The China Consumer E-Commerce Opportunity
An Overview of the KraneShares CSI China Internet ETF (Ticker: KWEB)
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. Krane Funds Advisors, LLC is majority owned by China International Capital Corporation (CICC).
Investment Strategy:
KWEB seeks to measure the performance of the investable universe of publicly traded China-based companies whose primary business or businesses are in the Internet and Internet-related sectors.

KWEB features:
- Access to Chinese internet companies that provide similar services as Google, Facebook, Twitter, eBay, Amazon, etc.
- Exposure to companies benefitting from increasing domestic consumption by China’s growing middle class
- Exposure to Chinese internet companies listed in both the United States and Hong Kong

China Internet Sector Highlights:
- Chinese retail web sales totaled US$1.31 trillion\(^1\) in 2018 (compared to US$513.6 billion\(^2\) in the United States).
- China’s internet population reached 829 million people, a penetration of only 59.6\(^3\). The U.S. internet population reached 286 million people, a penetration rate of 87.0\(^4\) in 2018.
- Total Chinese retail sales reached US$5.5 trillion in 2018\(^1\).
- Online shopping accounted for 23.6\(^1\)% of retail purchases in China in 2018\(^1\).

As China’s population moves into cities, they gain access to better jobs and wages, which in turn has a positive impact on GDP per capita.

China's urban population has almost three times more disposable income than their rural counterparts.

The China Internet Evolution

- China’s E-Commerce market size surpassed the U.S. for the first time in 2014, and China’s total retail sales surpassed total retail sales of the U.S. for the first time in 2017.
- 59.6% of China’s population has internet access compared to 87.0% in the U.S.
- We believe there is potential for substantial continued growth in the Chinese internet sector.

<table>
<thead>
<tr>
<th>China / US Internet Statistics</th>
<th>China</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total internet population</td>
<td>829mm¹</td>
<td>286mm²</td>
</tr>
<tr>
<td>% of population with internet access</td>
<td>59.6%¹</td>
<td>87.0%²</td>
</tr>
<tr>
<td>Country’s share of world internet users</td>
<td>22.7%²</td>
<td>7.8%²</td>
</tr>
<tr>
<td>E-Commerce market size 2018</td>
<td>$1.3T³</td>
<td>$513.6B⁴</td>
</tr>
<tr>
<td>Total retail sales 2018</td>
<td>$5.5T³</td>
<td>$5.3T⁴</td>
</tr>
<tr>
<td>% of online retail sales 2018</td>
<td>23.6%³</td>
<td>9.7%⁴</td>
</tr>
<tr>
<td>2017-2018 growth online sales</td>
<td>23.9%³</td>
<td>14.2%⁴</td>
</tr>
</tbody>
</table>

**A Tale of Two Chinas**

In 2013, the services sector surpassed the industrial sector as the largest contributor to China’s GDP for the first time. While traditional manufacturing is slowing, the service sector’s Purchasing Managers’ Index (PMI) indicates healthy growth in domestic consumption.

*The Purchasing Managers’ Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI of more than 50 represents expansion of the manufacturing sector when compared to the previous month. A PMI reading under 50 represents a contraction, and a reading at 50 indicates no change. The Non-Manufacturing Purchasing Managers’ Index (PMI) is a composite index calculated as an indicator of the overall economic condition for the non-manufacturing sector. The index is a composite based on four indicators with equal weights: Business Activity (seasonally adjusted), New Orders (seasonally adjusted), Employment (seasonally adjusted) and Supplier Deliveries.*
Retail sales have expanded steadily in China.

- Total Chinese retail sales reached $5.5 trillion in 2018.
- Chinese retail websites sold $1.3 trillion worth of goods in 2018, a 23.9% year-on-year increase.
- Online shopping accounted for 23.6% of total retail sales in 2018.


China Retail Sales Index: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.
The 1 year and 5-year average revenue growth rates for China internet companies are higher than those of many U.S. internet companies.

