



KraneShares™

# The China Internet Opportunity





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**KraneShares is dedicated to raising awareness of opportunities in China's economy & capital markets among global investors**



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## Why is China Important?

- In 2010, China officially became the world's second largest economy
- In March of 2013, China's National People's Congress appointed the country's new reform minded leadership under Premier Li Keqiang and President Xi Jinping
- A key focus of China's new government has been the implementation of China's 12<sup>th</sup> Five Year Plan
- The 12<sup>th</sup> Five Year Plan Incorporates Three Significant Trends In China Today: Urbanization, Domestic Consumption & Technology



KraneShares seeks to provide awareness of China's economic evolution along with investment strategies that will track the country's new course



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There Are **Three** Significant Trends  
Taking Place In China Today:

**Urbanization,  
Domestic Consumption  
& E-Retailing**



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**How do we know this?**



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## **In Addition To Being Outlined In The 12th Five Year Plan, Premier Li Told Us:**

*“Urbanization also offers huge potential for long-term domestic demand. Of the people living in the countryside, more than 100m are set to be absorbed into cities over the next decade or so.”*

*–Premier Li*

*“A key focus is the expansion of domestic demand... We will expand consumer demand through initiatives such as the promotion of the IT sector through the expansion of broadband and 4G licenses.”*

*–Premier Li*

Source: Financial Times Editorial titled  
“China Will Stay The Course On Sustainable Growth” Sept 8, 2013



