

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

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).





**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 2019, the CICC Research Team ranked #1 in Institutional Investor's All-China Research Category for the eighth 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.

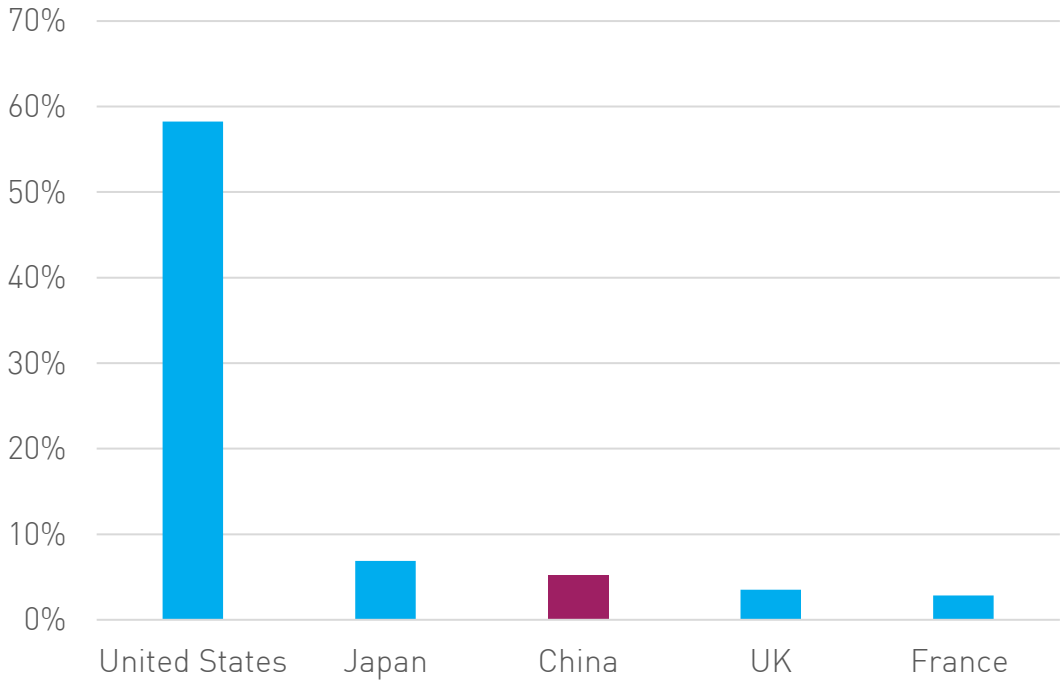
*Formerly the KraneShares Zacks New China ETF

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. en.cicc.com, "CICC Wins Big in All-China Research Team Awards 2019 Organized by Institutional Investor & Caixin", 11/11/2019, retrieved on 9/30/2020.

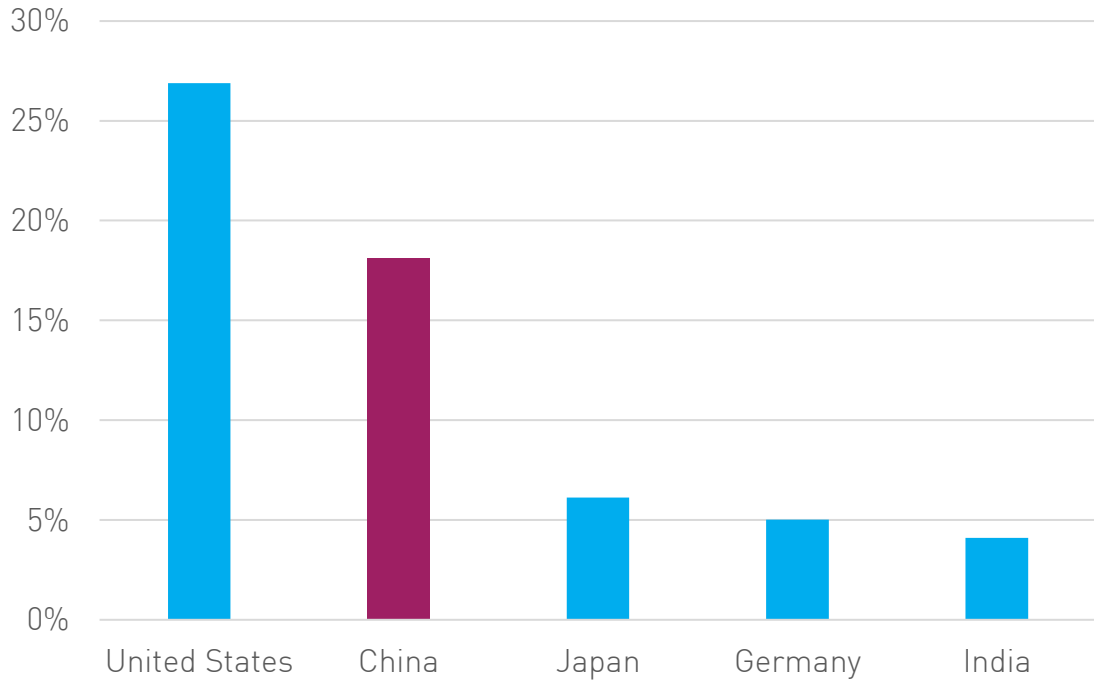
The China A-Share market is too big to ignore.