**Top 10 KWEB holdings vs. their U.S. equivalents as of 9/30/2019**

<table>
<thead>
<tr>
<th>Top 10 KWEB Holdings</th>
<th>Primary Business</th>
<th>KWEB Weight</th>
<th>China Internet Companies</th>
<th>Comparable U.S. Business</th>
<th>U.S. Internet Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 Year Average Revenue Growth Rate</td>
<td>5 Year Average Revenue Growth Rate</td>
<td></td>
</tr>
<tr>
<td>TENCENT HOLDINGS LTD</td>
<td>Social Media</td>
<td>10%</td>
<td>22%</td>
<td>38%</td>
<td>Facebook</td>
</tr>
<tr>
<td>ALIBABA GROUP HOLDING-SP ADR</td>
<td>E-Commerce</td>
<td>9%</td>
<td>47%</td>
<td>49%</td>
<td>Amazon</td>
</tr>
<tr>
<td>MEITUAN DIANPING-CLASS B</td>
<td>Online Delivery</td>
<td>9%</td>
<td>76%</td>
<td>81%</td>
<td>GrubHub</td>
</tr>
<tr>
<td>BAI DU INC - SPON ADR</td>
<td>Search</td>
<td>7%</td>
<td>13%</td>
<td>23%</td>
<td>Google</td>
</tr>
<tr>
<td>PINDUODUO INC-ADR</td>
<td>E-Commerce</td>
<td>6%</td>
<td>-</td>
<td>-</td>
<td>Groupon</td>
</tr>
<tr>
<td>JD.COM INC-ADR</td>
<td>E-Commerce</td>
<td>6%</td>
<td>23%</td>
<td>39%</td>
<td>Amazon</td>
</tr>
<tr>
<td>NETEASE INC-ADR</td>
<td>Gaming</td>
<td>4%</td>
<td>29%</td>
<td>53%</td>
<td>Activision Blizzard</td>
</tr>
<tr>
<td>TAL EDUCATION GROUP - ADR</td>
<td>Online Education</td>
<td>4%</td>
<td>36%</td>
<td>53%</td>
<td>Chegg</td>
</tr>
<tr>
<td>TENCENT MUSIC ENTERTAINM-ADR</td>
<td>Music Streaming</td>
<td>4%</td>
<td>48%</td>
<td>69%</td>
<td>Spotify</td>
</tr>
<tr>
<td>CTRIP.COM INTERNATIONAL-ADR</td>
<td>Online Travel Services</td>
<td>3%</td>
<td>19%</td>
<td>42%</td>
<td>Booking.com</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td></td>
<td><strong>64%</strong></td>
<td><strong>50%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Fund’s holdings are subject to change. Data from Bloomberg as of 9/30/2019
For the majority of the developing world, smart phones provide the first point of internet access, bypassing traditional computers.

<table>
<thead>
<tr>
<th>Mobile-cellular telephone subscriptions</th>
<th>2000</th>
<th>2018</th>
<th>Growth multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>3,577,095</td>
<td>1,176,021,869</td>
<td>329x</td>
</tr>
<tr>
<td>Russia</td>
<td>3,263,200</td>
<td>229,431,008</td>
<td>70x</td>
</tr>
<tr>
<td>China</td>
<td>85,260,000</td>
<td>1,641,147,000</td>
<td>19x</td>
</tr>
<tr>
<td>South Africa</td>
<td>8,339,000</td>
<td>88,566,977</td>
<td>11x</td>
</tr>
<tr>
<td>Brazil</td>
<td>23,188,171</td>
<td>207,046,810</td>
<td>9x</td>
</tr>
<tr>
<td>Argentina</td>
<td>6,487,950</td>
<td>58,598,041</td>
<td>9x</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5,121,748</td>
<td>42,413,400</td>
<td>8x</td>
</tr>
<tr>
<td>Poland</td>
<td>6,747,000</td>
<td>51,098,747</td>
<td>8x</td>
</tr>
<tr>
<td>South Korea</td>
<td>26,816,398</td>
<td>66,355,778</td>
<td>2x</td>
</tr>
</tbody>
</table>

The proliferation of low cost smart phones across emerging markets, like the Mi Max 2 from Xiaomi pictured below, has meant much of the developing population is gaining access to the internet for the first time via smart phones.


