-2021\(^2\), and recent estimates suggest that global expenditures on healthcare could rise from US $8 trillion in 2018 to over $18 trillion in 2040\(^3\).

\(^1\) UBS, “Longer Term Investments: Emerging Market Healthcare” 3/28/17
\(^2\) Deloitte, “2018 Global Health Care Outlook: the evolution of smart health care”
As healthcare spending in emerging markets has risen, EM governments are launching new policies to drive healthcare reform.

- Historically, average EM healthcare spending per capita has been about 5% that of the United States
- In 2016, total healthcare spending in EM was 8% of GDP on average as opposed to higher rates in developed markets such as 11% in Germany or 17% in the United States
- However, many emerging markets governments are enacting policies to promote both public and private financing to meet the growing demand for healthcare.
- The Chinese government recently expanded the National Reimbursement Drug List (NRDL) to provide reimbursement coverage for higher-priced treatments and aims to review and update its list of eligible treatments every two years.
- In India, the "National Health Protection Mission," a new government sponsored insurance plan for all Indian citizens, is estimated to add $1.7 billion in public healthcare spending with the goal of reducing out of pocket costs and is expected to be rolled out in October, having been approved by the cabinet.

3. Goldman Sachs Equity Research "China Biotech Primer" 6/15/18
4. BBC "Indian Healthcare: Will the World’s Largest Public Scheme Work?" 2/4/18
5. Times of India "Modicare gets Cabinet nod; likely to roll out by October" 3/22/18
Emerging market healthcare companies are adopting international standards

- In 2016 and 2017, China and South Korea joined the International Council for Pharmaceutical Harmonization (ICH), which was established by regulators from the US, EU, and Japan to facilitate international collaboration in drug approval processes, meaning that developed markets will become more open to products that originate in China and South Korea.
- Many emerging markets healthcare companies, such as Malaysian private hospital operator IHH Berhad, are openly committed to helping accomplish the UN sustainable development goals through their businesses, which is to “ensure health and well being for all.”
The KraneShares Emerging Market Healthcare Index ETF (Ticker: KMED) provides exposure to small, mid and large cap equities from a diverse array of subsectors and countries.

**Subsector Breakdown**
- Pharmaceuticals: 35.01%
- Biotechnology: 18.91%
- Health Care Facilities: 16.89%
- Health Care Equipment: 6.82%
- Managed Health Care: 6.07%
- Health Care Distributors: 5.07%
- Life Sciences Tools & Services: 4.18%
- Others: 2.79%

**Market Cap Breakdown**
- Large Cap: 59.71%
- Mid Cap: 30.95%
- Small Cap: 8.33%

**Country Breakdown**
- China: 39.29%
- South Korea: 20.87%
- India: 10.69%
- Indonesia: 2.08%
- Hungary: 1.52%
- South Africa: 3.09%
- Thailand: 6.78%
- Malaysia: 8.02%
- Brazil: 7.14%
- Others: 3.09%

Data from Bloomberg as of 6/30/2019. Excluding cash.
*Others include Healthcare IT, Healthcare Services, and Leisure Products
<table>
<thead>
<tr>
<th>Healthcare Market Subsectors</th>
<th>KMED country-level breakdown (in order of country holding weight within KMED)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pharmaceuticals</strong></td>
<td></td>
</tr>
<tr>
<td>Companies engaged in the research, development or production of over-the-counter and prescribed medicines or drugs.</td>
<td>31.67%</td>
</tr>
<tr>
<td><strong>Biotechnology</strong>*</td>
<td></td>
</tr>
<tr>
<td>Companies primarily engaged in the research, development, manufacturing and/or marketing of products based on genetic analysis and genetic engineering. Excludes companies manufacturing products using biotechnology but without a health care application.</td>
<td>32.42%</td>
</tr>
<tr>
<td><strong>Medical Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Companies that manufacture instruments that are used in the prevention, diagnosis or treatment of illness or disease or rehabilitation following disease or injury.</td>
<td>20.02%</td>
</tr>
<tr>
<td><strong>Healthcare Administration Services</strong></td>
<td></td>
</tr>
<tr>
<td>Owners and operators of health care facilities, including hospitals, nursing homes, rehabilitation centers, medical examination clinics and providers of healthcare insurance plans and policies and healthcare distributors.</td>
<td>13.21%</td>
</tr>
<tr>
<td><strong>Healthcare IT</strong></td>
<td></td>
</tr>
<tr>
<td>Companies that create and develop technologies used to store, share, and analyze health information.</td>
<td>2.72%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