Even though China is the world's second largest economy and stock market, China A-Shares are still underrepresented in global capital markets.

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



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



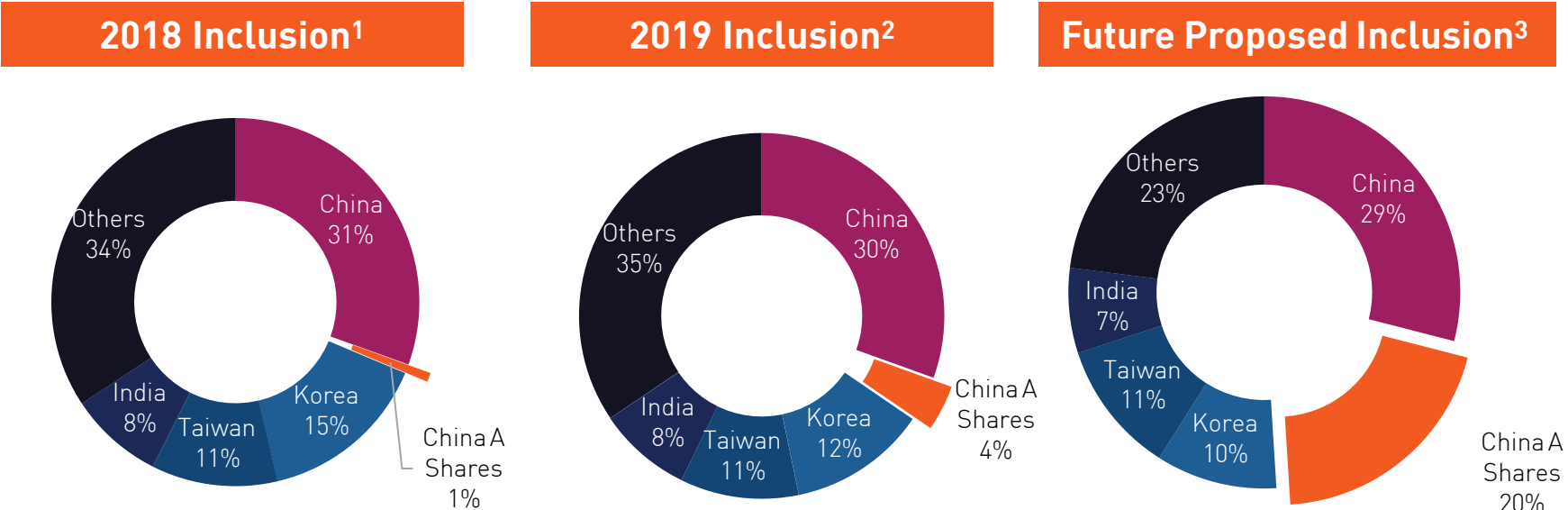
1. Data from MSCI as of 9/30/2020. See page 14 for index definitions

On February 28, 2019, MSCI made a larger than expected China A-Share inclusion announcement. MSCI increased the inclusion factor of China A-Shares in their Global Standard Indexes from 5% to 20% in 2019.

Currently, **\$1.8 trillion** track the MSCI Emerging Markets Index. **Up to \$360b** are expected to be reallocated to China A-Shares after full inclusion.

- On September 3, 2018 MSCI completed the first 5% inclusion of China A-Shares within the MSCI Emerging Markets Index.
- MSCI increased the inclusion factor of China A-Shares from 5% to 20% by the end of 2019.
- The full proposed inclusion weight is projected to reach 20% of the Emerging Markets Index.
- We believe multiple inclusions could provide a sustained catalyst for the outperformance of the Mainland market.

China A-Share Inclusion in MSCI Emerging Markets Index



1. MSCI.com/China, retrieved 9/30/2020
 2. "MSCI Will Increase The Weight Of China A Shares In MSCI Indexes" MSCI, Feb. 2019, retrieved 9/30/2020
 3. Data from MSCI as of 9/30/2020.

Source: MSCI as of 12/31/2019. See page 14 for index definitions. Country weights are rounded to the nearest percentage point. Please note that the inclusion factor percentage represents the percentage of the inclusion process that has been completed and not the resulting weight of China A-Shares in the MSCI EM Index.

The Chinese economy is transforming into a high-quality growth model. As such, prudent China investment strategies will allocate according to signs of long-term value and growth rather than sentiment.

As the world’s second largest economy develops, the structure of its capital markets will increasingly resemble those in the developed world.