ITU is the United Nations specialized agency for information and communication technologies. Data includes pay-as-you-go and contract renewals.
China’s rapid adoption of new technologies has produced a “leapfrogging” effect
# The Alibaba Ecosystem

## China Domestic Marketplaces
- **1688.com**  
  (B2B Ecommerce Marketplace)
- **Tmall.com**  
  (B2C Online Retail Platform)
- **Cainiao**  
  (E-commerce Logistics Platform)
- **Alimama**  
  (Online Advertising Platform)

## Global Marketplaces
- **AliExpress**  
  (Global B2B Marketplace)
- **Taobao**  
  (Global C2C E-commerce Website)

## Other Business Ventures
- **Ant Financial**  
  (Mobile and Online Payments Platform)
- **Alibaba Cloud**  
  (Cloud Computing Services Provider to Online Businesses)
- **Alibaba Music**
- **Alibaba Pictures**
- **South China Morning Post**
- **YOUKU**
- **Alibaba Sports**
- **AliHealth**

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*Jack Ma (Alibaba Founder)*
Historically, Alibaba has consistently outperformed Amazon in terms of revenue growth and profit margins.

Past performance does not guarantee future results.
Apps like Tencent’s WeChat integrate an ecosystem of services including messaging, social media, mobile payments, wealth management, & taxi hailing.

WeChat users can invest in mutual funds through the same app they use for social media.

In 2016, the US taxi hailing service Uber sold its Chinese business to local competitor Didi (logo below). Unlike Uber, which relies on a stand alone app, Didi integrates into the most popular Chinese social media platforms.
The proliferation of E-Commerce in China also benefits Chinese logistics and delivery companies. Over 50 billion packages were delivered in China in 2018, an increase of 26% from the previous year\(^1\).

China is Rapidly Becoming A Global Internet Services Leader.

### Top 10 Global Internet Companies By Market Cap

<table>
<thead>
<tr>
<th>2013</th>
<th>2019</th>
<th>Potential Future IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Top 10 Global Internet Companies By Market Cap</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td><strong>Top 10 Global Internet Companies By Market Cap</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td><strong>Top 10 Private Companies</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
<tr>
<td>Alphabet</td>
<td>Amazon.com</td>
<td>Toutiao (Bytedance)</td>
</tr>
<tr>
<td>$374.4B</td>
<td>$858.7B</td>
<td>$75.0B</td>
</tr>
<tr>
<td>Amazon</td>
<td>Alphabet Inc</td>
<td>Didi Chuxing</td>
</tr>
<tr>
<td>$182.5B</td>
<td>$845.9B</td>
<td></td>
</tr>
<tr>
<td>Facebook</td>
<td>Facebook Inc</td>
<td>JUUL Labs</td>
</tr>
<tr>
<td>$138.8B</td>
<td>$508.1B</td>
<td></td>
</tr>
<tr>
<td>Tencent</td>
<td>Alibaba Group</td>
<td>WeWork</td>
</tr>
<tr>
<td>$118.7B</td>
<td>$435.4B</td>
<td></td>
</tr>
<tr>
<td>Ebay</td>
<td>Tencent</td>
<td>Stripe</td>
</tr>
<tr>
<td>$71.0B</td>
<td>$402.3B</td>
<td></td>
</tr>
<tr>
<td>Baidu</td>
<td>Paypal</td>
<td>Airbnb</td>
</tr>
<tr>
<td>$62.3B</td>
<td>$117.9B</td>
<td></td>
</tr>
<tr>
<td>Naspers Ltd</td>
<td>Netflix Inc</td>
<td>SpaceX</td>
</tr>
<tr>
<td>$43.4B</td>
<td>$117.2B</td>
<td></td>
</tr>
<tr>
<td>Yahoo</td>
<td>Naspers Ltd</td>
<td>Kuaisou</td>
</tr>
<tr>
<td>$41.0B</td>
<td>$66.8B</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>Baidu Inc</td>
<td>Epic Games</td>
</tr>
<tr>
<td>$36.1B</td>
<td>$35.8B</td>
<td></td>
</tr>
<tr>
<td>Salesforce</td>
<td>NetEase Inc</td>
<td>Grab</td>
</tr>
<tr>
<td>$33.3B</td>
<td>$34.1B</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$1.10T</td>
<td>$3.42T</td>
<td>$378.9B</td>
</tr>
</tbody>
</table>

KraneShares CSI China Internet ETF (NYSE: KWEB)

**Investment Strategy:**
KWEB (the Fund) tracks the CSI Overseas China Internet Index (the Index) and invests in China based companies whose primary business or businesses are focused on internet and internet-related technology. These companies are publicly traded on either the Hong Kong Stock Exchange, NASDAQ Stock Market, or New York Stock Exchange.