**Li Keqiang – 李克强**

Current Premier of the People's  
Republic of China

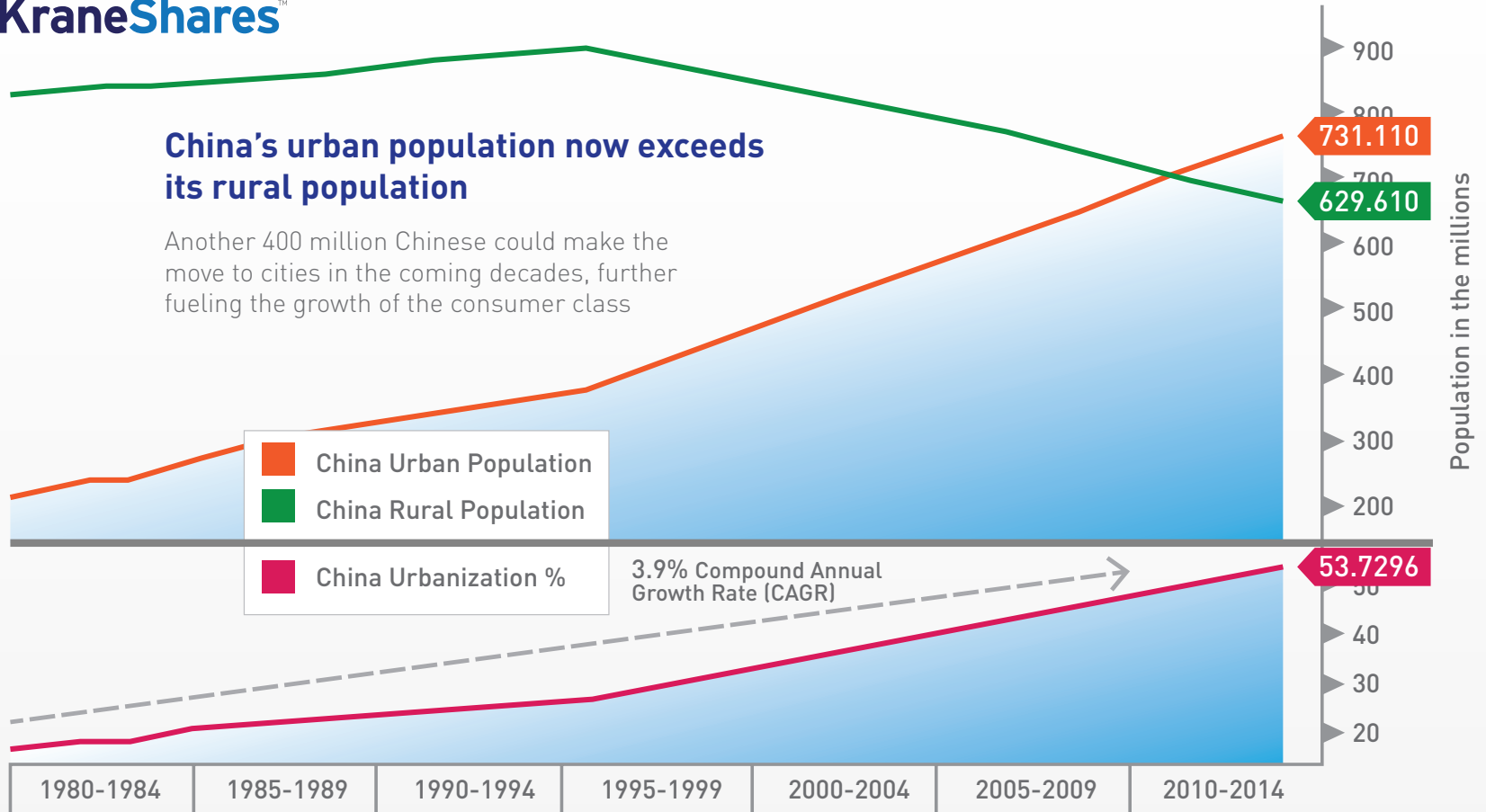


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# Trend #1: **Urbanization**

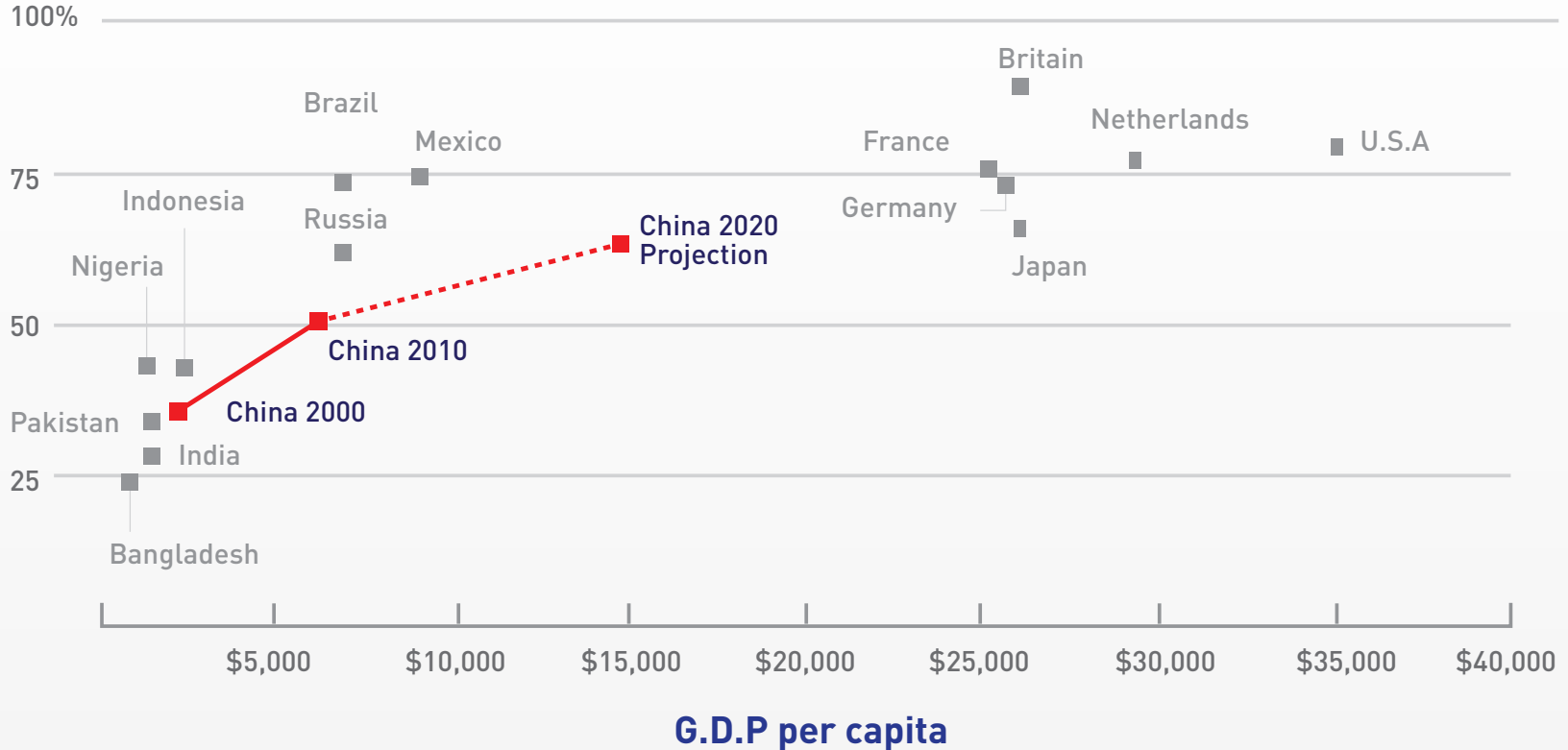
## China's urban population now exceeds its rural population