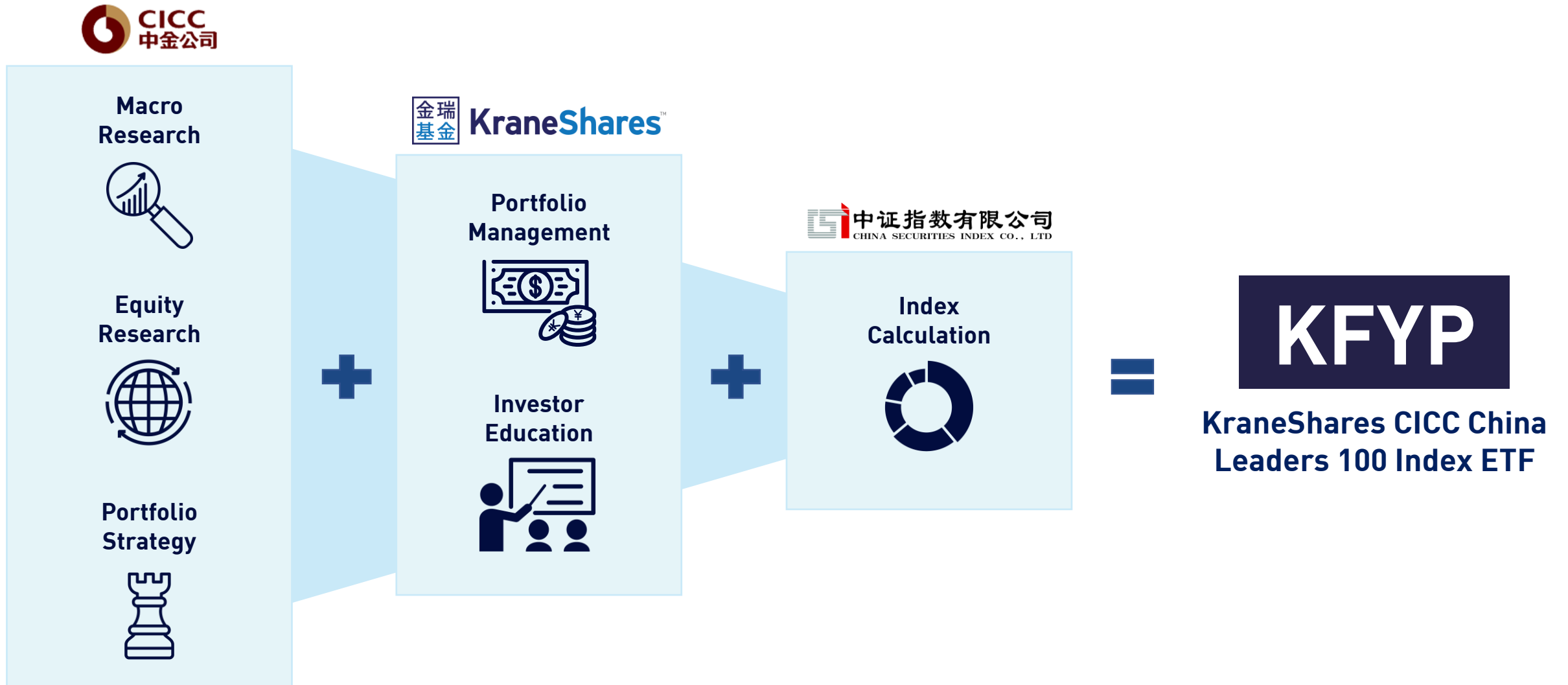
- The Chinese government’s 13th Five Year Plan (2016-2020) stressed market allocation of resources and lowering costs of doing business in China.¹
- Chinese consumers are upgrading to higher-end products while its industries are consolidating and moving up the value chain.²
- Accordingly, the financial sector in China is experiencing significant growth. Financial institutions are increasingly exerting influence over equity markets³ as they long have done in developed capital markets. In the United States, institutions own approximately 80% of the stock market.⁴
- The result is that markets become less influenced by short-term sentiment and are increasingly driven by long-term fundamentals analysis.