*Includes Life Sciences Tools and Services and Leisure Products. **Others include Indonesia & Hungary. Data from Bloomberg as of 6/30/2019.
China

Healthcare Administration Services

• Rising demand from wealthier Chinese seeking quality care and diverse services has led to increased privatization of hospitals to match demand.
  • In 2015, China’s private hospitals outnumbered public hospitals for the first time with 15,570 vs 12,871 respectively.
• The “Healthy China 2030” policy outlines the Government’s plans to upgrade the standards and quality of service in primary care institutions.
  • The government set a goal to have five qualified general practitioners available for every 10,000 residents in China by 2030 in an effort to control high medical expenditures.
  • Establishment of a medical network and referral system geared toward reducing overcrowding in China’s largest tertiary hospitals.

Pharmaceuticals

• R&D costs are significantly lower in China. On average, drug development costs in the US amount to $3 to $4 billion, while comparable developments could be done in China for about $30 to $40 million.
• In 2015, the China Food and Drug Administration (CFDA) issued the “Opinions on Reforming the Review and Approval System for Drugs and Medical Devices”, which set policies aimed towards:
  • Increasing efficiency and transparency of drug review and approval processes.
  • Maximizing quality of generic drugs.
  • Enhancing efficiency in R&D innovations.

2. WANG XIAODONG “China to improve training of GPs”, China Daily, 1/25/2018
## China

### Biotechnology

#### Government funding
- Biotech industry highlighted in three of the government’s latest five-year plans.
- Estimated $100 billion\(^1\) already invested in the life-sciences sector by central, provincial, and local governments in an effort to reach the five-year-plan targets.

#### Venture Capital / Private Equity Funding
- ChinaBio reports that Chinese venture capital and private equity funds raised $42.8 billion in 2018 for life-sciences investment\(^1\).

#### Regulatory Changes
- China is moving toward global standardization.
- In June 2017, China joined the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH).

#### Returning Talent
- Foreign undergraduate and advanced degree recipients are increasingly returning to China to work.
- Over 2 million returnees in last 6 years, estimated 250,000 in life science\(^1\).

### FIVE YEARS

#### A snapshot of China’s biotech industry

**2015**
- The 13th 5-Year Plan (2015-2020) mandated the biotech industry should exceed 4% of China’s GDP by 2020\(^2\).

**2016**
- A Chinese biotech start-up broke the country’s record for first-round financing, raising $150 million.

**2017**
- China’s drug administration body agreed to align Chinese drug regulations with the rest of the world.

**2018**
- The Hong Kong Stock Exchange relaxed rules allowing public stock investment in pre-revenue (development-stage) biotech companies. In July, the first such company (Hongzhou-based Ascletis Pharma) took advantage of this regulatory change and went public\(^3\).
- Total value of Chinese healthcare IPOs was $7 billion in 2018, an increase of 41% from 2017\(^1\).

**2019**
- Shanghai-Fosun Pharma (KURE holding)\(^4\) paid $36 million to acquire a former GlaxoSmithKline drug-making facility in Suzhou\(^5\).
- Lepu Biotech, a subsidiary of Lepu Medical (KURE holding)\(^6\) raised $191 million in series-A funding for immunotherapies\(^5\).