Another 400 million Chinese could make the move to cities in the coming decades, further fueling the growth of the consumer class





### 250,000,000 Rural Dwellers Are Predicted To Move Into Cities In The Coming Decades



Reported in The New York Times' "China's Great Uprooting: Moving 250 Million Into Cities", June 15, 2013



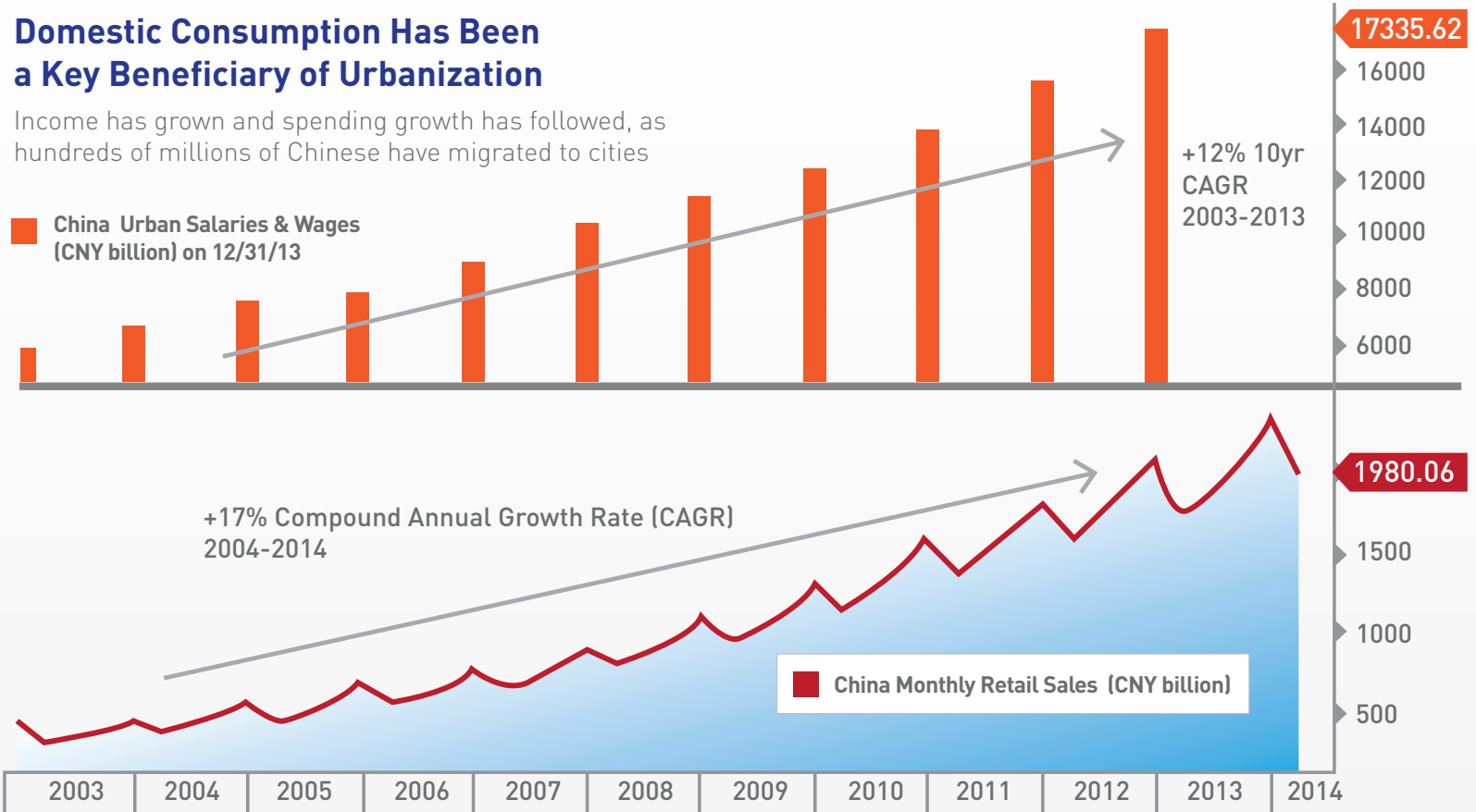
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## Trend #2: **Domestic Consumption**