A-Share Market Ownership by Free-Float Market Cap³



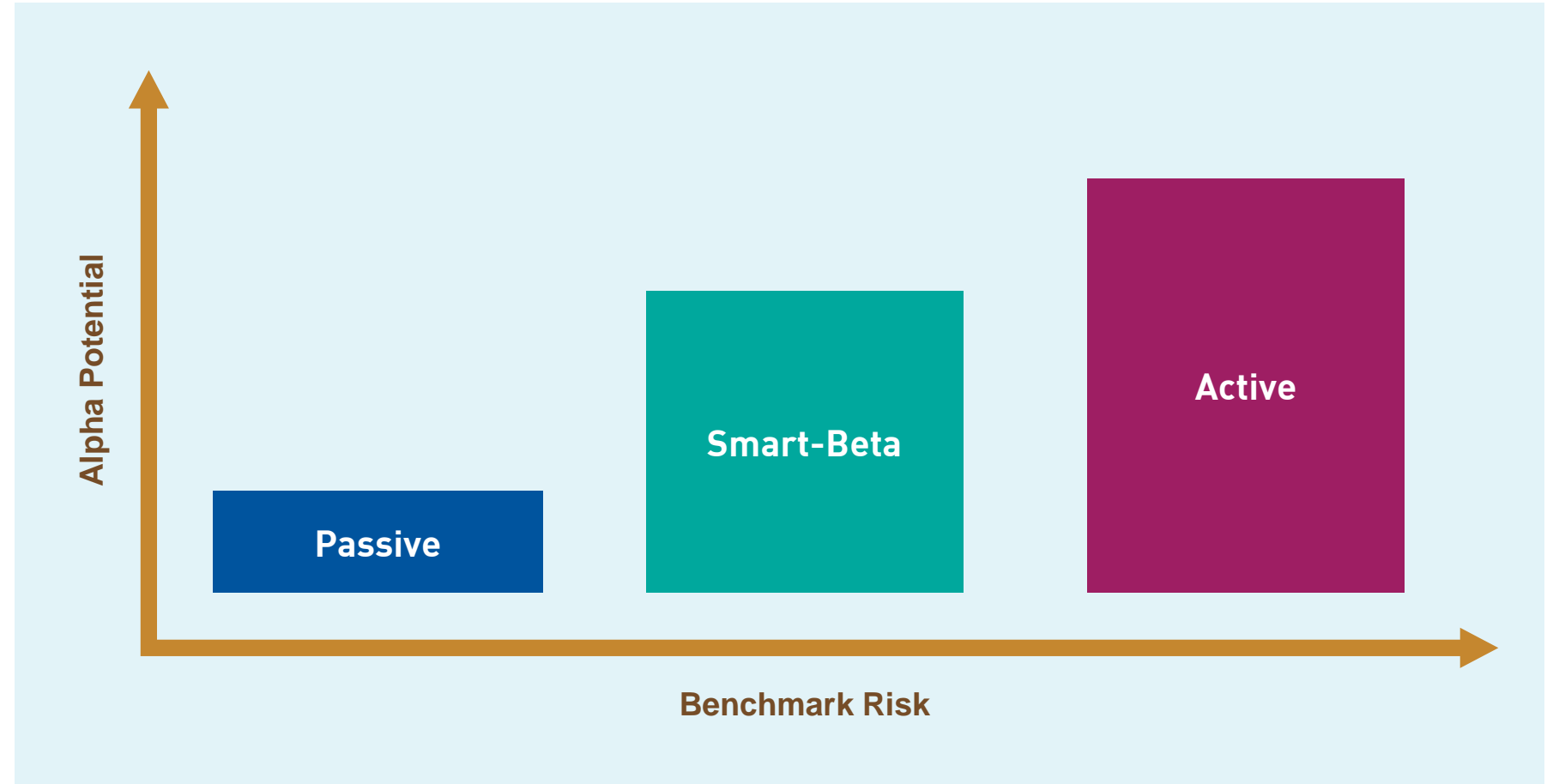
1. Sheng, Andrew. “How China is Moving Out of Debt and Up The Value Chain.” World Economic Forum. Aug. 9, 2017.
 2. Geng, Shuajin. “CICC Select Indexes – an Introduction.” CICC Research. May 5, 2019.
 3. Wang, Hangfei. “Changing Landscape of China A-share Investor Structure.” CICC Research. Jul. 2, 2019.
 4. McGrath, Charles. “Institutions Own 80% OF Equity Market.” Pensions & Investments. Apr. 25, 2017. Retrieved 9/30/2020.

