

Current Opportunities For a Dedicated China Position

Presenter:



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KraneShares



Introduction to KraneShares

Krane Funds Advisors, LLC is the investment manager for Krane Model Portfolios. Our goal is to provide meaningful diversification to investors. We construct differentiated core, strategic, and thematic models within Global and Emerging Markets. With China playing a more critical role in the global economy, we believe that investors can benefit from allocating to China as a distinct asset class, capturing its importance as an essential element of a well-designed investment portfolio. We strive to deliver high-conviction investment strategies that have been developed based on our strong partnerships and in-depth knowledge of investing. Krane Funds Advisors, LLC is majority-owned by China International Capital Corporation (CICC).



“Why should I invest in China” is nearly settled – many clients are making separate allocations to the asset class

Several years ago, we made the case for treating China separately...

...and since that time, China has grown to 15% of global equity opportunity...

...but market representation is still far behind

Mapping China's Rise to Asset Class Status
Jonathan Shelton, CFA

Mapping China's Rise to Asset Class Status

Balancing Chinese Assets Offers a Rare Opportunity for Investors

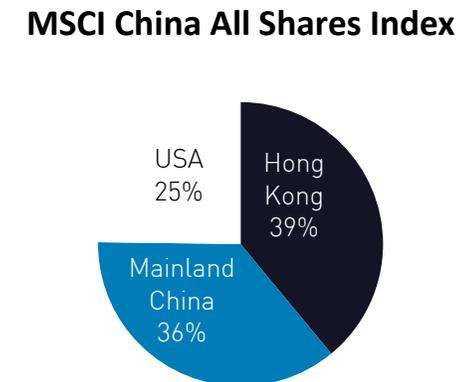
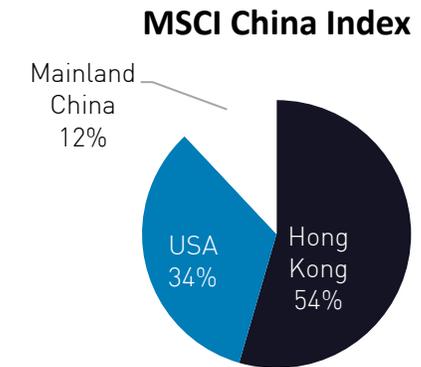
Balancing Chinese Assets Offers a Rare Opportunity for Investors

The Case for Greater China Exposure in Global Equity Portfolios

BRIDGEWATER

CAMBRIDGE ASSOCIATES

Equity Asset Class		2020 Full MARKET CAPITALIZATION (\$bb)*	
		2020	2020
Developed Market Equities	United States	35,780	44.1%
	Europe	12,597	15.5%
	Japan	5,349	6.6%
	Pacific ex-Japan	2,450	3%
	Other (Israel and Canada)	1,888	2.3%
	TOTAL DEVELOPED	58,064	72%
Rest of the World	Emerging Markets ex-China	10,561	13%
	China**	12,134	15%
	Frontier	288	0.4%
	TOTAL EM and FM	22,983	28%
TOTAL		81,047	100%



Data from MSCI as of 12/31/2020, retrieved 3/31/2021. Due to rounding numbers may not add up to 100%.

*Full market capitalization based on MSCI Investable Market Indexes (IMI). Historic adjusted market capitalizations based on MSCI Standard Indexes. Adjusted market caps reflect free-float or shares that are freely traded in the open market. The free-float adjustment reduces the overall market by about 1/3.

**China includes Hong Kong, ADR and Mainland listed Chinese companies. Market capitalization formula: MSCI China A International IMI + Hong Kong & ADR constituents within the MSCI Emerging Market Index.

Year to Date foreign investors have bought \$28.91B of Chinese A Shares

**Culminative Northbound Stock Connect Inflow Since 12/31/2019
in US \$ Billions**



 KBA

**KraneShares Boser
MSCI China A Share
ETF**

Investment Strategy:

KBA is benchmarked to the MSCI China A Index which captures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges (A-shares). Over the coming years, MSCI will complete the incremental inclusion of China A-Shares into their Global Standard Indexes, including the MSCI Emerging Markets Index, which may potentially benefit the securities KBA holds today. The MSCI China A Index is designed for global investors accessing the A-share market using the Stock Connect framework and is calculated using China A Stock Connect listings based on the offshore renminbi exchange rate.