## Domestic Consumption Has Been a Key Beneficiary of Urbanization

Income has grown and spending growth has followed, as hundreds of millions of Chinese have migrated to cities

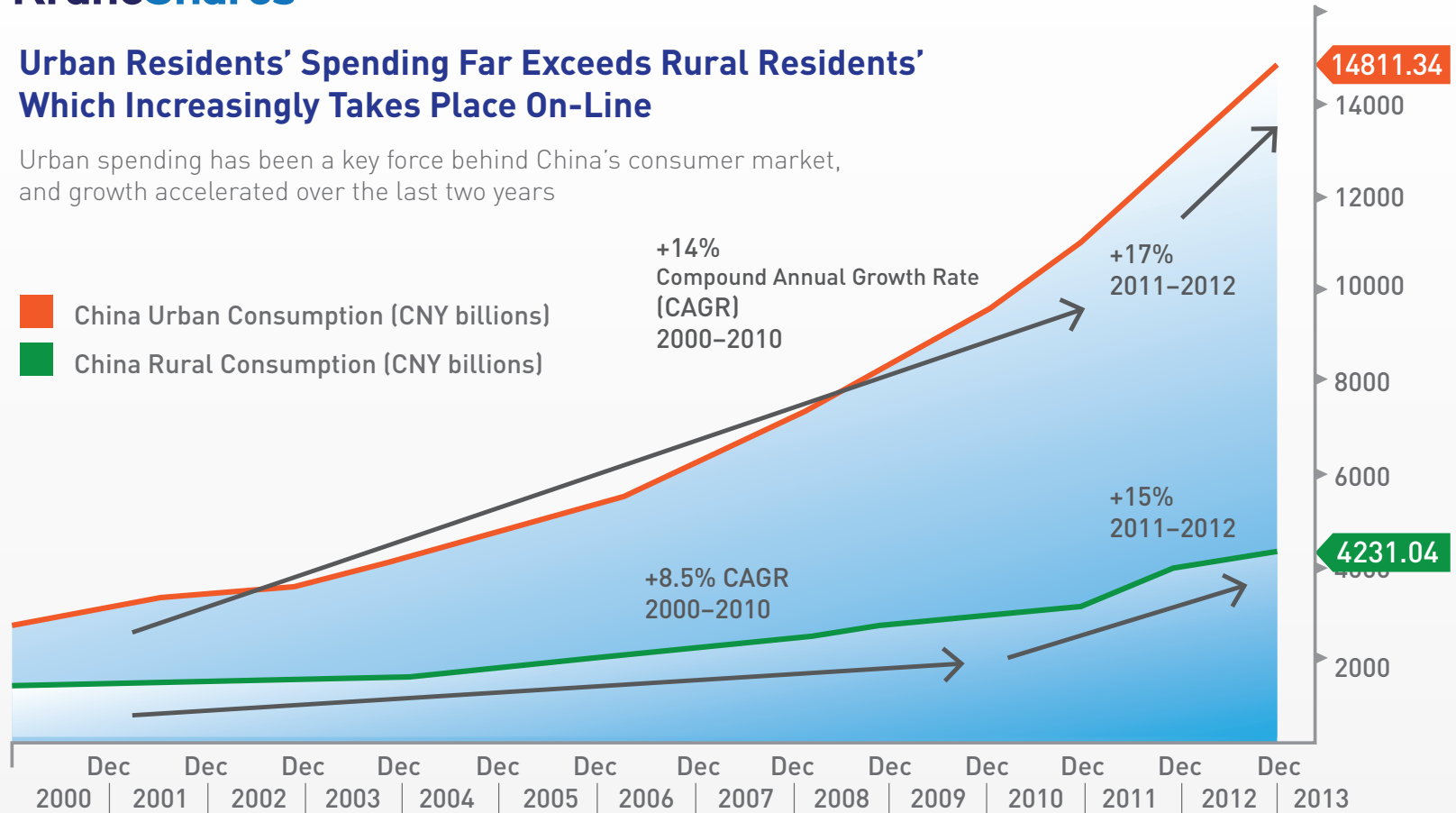




## Urban Residents' Spending Far Exceeds Rural Residents' Which Increasingly Takes Place On-Line

Urban spending has been a key force behind China's consumer market, and growth accelerated over the last two years

- China Urban Consumption (CNY billions)