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4. Shanghai-Fosun Pharma (2196.HK) is held in KURE as of 6/30/2019 at a weight of 3.07%. All fund holdings are subject to change.
6. Lepu Medical (300003.SHE) is held in KURE as of 6/30/2019 at a weight of 1.49%. All fund holdings are subject to change.
South Korea

Biotechnology

- The Korean government is pushing to expand its share in the global biotechnology market by adding 120,000 new biotech jobs by 2025.¹
- According to the Ministry of Science, the 2018 budget increased its biotechnology funding by 10.5% from its previous year.²

Pharmaceuticals

- As of 2016, Korea is the 13th largest pharmaceutical market in the world, just behind Canada, with a market value of $18.7 billion and is expected to exceed $20.4 billion by 2020.³
- The government has pushed its focus on generics as a solution to reduce high out of pocket healthcare expenditures.
- Many originator drugs are set to lose their patents by 2020, opening the market further to generics.
- Korean exports of pharmaceutical products grew by over $1 billion from 2012 to 2016, growing at a compound annual growth rate of 10.7%.²

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India

Pharmaceuticals

- India’s pharmaceutical industry supplies over 50% of the global demand for vaccines\(^1\).
- The pharmaceutical sector was valued at $33 billion in 2017 and is expected reach $55 billion by 2020\(^1\).

Biotechnology

- India’s biotechnology industry represents 2% of the global biotech industry and is expected to grow from $7 billion in 2015 to $100 billion by 2025\(^2\).

Healthcare Administration Services

- The hospital services market, is currently valued at $80 billion and accounts for 71% of total industry revenues\(^3\).
- Currently, there is a shortage of healthcare infrastructure, especially in rural areas and Tier II and Tier III cities.
  - India has 1 doctor for every 921 people\(^4\).

Malaysia

Hospital Administration Services

- In 2016, total healthcare expenditure reached $13.3 billion, and is expected to more than double over the next ten years to $30.4 billion by 20261.
- The Malaysian Government’s Six Entry Point Projects (EPPs) highlights healthcare tourism as a critical factor to accelerate the healthcare sectors growth.
  - Malaysia today ranks eighth worldwide for medical tourism, possessing a market that is worth $290 million and is predicted to grow to reach $3.5 billion by 20242.
  - The Malaysian medical tourism is projected to experience 30% year-on-year growth2.

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IHH Healthcare is a Malaysian healthcare services provider across multiple countries. The company operates hospitals, medical centers, clinics and other healthcare services.

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Thailand

Hospital Administration Services

- Thailand’s total healthcare expenditure in 2016 amounted to $25.3 billion in 2016 and is expected to increase to $47.9 billion by 20263.
- The Ministry of Public Health’s “Thailand 4.0” policy outlines the roadmap to become the medical and wellness destination hub of ASEAN countries by 2025. The policy emphasizes medical tourism as a key factor for success.
- In 2017, Thai medical tourism brought in $1.5 billion in income for private hospitals, representing a 3-4% growth from 20164.

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Bangkok Dusit Medical Services is a Thai-based hospital administration services company that operates hospitals and wellness clinics internationally.

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South Africa

Pharmaceuticals

• In 2016, the pharmaceutical market was valued at between $3.1 and $3.3 billion\(^1\)
• In the same year, pharmaceutical imports accounted for 85% of the country’s total pharmaceutical trade, despite depreciation of the South African Rand.\(^2\)
  • The generic drug market represents 35.3% of the pharmaceutical market.
• South Africa relies heavily on imports for most pharmaceutical products because most of the local manufacturers focus on the manufacturing of antiretroviral and essential generic medicines.
• High disease burden that is specific to the South African region ensures increased demand for drugs, especially anti-retroviral.


Example Pharmaceuticals Holding

Aspen Pharmacare is a pharmaceutical company that manufactures and supplies over the counter, generic branded drugs. The company is headquartered in South Africa with operations expanding internationally.
Brazil

Insurance

- Brazil has implemented a universal and free public healthcare system, however 26%\(^1\) of its total population utilizes private healthcare and employer-subsidized health insurance due to the lack of funding and quality of service in the public healthcare system.
  - Despite declines in recent years, Brazil still has one of the highest rates of healthcare expenditure per capita in emerging markets, and 12% of its total GDP was expended on healthcare in 2016\(^2\).
  - Of approximately 6,500 hospitals in Brazil, 70% are private\(^3\).

Medical Services

- In 2015, Brazil launched the Mais Médicos program to expand access to medical services including healthcare examinations to over 63 million people.
  - The Federal University of Minas Gerais and the Court of Audit of the Federation reported that quality of care has improved by 86%, wait times declined by 89% despite a 33% increase in average number of doctors office visits each month.\(^4\)

Example Healthcare Administration Services Holding

Qualicorp is a health insurance and benefits packages provider that operates throughout Brazil. The company also provides health plans and benefits consultations.