**Key Fund Information**

<table>
<thead>
<tr>
<th>Ticker</th>
<th>KWEB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Name</td>
<td>CSI Overseas China Internet Index</td>
</tr>
<tr>
<td>Primary Exchange</td>
<td>NYSE</td>
</tr>
<tr>
<td>Total Annual Fund Operating Expense</td>
<td>0.76%</td>
</tr>
<tr>
<td>Inception Date</td>
<td>7/31/2013</td>
</tr>
<tr>
<td>Distribution Frequency</td>
<td>Semiannually</td>
</tr>
</tbody>
</table>

**KWEB Performance History as of 9/30/2019**

<table>
<thead>
<tr>
<th>Fund NAV</th>
<th>Closing Price</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative %</td>
<td>Average Annualized %</td>
<td></td>
</tr>
<tr>
<td>3 Mo</td>
<td>6 Mo</td>
<td>Since Inception 7/31/2013</td>
</tr>
<tr>
<td>Fund NAV</td>
<td>-5.67%</td>
<td>-11.95%</td>
</tr>
<tr>
<td>Closing Price</td>
<td>-6.07%</td>
<td>-12.20%</td>
</tr>
<tr>
<td>Index</td>
<td>-5.57%</td>
<td>-12.02%</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

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.
KWEB’s current valuation is well below its historic average.

- Price-to-earnings ratio (P/E ratio) is a valuation metric that measures a security’s current share price relative to its per-share earnings.
- KWEB’s current P/E ratio of 23.76 is more than 1 Standard Deviation (Std) below its historic average, meaning KWEB is inexpensive relative to its average.
Adding a strategic China Internet allocation to EM portfolios can increase exposure to growth sectors.

• Broad-based EM indexes often have greater weights to sectors such as financials and commodities and less exposure to growth sectors.\(^2\)

• Investors may consider adding a strategic China Internet allocation to their current EM portfolio to achieve the sector exposure that matches their specific growth appetite.

2. Growth sectors defined as the top 5 sectors by weight of the MSCI ACWI Growth Index as of 9/30/2019: Information Technology, Consumer Discretionary, Industrials, Health Care, and Communication Services

Information is hypothetical, and is provided for illustrative purposes only and not indicative of any particular investment.

Data from Bloomberg as of 9/30/2019.
Traditional China indexes have greater exposure to State-Owned Enterprises.

- State-Owned Enterprises are defined by MSCI as companies whose largest shareholder is a government entity or whose government ownership is over 20%.¹
- The MSCI China Index has high exposure to SOEs which constitute 33.66% of the weight of the Index.¹
- Sectors such as financials and energy have the highest concentration of State-Owned Enterprises.
- The CSI Overseas China Internet Index has no exposure to SOEs.

¹Data from MSCI and Bloomberg as of 9/30/2019. See page 25 for index definitions.
²Data from CSI as of 9/30/2019.
A strategic China Internet allocation can reduce exposure to State-Owned Enterprises.

Information is hypothetical, and is provided for illustrative purposes only and not indicative of any particular investment.

Data from CSI as of 9/30/2019. State-Owned Enterprises as defined by MSCI are companies whose largest shareholder is a government entity or whose government ownership is over 20%. China Internet – CSI Overseas China Internet Index. See page 25 for index definitions.
Investors can adjust their strategic China Internet allocation within EM to match their specific risk-reward profile.

- China Internet is more volatile than EM broadly, but has provided superior annualized returns and improved Sharpe ratios since the inception of the CSI Overseas China Internet Index.

**Return and Volatility 2011-2019 (Since Inception)**

<table>
<thead>
<tr>
<th>Blended China Internet/ MSCI EM Index Hypothetical Portfolios</th>
<th>Annualized Return</th>
<th>Annualized Volatility</th>
<th>Sharpe Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% MSCI EM</td>
<td>4.12%</td>
<td>16.1%</td>
<td>0.22</td>
</tr>
<tr>
<td>75% MSCI EM / 25% China Internet</td>
<td>7.30%</td>
<td>17.8%</td>
<td>0.37</td>
</tr>
<tr>
<td>50% MSCI EM / 50% China Internet</td>
<td>10.26%</td>
<td>20.8%</td>
<td>0.46</td>
</tr>
<tr>
<td>25% MSCI EM / 75% China Internet</td>
<td>12.99%</td>
<td>24.5%</td>
<td>0.50</td>
</tr>
<tr>
<td>100% China Internet</td>
<td>15.47%</td>
<td>28.8%</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Data from Bloomberg as of 9/30/2019. See page 25 for index definitions.