- China Rural Consumption (CNY billions)





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## Trend #3: **E-Retailing**



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## China Internet Usage By The Numbers

618,000,000 internet users is the world's largest on-line population

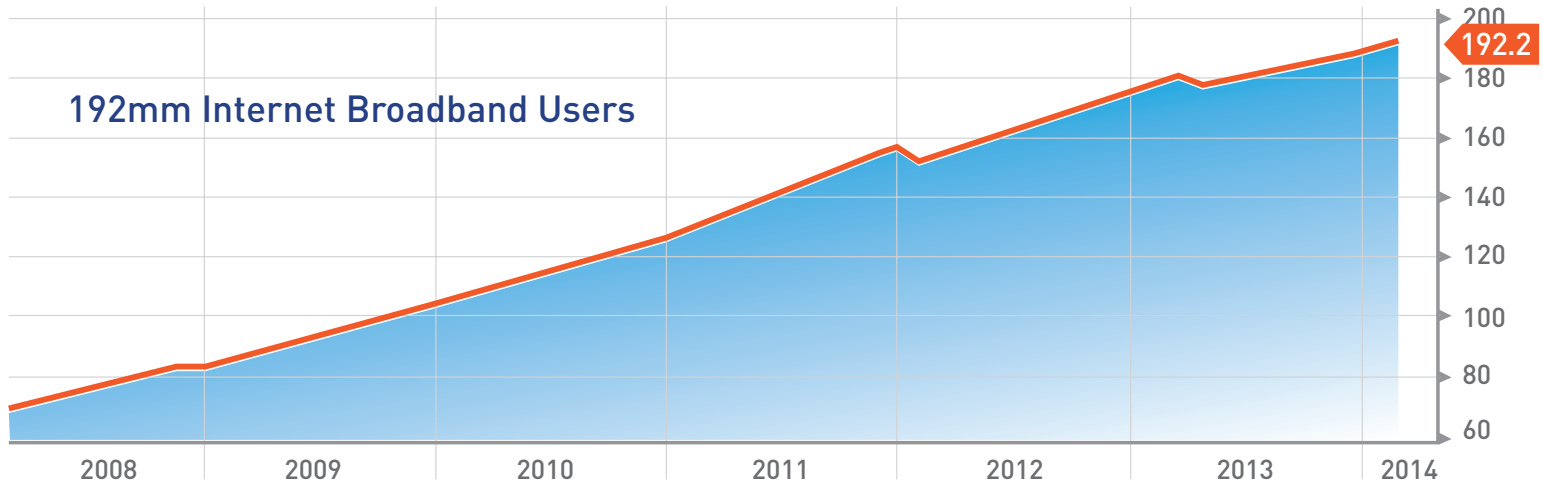
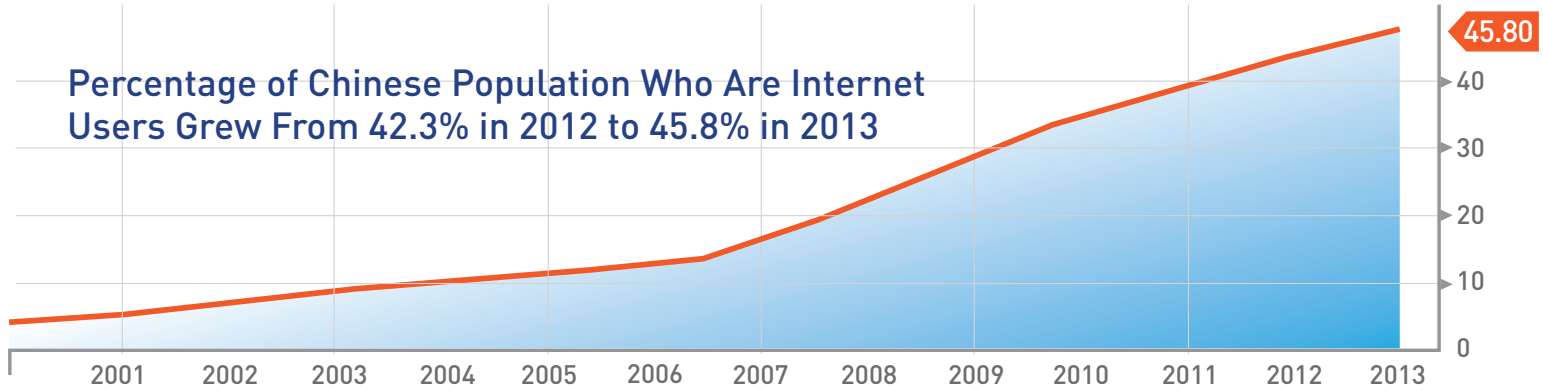
53,000,000 Chinese logged onto the Internet for the first time in 2013