OdontoPrev is a dental benefits company that operates throughout Brazil.

Grupo Fleury is a diagnostic, treatment and clinical analysis medical services provider that is headquartered in Brazil.

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1. Data from National Regulatory Agency for Private Health Insurance and Plans of Brazil as of June 2015.
4. "Brazil’s "More Doctors" initiative has taken health care to 63 million people" Organisation Panamericaine de la Sante, 09/22/2015.
The top 10 holdings in the KraneShares Emerging Market Healthcare Index ETF (Ticker: KMED) have seen attractive revenue growth over the past five years.

<table>
<thead>
<tr>
<th>Top 10 Fund Holdings* (As of 6/30/19)</th>
<th>Company logo</th>
<th>Ticker</th>
<th>Fund Weight</th>
<th>1 Year Average Revenue Growth Rate</th>
<th>5 Year Average Revenue Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CELLTRION INC</td>
<td><img src="image1" alt="CELLTRION" /></td>
<td>068270 KS</td>
<td>5.02%</td>
<td>-3.62%</td>
<td>206.30%</td>
</tr>
<tr>
<td>IHH HEALTHCARE BHD</td>
<td><img src="image2" alt="IHH MK" /></td>
<td>IHH MK</td>
<td>4.76%</td>
<td>8.67%</td>
<td>12.38%</td>
</tr>
<tr>
<td>JIANGSU HENGRUI MEDICINE C-A</td>
<td><img src="image3" alt="Jiangsu Hengrui" /></td>
<td>600276 CH</td>
<td>4.74%</td>
<td>28.58%</td>
<td>23.74%</td>
</tr>
<tr>
<td>SUN PHARMACEUTICAL INDUS</td>
<td><img src="image4" alt="SUN" /></td>
<td>SUNP IN</td>
<td>4.32%</td>
<td>10.37%</td>
<td>15.45%</td>
</tr>
<tr>
<td>AIER EYE HOSPITAL GROUP CO-A</td>
<td><img src="image5" alt="AIER Eye Hospital" /></td>
<td>300015 CH</td>
<td>3.18%</td>
<td>31.24%</td>
<td>33.05%</td>
</tr>
<tr>
<td>CELLTRION HEALTHCARE CO LTD</td>
<td><img src="image6" alt="Celltrion Healthcare" /></td>
<td>091990 KS</td>
<td>3.06%</td>
<td>1.17%</td>
<td>32.63%</td>
</tr>
<tr>
<td>WUXI BIOLOGICS CAYMAN INC</td>
<td><img src="image7" alt="WUXI Biologics" /></td>
<td>2269 HK</td>
<td>2.99%</td>
<td>56.56%</td>
<td>66.41%</td>
</tr>
<tr>
<td>BANGKOK DUSIT MED SERVICE-F</td>
<td><img src="image8" alt="BDMS/F TB" /></td>
<td>BDMS/F TB</td>
<td>2.52%</td>
<td>6.52%</td>
<td>8.77%</td>
</tr>
<tr>
<td>ZHANGZHOU PIENZEHUANG PHA-A</td>
<td><img src="image9" alt="Zhangzhou Pienzehuang" /></td>
<td>600436 CH Equity</td>
<td>2.23%</td>
<td>24.27%</td>
<td>30.76%</td>
</tr>
<tr>
<td>AUROBINDO PHARMA LTD</td>
<td><img src="image10" alt="Aurobindo Pharma" /></td>
<td>ARBP IN Equity</td>
<td>2.19%</td>
<td>18.44%</td>
<td>19.76%</td>
</tr>
</tbody>
</table>

**Average:**

- 1 Year Average Revenue Growth Rate: 19.09%
- 5 Year Average Revenue Growth Rate: 44.93%

Data from Bloomberg as of 6/30/2019.