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



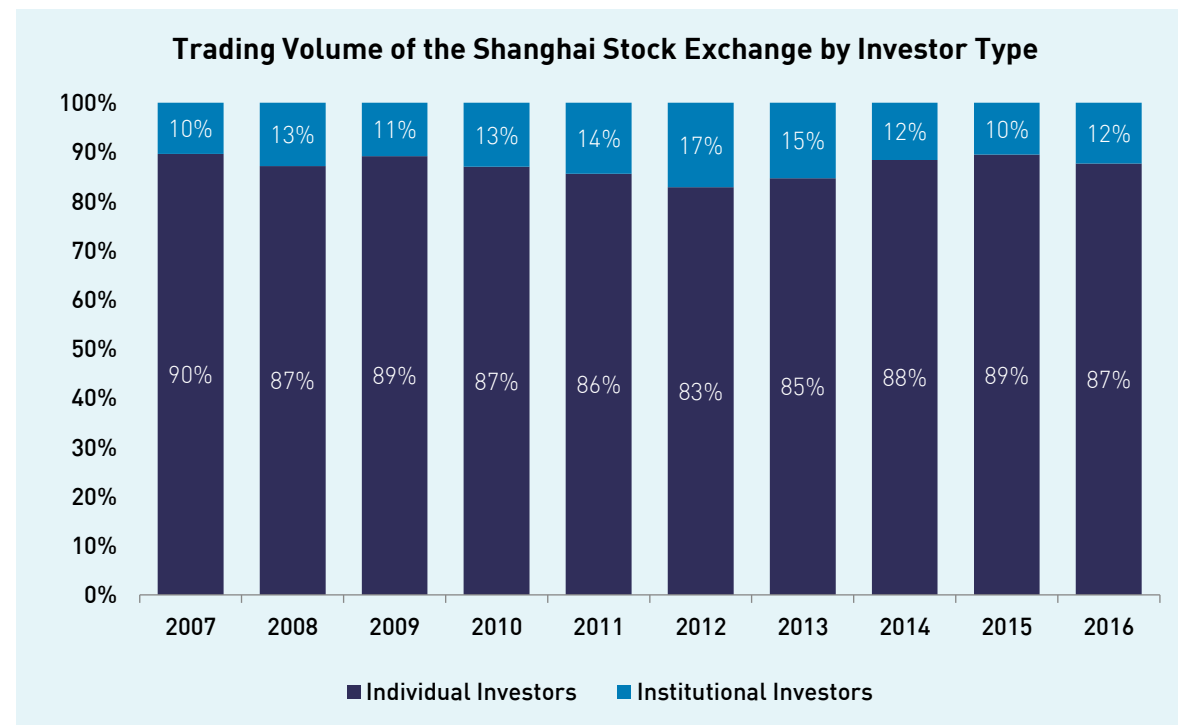
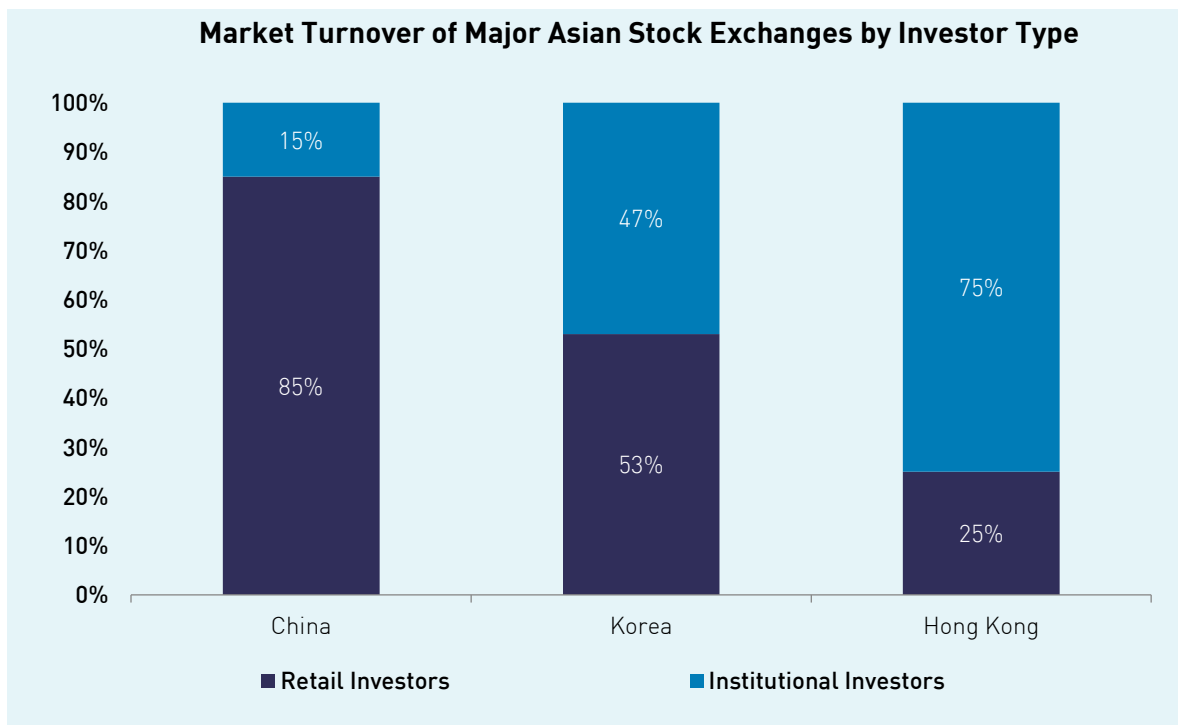
Why use the smart-beta approach with China A-shares?