500,000,000 mobile users

Only 45.8% of the Chinese population has access to the internet, leaving room for the market to grow

Source: China Internet Network Information Center (CINIC)'s Statistical Report on Internet Development in China, January 2014







Market Segment	Gross Merchandise Value (GMV) (bn Yuan)	Growth Rate (%)
Online Shopping (excluding mobile shopping)	1682.36	35.7%
Market Segment	Revenue (bn Yuan)	Growth Rate (%)
Online Advertising	110.00	46.1%
Online Gaming (excluding mobile)	74.31	27.4%
Third party online payment	16.89	53.9%



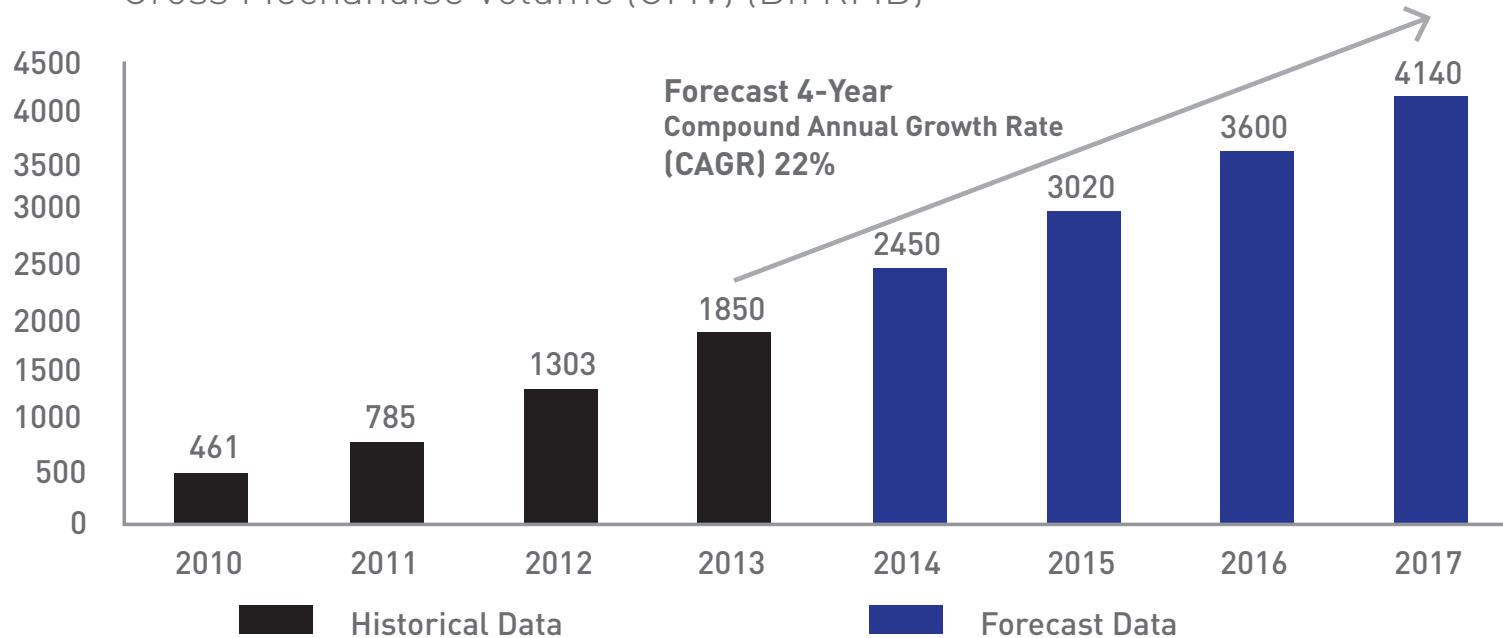
Market Segment	Gross Merchandise Value (GMV) (bn Yuan)	Growth Rate (%)
Mobile Shopping	167.64	165.4%
Market Segment	Revenue (bn Yuan)	Growth Rate (%)
Mobile Marketing	10.97	73.6%
Mobile Search	4.55	264.1%
Mobile Gaming	14.85	69.3%
Mobile Payment	2.31	220.8%
Value-added Mobile Services	34.41	18.1%