MSCI China A-Share Inclusion Overview:

- China A-Shares are vastly underrepresented in global indexes. While the United States has a weight of 57.80% in the MSCI All Country World Index, China only has a weight of 4.94%¹.
- MSCI is incrementally realigning China's overall weight in their Global Standard Indexes through the inclusion process, and by the end of 2019, MSCI's definition of China included 264 large-cap and 172 mid-cap A-Share securities, including 30 securities from the ChiNext board².
- Upon completion, China A-Shares are predicted to account for about 20% of the MSCI Emerging Market (EM) Index³.

MSCI China A Index Overview:

- The Index captures mostly large and mid-cap equities listed on the Shanghai and Shenzhen stock exchanges and reflects the full 2019 inclusion of China A-Shares in the MSCI Emerging Markets Index.
- On March 11, 2019, the Hong Kong Stock Exchange announced a license agreement with MSCI to introduce futures contracts on the MSCI China A Index⁴.
- There are a total of 470 constituents¹ giving investors diverse exposure to A-Shares.

1. Data from MSCI as of 3/31/2021.

2. MSCI, "MSCI Will Increase the Weight of China A Shares in MSCI Indexes", 2/28/2019. Retrieved on 3/31/2021.

3. MSCI, "China and the future of equity allocations", June 2019. Retrieved on 3/31/2021.

4. HKEx, MSCI China A Index Futures, 9/30/2019. Retrieved on 3/31/2021.

See page 18 for term definitions.

KWEB

KraneShares CSI China Internet ETF

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\$1.5 trillion¹ in 2019 (compared to US\$601.7 billion² in the United States).
- China's internet population reached 904 million people in 2020, a penetration of only 64.5%³. The U.S. internet population reached 297 million people, a penetration rate of 85.8% in June 2020.⁴
- Total Chinese retail sales reached US\$5.8 trillion in 2019¹.
- Online shopping accounted for 25.8% of retail purchases in China in 2019¹.

1. National Bureau of Statistics in China, "Total Retail Sales of Consumer Goods Went up by 8.0 percent in 2019" 1/19/2020. Note: Figures converted from Chinese Renminbi to USD as of 4/14/2020.