- 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

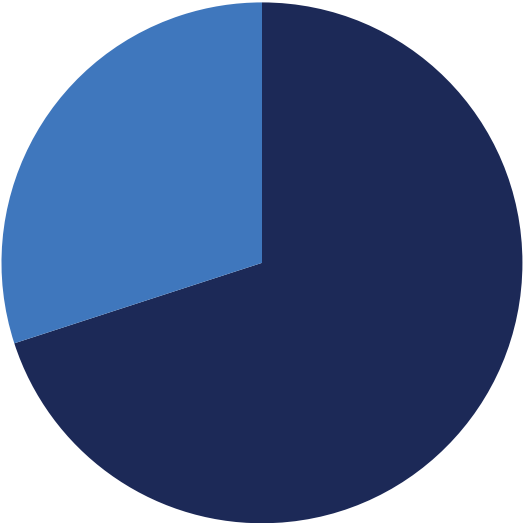


Source: Shanghai Securities Exchange Yearbook, CICC Research as of January 2018. Retrieved 9/30/2020.

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

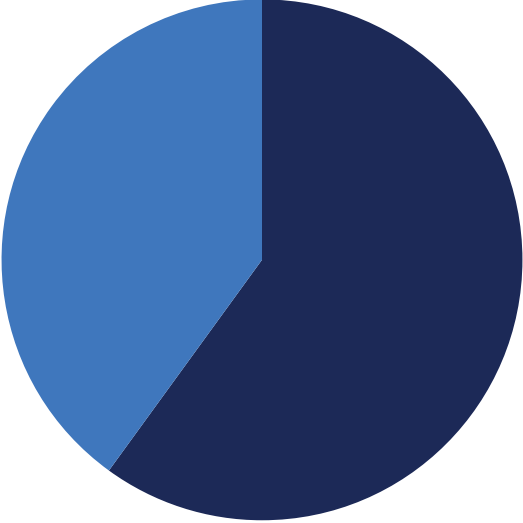
- An ROE filter is a useful tool for identifying stocks that perform in line with fundamentals
- CICC Research has determined that smart-beta factors work more effectively when applied to the top 50% of A-share stocks as ranked by normalized ROE
- These stocks tend to have a more stable shareholder base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