Source: iResearch's 2013 China Internet Economy Report



## China E-Commerce GMV

Business to Consumer (B2C) + Consumer to Consumer (C2C)  
Gross Merchandise Volume (GMV) (Bn RMB)





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KraneShares CSI China Internet Is Uniquely  
Positioned To Benefit From These Trends



Service Type	China	United States
Micro-blogging / messaging	 腾讯 (798m users) 	 
Anti-virus software	 360 www.360.cn (440m users)	 Norton by Symantec
Internet Search	 百度 www.baidu.com (531m users)	
Travel	 ctrip.com 携程旅行网 (\$890m in 2013 revenues)	 ORBITZ  travelocity
Coming soon to KWEB*	 Alibaba.com*	 eBay  amazon.com*
B2C and C2C eCommerce	(\$3.7 billion in 2013 net income)	

Source: Companies' publicly filed regulatory documents 2014

\*Inclusion in the index and the Fund is based on certain criteria and there is no guarantee that Alibaba will meet those criteria to be included in the index or the fund.



### Fund Description

KraneShares CSI China Internet ETF seeks investment results that correspond generally to the price and yield performance, before fees & expenses, based on the CSI China Overseas Internet Index.

### Index Description

CSI China Overseas Internet Index 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.

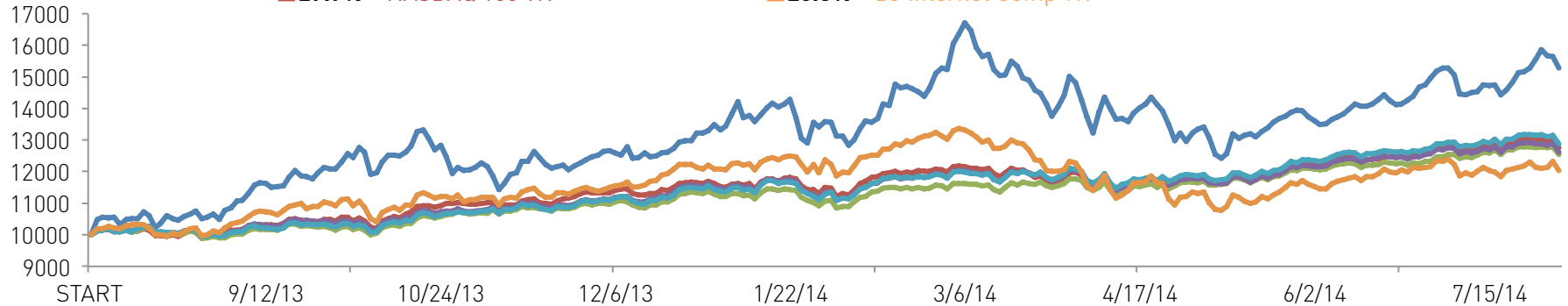
Ticker	KWEB
Primary Exchange	NASDAQ
Management Fee	0.68%
Inception Date	7/31/2013
Distribution Frequency	Semiannually
Index Name	CSI China Overseas Internet
Number of Names	42
Listing Exchanges of holdings	NASDAQ, NYSE, Hong Kong