Sharpe Ratio - used to help investors understand the return of an investment compared to its risk. Generally, the greater the value of the Sharpe ratio, the more attractive the risk-adjusted return.

Information is hypothetical, and is provided for illustrative purposes only and not indicative of any particular investment. Index returns are for illustrative purposes only and do not represent actual Fund performance. 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.
KWDB’s investment strategy provides a basket approach to China Internet sector which is aimed at potentially reducing volatility compared to individually held China Internet stocks.

Historical Return / Volatility of KWEB & Its Top Holdings Since KWEB Inception (7/31/2013) & The Past 2 Years

Since Inception (7/31/2013 - 9/30/2019)

9/30/2017 - 9/30/2018

9/30/2018 - 9/30/2019

Top Ten Holdings as of 7/31/2013

Ticker %

BAIDU INC - SPON ADR BIDU 10.37
TENCENT HOLDINGS LTD 700 HK 9.62
Ctrip.COM INTERNATIONAL-ADR CTRP 6.77
NETEASE INC-ADR NTES 6.61
SINA CORP SIN A 4.83
VIPSHOP HOLDINGS LTD - ADR VIPS 4.80
FANG HOLDINGS LTD - ADR SFUN 4.28
KINGSOFT CORP LTD 3888 HK 3.97
RENREN INC-ADR RENN 3.53
51JOB INC-ADR JOBS 3.41

Top Ten Holdings as of 9/30/2017

Ticker %

TENCENT HOLDINGS LTD 700 HK 10.77
ALIBABA GROUP HOLDING-SP ADR BABA US 10.09
BAIDU INC - SPON ADR BIDU US 9.34
JD.COM INC-ADR JD US 5.87
TAL EDUCATION GROUP- ADR TAL US 5.75
Ctrip.COM INTERNATIONAL-ADR CTRP US 4.95
58.COM INC-ADR WUBA US 4.89
WEIBO CORP-SPON ADR WB US 4.55
SINA CORP SIN A US 4.50
AUTOHOME INC-ADR ATHM US 4.38

Top Ten Holdings as of 9/30/2018

Ticker %

TENCENT HOLDINGS LTD 700 HK 10.00
ALIBABA GROUP HOLDING-SP ADR BABA US 9.21
BAIDU INC - SPON ADR BIDU US 9.10
NETEASE INC-ADR NTES US 8.60
JD.COM INC-ADR JD US 5.29
IQIYI INC-ADR IQ US 4.73
58.COM INC-ADR WUBA US 4.58
MOMO INC-SPON ADR MOMO US 4.53
Ctrip.COM INTERNATIONAL-ADR CTRP US 4.08
SINA CORP SIN A US 3.81

Data from Bloomberg as of 9/30/2019.

†Volatility: is the degree of variation of a trading price series over time as measured by the standard deviation of returns. Standard deviation: is a quantity calculated to indicate the extent of deviation for a group as a whole. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values.

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 call +1(855) 8KRANE8 or visit our website at www.kraneshares.com/kweb/.
China Internet performance compared to the U.S., Emerging Markets, & Other China Indexes

Since KWEB Inception (7/31/2013) as of 9/30/2019


*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 25 for index definitions.

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The S&P 500 and MSCI Emerging Markets Indexes were chosen to represent the U.S. and broader emerging markets respectively because they are considered to be the industry standard bearers for representing these markets. The S&P China BMI, MSCI China and FTSE China 50 indexes were chosen because they are popular measures of the broad Chinese market and are helpful for illustrating how the Chinese technology sector performs relative to the Chinese markets as a whole.

Past Year as of 9/30/2019*

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. Variable-interest entities (VIEs) do not give investors ownership in the operating company as stock does. The enforceability of the VIE structure is not guaranteed by Chinese law. 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. 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. The fund is non-diversified.

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Important Notes (continued)

The S&P 500 Index: is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The MSCI Emerging Markets Index: captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 834 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. FTSE China 50 Index: is a real-time tradable index comprising 50 of the largest and most liquid Chinese stocks (H Shares, Red Chips and P Chips) listed and trading on the Stock Exchange of Hong Kong (SEHK). MSCI China Index: The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips and P chips. With 157 constituents, the index covers about 84% of this China equity universe. S&P China BMI Index: is a comprehensive benchmark that defines and measures the investable universe of publicly traded companies domiciled in China, but are legally available to foreign investors.

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.

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