Shareholding Breakdown by Overseas Investors



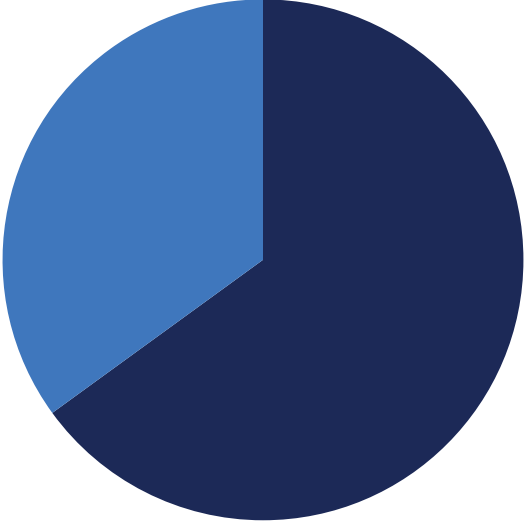
■ High ROE ■ Low ROE

Shareholding Breakdown by Social Security Funds



■ High ROE ■ Low ROE

Shareholding Breakdown by Insurance Firms

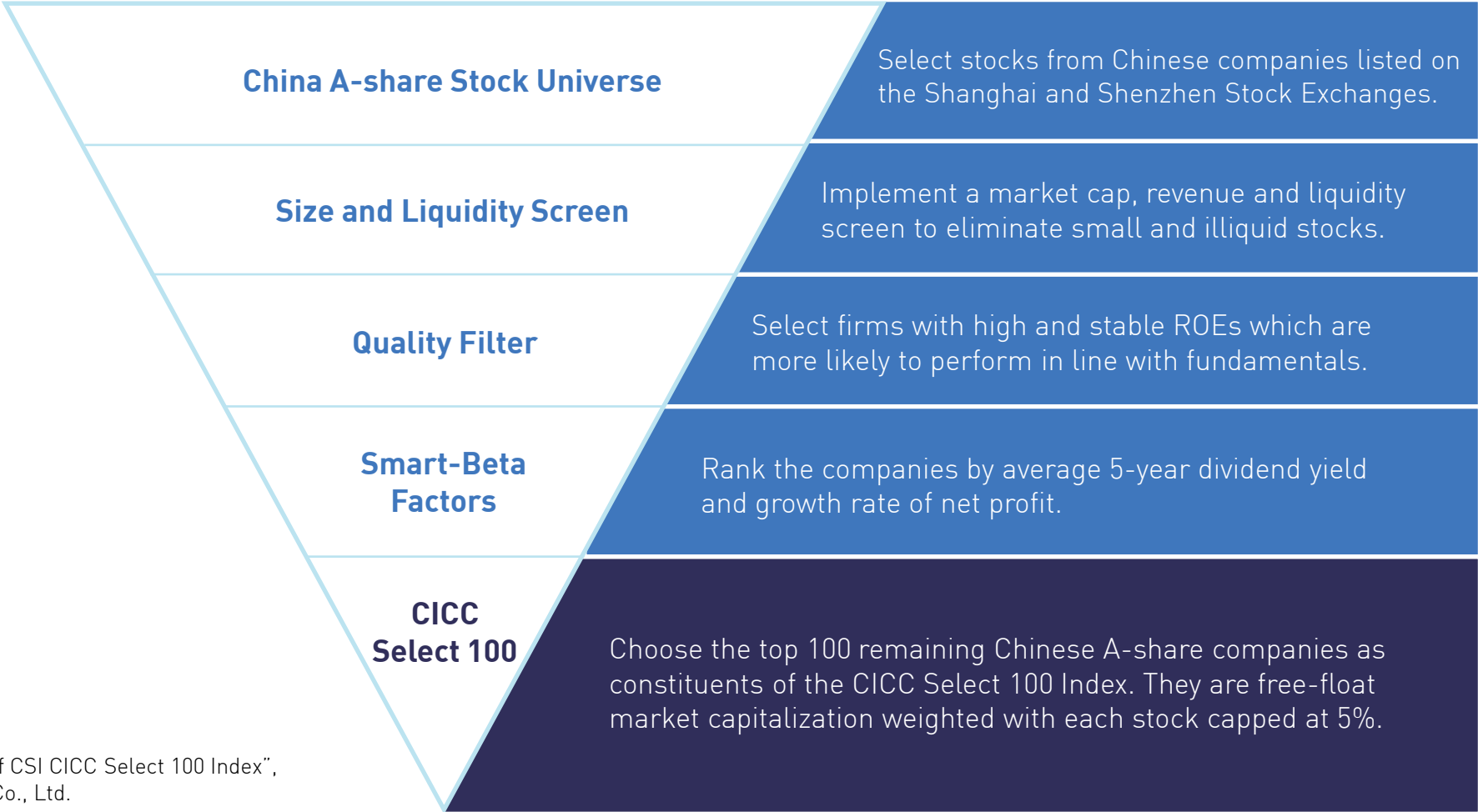


■ High ROE ■ Low ROE

Source: CICC Research as of January 2018, retrieved on 9/30/2020.
 1. Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity

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

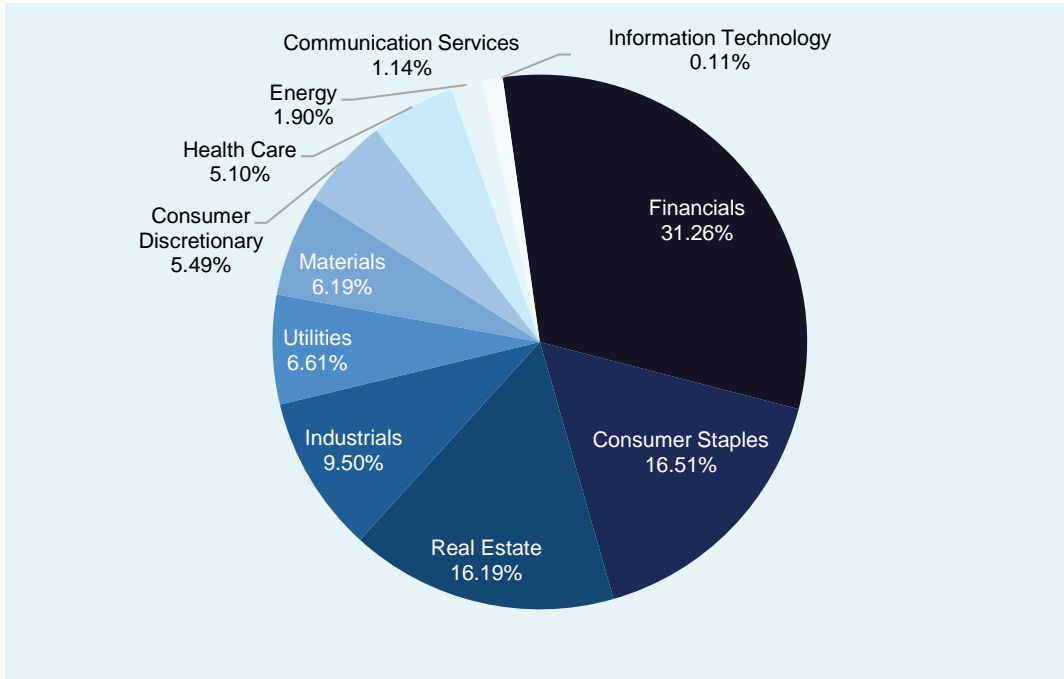


Quantitative investment in line with CICC research principles

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

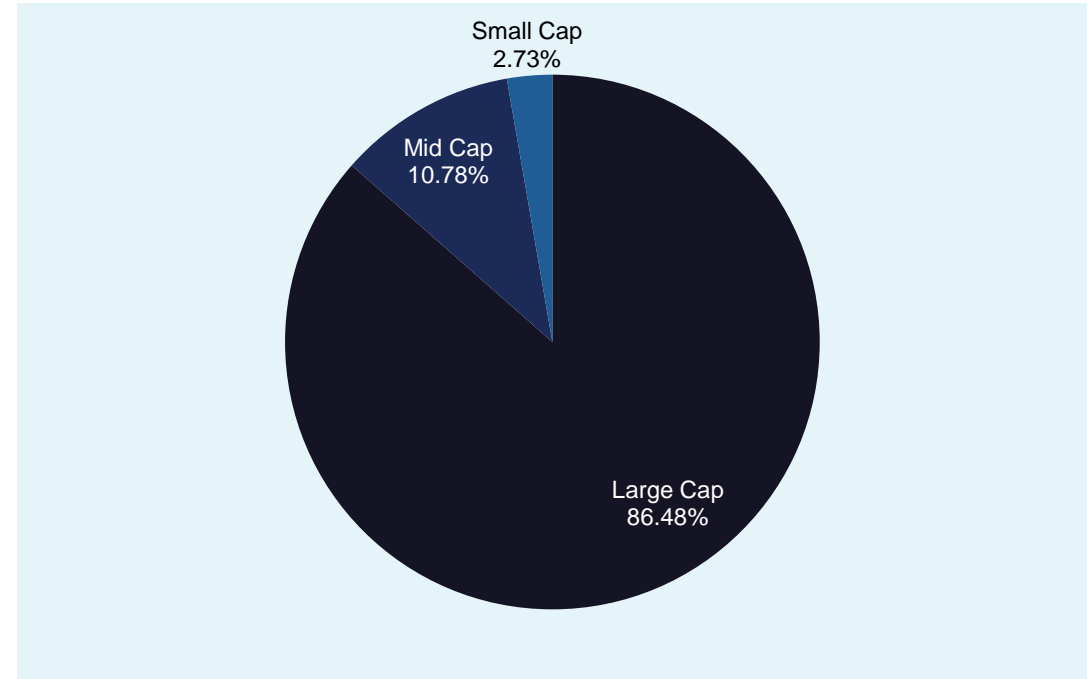
The KraneShares CICC China Leaders 100 Index ETF provides exposure to predominantly large cap China A-share companies across a diverse range of sectors.

KFYP Sector Breakdown



Data from Bloomberg as of 9/30/2020, excluding cash.

KFYP Market Cap Breakdown



Data from Bloomberg as of 9/30/2020, excluding cash.

KraneShares CICC China Leaders 100 Index ETF*

Investment Strategy:

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*Formerly the KraneShares Zacks New China ETF

Fund Details	Data as of 9/30/2020
Primary Exchange	NYSE
CUSIP	500767207
ISIN	US5007672075
Total Annual Fund Operating Expense	0.69%
Inception Date	7/22/2013
Distribution Frequency	Annual
Index Name	CSI CICC Select 100 Index
Number of Holdings	107

Top 10 Holdings as of 9/30/2020 Holdings are subject to change.	Ticker	%
CHINA VANKE CO LTD -A	000002 C2	5.80
IND & COMM BK OF CHINA-A	601398 C1	5.46
CHINA YANGTZE-A	600900 C1	5.17
CHINA MERCHANTS BANK-A	600036 C1	4.76
BANK OF COMMUN-A	601328 C1	3.91
INDUSTRIAL BANK CO LTD -A	601166 C1	3.89
HUATAI SECURIT-A	601688 C1	3.82
POLY DEVELOPME-A	600048 C1	3.60
SHANG PUDONG-A	600000 C1	3.49
CHINA STATE -A	601668 C1	3.34

KFYP Performance History as of 9/30/2020:

	Cumulative %			Average Annualized %			
	3 Mo	6 Mo	Since Inception	1 Yr	3 Yr	5 Yr	Since Inception
Fund NAV	11.73%	17.94%	99.89%	13.22%	2.86%	12.43%	10.11%
Closing Price	13.14%	19.76%	99.66%	10.25%	2.56%	12.74%	10.09%
Index	11.70%	18.84%	97.61%	14.49%	3.78%	12.07%	9.93%

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 investors 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.

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.

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.

Index Definitions:

MSCI All Country World (USD Net) Index: captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries.

MSCI All Country World GDP Weighted (USD Gross) Index: based on the flagship MSCI ACWI Index, its parent index, and includes large and mid-cap stocks across 23 Developed Markets (DM) and 26 Emerging Markets (EM) countries.

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

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.

Risk Disclosures:

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. The potential unavailability of liquid secondary market access relating to A-shares may have an adverse effect on the market price and the Fund's availability to dispose of particular issuers, including to honor redemptions, and may also make it more difficult for the Fund to obtain accurate market quotations in valuing these assets. In addition, uncertainties in the rules governing Chinese taxation of income and gains from investments in A-shares could result in unexpected liabilities, which may adversely impact fund returns. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. The Fund is non-diversified.

Diversification does not ensure a profit or guarantee against a loss.

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 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 pm Eastern Time (when NAV is normally determined).

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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