Top Ten Holdings As of 6/30/2014. Subject to Change	Symbol & Exchange	%
TENCENT HOLDINGS LTD	HK: 0700	9.89
BAIDU.COM, INC.	NASDAQ: BIDU	9.06
JD.COM INC	NASDAQ: JD	7.49
CTRP.COM INT'L LTD	NASDAQ: CTRP	7.25
QIHOO 360 TECHNOLOGY LTD	NYSE: QIHU	5.35
VIPSHOP HOLDINGS LTD	NYSE: VIPS	5.13
YOUKU.COM INC	NYSE: YOKU	4.54
YY INC	NASDAQ: YY	4.15
NETEASE.COM INC	NASDAQ: NTES	4.09
SINA CORP	HK: 3888	4.05



## KWEB 1yr growth of \$10,000 vs top 5 technology indices by benchmarked AUM\* 8/1/2013 – 7/31/2014

- 52.7% = KWEB
- 26.3% = MSCI US IMI/Info Tech 25-50<sup>3</sup>
- 28.7% = DJ US Tech TR<sup>1</sup>
- 25.4% = Tech Select Sector TR<sup>4</sup>
- 27.7% = NASDAQ 100 TR<sup>2</sup>
- 20.3% = DJ Internet Comp TR<sup>5</sup>



\*All benchmarked AUM and performance data from Morningstar as of 7/31/2014

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. Please visit [www.kranehares.com](http://www.kranehares.com) or call 1-855-857-2638 for most recent performance a given time period.

- 1.) **Dow Jones U.S. Technology Total Return Index<sup>SM</sup>**: Unmanaged index considered representative of the technology sector
- 2.) **NASDAQ 100<sup>®</sup> Total Return Index**: Includes 100 of the largest domestic and international nonfinancial securities listed on The Nasdaq Stock Market, based on market capitalization.
- 3.) **MSCI US Investable Market Information Technology Index**: Designed to capture the large, mid and small cap segments of the US equity universe. All securities in the index are classified in the Information Technology sector as per the Global Industry Classification Standard (GICS<sup>®</sup>).
- 4.) **Tech Select Sector TR**: Modified market capitalization-based index intended to track the movements of companies that are components of the S&P 500 and are involved in the development or production of technology products.
- 5.) **Dow Jones Internet Composite Total Return Index**: Represents the largest and most actively traded stocks of U.S. companies in the Internet industry.



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## KWEB Performance 7/31/2014\*

	Cumulative		Annualized	Calendar QTR 06/30/2014	
	1 Yr	Since Inception 7/31/2013	Since Inception 7/31/2013	1 Yr	Since Inception 7/31/2013
Fund Nav	52.73%	52.73%	52.73%	–	49.61%
Closing Price	52.12%	52.12%	52.12%	–	49.97%
Index	50.61%	50.61%	50.61%	–	47.55%

**\*Cumulative return is the aggregate amount that an investment has gained or lost over time. Annualized Return is the average return gained or lost by an investment each year over a given time period.**

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**KraneShares**<sup>TM</sup>

KraneShares has best-of-breed business partners to ensure that all regulatory, operational and technology functions are executed efficiently and appropriately.

Stock Exchanges	 	Legal	<b>BINGHAM</b> <b>K&amp;L GATES</b>
Authorized Participants (10 total)	    	Custodian	<b>BROWN</b>  <b>BROTHERS</b> <b>HARRIMAN</b>
Fund Administration		Compliance	Cipperman <i>Compliance</i> Services LLC
Index	  	Public Relations	<b>HEWES</b> COMMUNICATIONS
Accounting			



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**Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' prospectus, which may be obtained by visiting [www.kraneshares.com](http://www.kraneshares.com) or by calling 1-855-8KRANE8.**

**Read the prospectus carefully before investing.**

Investing involves risk, including possible loss of principal. There can be no assurance that the Funds will achieve its stated objectives. The Funds focus their investments primarily with Chinese issuers and issuers with economic ties to China. 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 affect to domestic currency values. Emerging markets involve heightened risk related to the same factors as well as increase volatility and lower trading volume. Current and future holdings are subject to risk.

Narrowly focused investments and investments in smaller companies 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 KraneShares ETFs are distributed by SEI Investments Distribution Company, which is not affiliated with Krane Funds Advisors, LLC, the Investment Adviser for the Fund.



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**Thank You!**

For Further Information Please Call

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