*Top Holdings excluding holdings with less than a 1-year performance history
**Fund Details**

As of 6/30/2019

<table>
<thead>
<tr>
<th>Primary Exchange</th>
<th>NYSE</th>
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<tbody>
<tr>
<td>Cusip</td>
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<tr>
<td>Total Annual Fund Operating Expense</td>
<td>0.79%</td>
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<tr>
<td>Inception Date</td>
<td>8/29/18</td>
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<tr>
<td>Distribution Frequency</td>
<td>Semiannually</td>
</tr>
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<td>Index Name</td>
<td>Solactive Emerging Markets Healthcare Index</td>
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<tr>
<td>Index Ticker</td>
<td>SOLKMED</td>
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<td>Number of Holdings (ex Cash)</td>
<td>69</td>
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</table>

**Top Ten Fund Holdings**
as of 6/30/2019 excluding cash. Fund Holdings are Subject to change.

<table>
<thead>
<tr>
<th>Ticker</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHENZHEN MINDRAY BIO-MEDIC-A</td>
<td>5.20</td>
</tr>
<tr>
<td>CELLTRION INC</td>
<td>5.02</td>
</tr>
<tr>
<td>IHH HEALTHCARE BHD</td>
<td>4.76</td>
</tr>
<tr>
<td>JIANGSU HENGRUI MEDICINE C-A</td>
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<tr>
<td>SUN PHARMACEUTICAL INDUS</td>
<td>4.32</td>
</tr>
<tr>
<td>AIER EYE HOSPITAL GROUP CO-A</td>
<td>3.18</td>
</tr>
<tr>
<td>CELLTRION HEALTHCARE CO LTD</td>
<td>3.06</td>
</tr>
<tr>
<td>WUXI BIOLOGICS CAYMAN INC</td>
<td>2.99</td>
</tr>
<tr>
<td>HAPVIDA PARTICIPACOES E INVE</td>
<td>2.74</td>
</tr>
<tr>
<td>BANGKOK DUSIT MED SERVICE-F</td>
<td>2.52</td>
</tr>
</tbody>
</table>

**KMED Performance History as of 6/30/2019**

<table>
<thead>
<tr>
<th>Cumulative %</th>
<th>Average Annualized %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 Mo</td>
</tr>
<tr>
<td>Fund NAV</td>
<td>-6.03%</td>
</tr>
<tr>
<td>Closing Price</td>
<td>-6.18%</td>
</tr>
<tr>
<td>Index</td>
<td>-4.81%</td>
</tr>
</tbody>
</table>

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

Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Market price returns are based upon the midpoint of the bid/ask spread at the close of the exchange and does not represent the returns an investor would receive if shares were trade at other times. Brokerage commissions will reduce returns. NAVs are calculated using prices as of 4:00 PM Eastern Time.

The Index reflects the reinvestment of any cash distributions after deduction of any withholding tax using the maximum rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Index returns are for illustrative purposes only. Index performance returns do not reflect any management fees, transaction costs or expenses (except for withholding taxes described above). Indexes are unmanaged and one cannot invest directly in an index.
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.

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. Narrowly focused investments typically exhibit higher volatility. Such changes may have an adverse impact on performance. The fund is non-diversified.

The ability of the KraneShares Emerging Market Healthcare Index ETF to achieve its investment objectives is dependent, in part, 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 to limited availability of A Share quota, the Fund could seek exposure to the component securities of the Underlying Index by investment in other types of securities. The fund may in invest in derivatives, which are often more volatile than other investments and may magnify the Funds’ gains or losses.

The KraneShares Emerging Market Healthcare Index ETF invests primarily in the health care industry. The profitability of companies in the healthcare sector may be affected by government regulations and government healthcare programs, government reimbursement for medical expenses, increases or decreases in the cost of medical products and services, limited product lines, increased emphasis on the delivery of healthcare through outpatient services and product liability claims. Many healthcare companies are heavily dependent on patent protection, which may be time consuming and costly, and the expiration of a company’s patent may adversely affect that company’s profitability. Healthcare companies are subject to competitive forces that may result in pricing pressure, including price discounting, and may be thinly capitalized and susceptible to product obsolescence. Many new products in the healthcare sector require significant research and development and may be subject to regulatory approvals, which may be time consuming and costly and with no guarantee that the product will come to market.

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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