2. U.S. Department of Commerce, "Quarterly Retail E-commerce Sales 4th Quarter 2019" 2/19/2020.

3. Data from Statista and The World Bank as of 3/31/2020. Retrieved 12/31/2020.

4. Data from Statista and The World Bank as of 6/30/2020. Retrieved 12/31/2020.

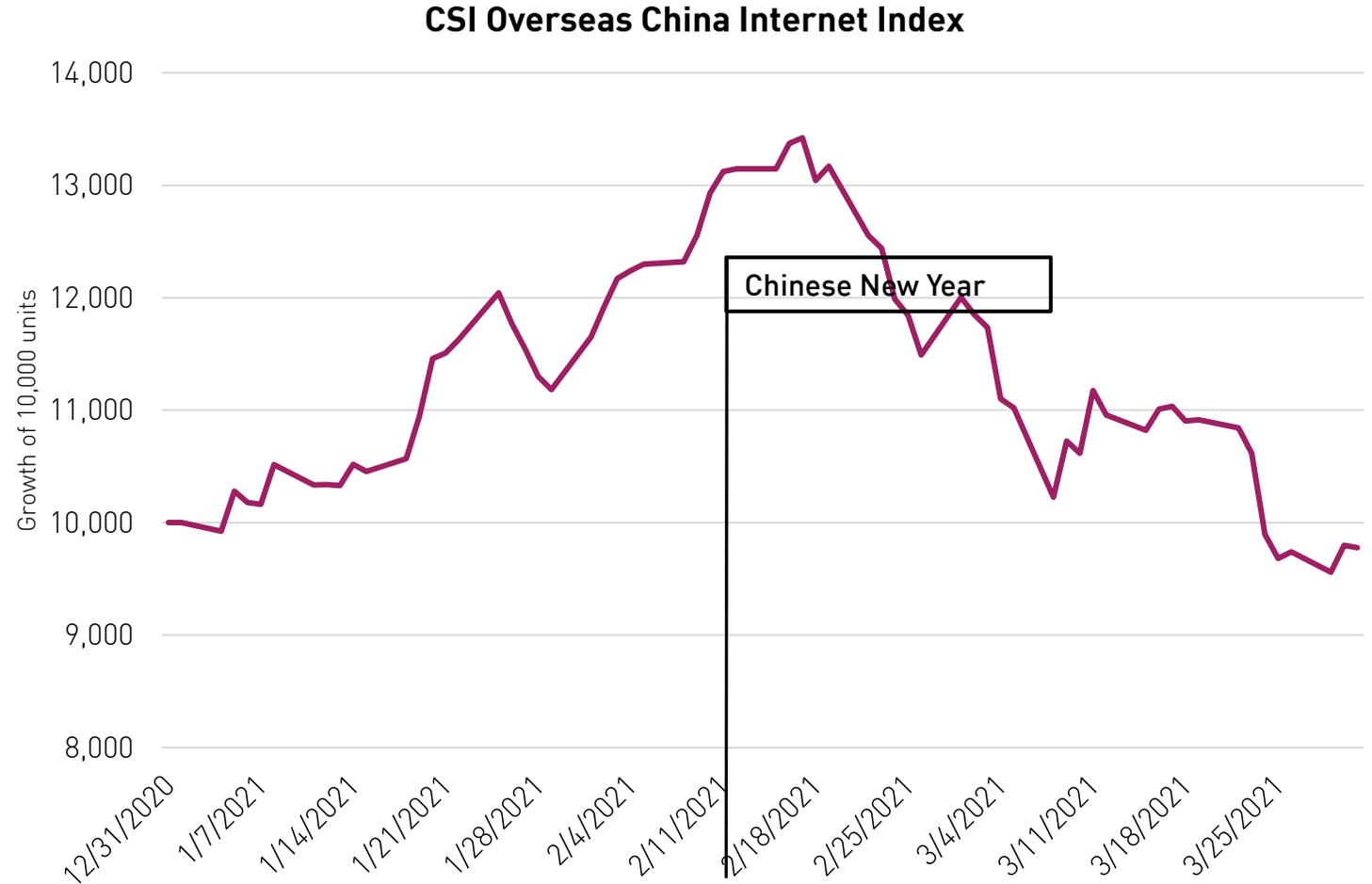
Q1 2021 – A Quarter With Two Halves

Pre Chinese New Year

- Vaccine rollout
- Light at the end of the tunnel
- Archegos build up
- Work From Home Trade/Growth

Post Chinese New Year

- Holding Foreign Companies Accountable Act (HFCA)
- China Regulation
- Archegos unwind
- Positive Q4 China Internet Earnings Releases
- Reopening Trade/Value



Data from Bloomberg as of 3/31/2021. Index returns are for illustrative purposes only and do not represent actual Fund performance. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect fees or other costs associated with investing. Past performance does not guarantee future results. See page 19 for index definitions.

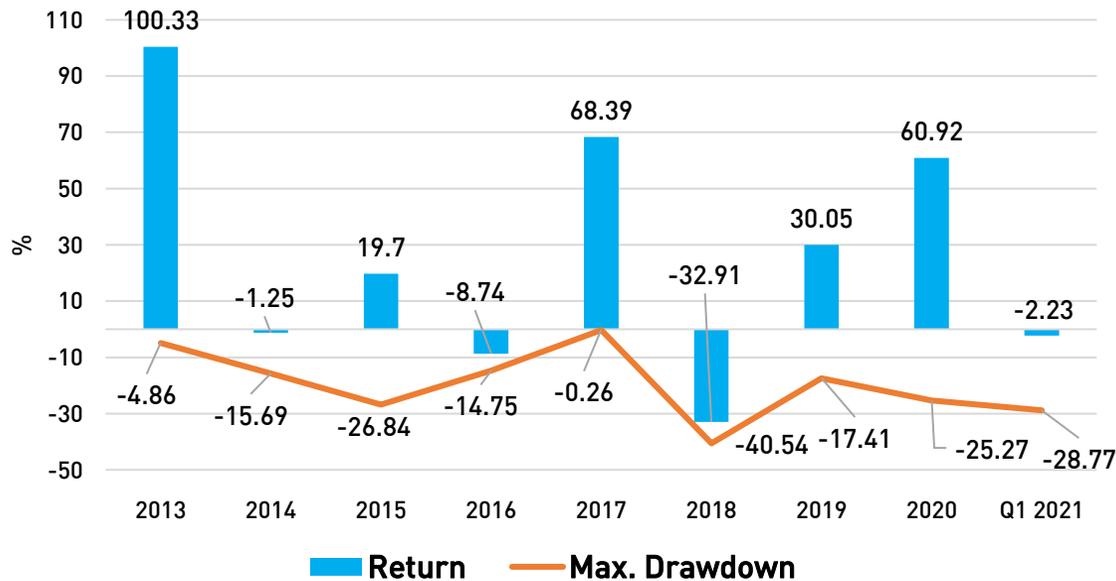
Growth is undergoing a correction relative to value



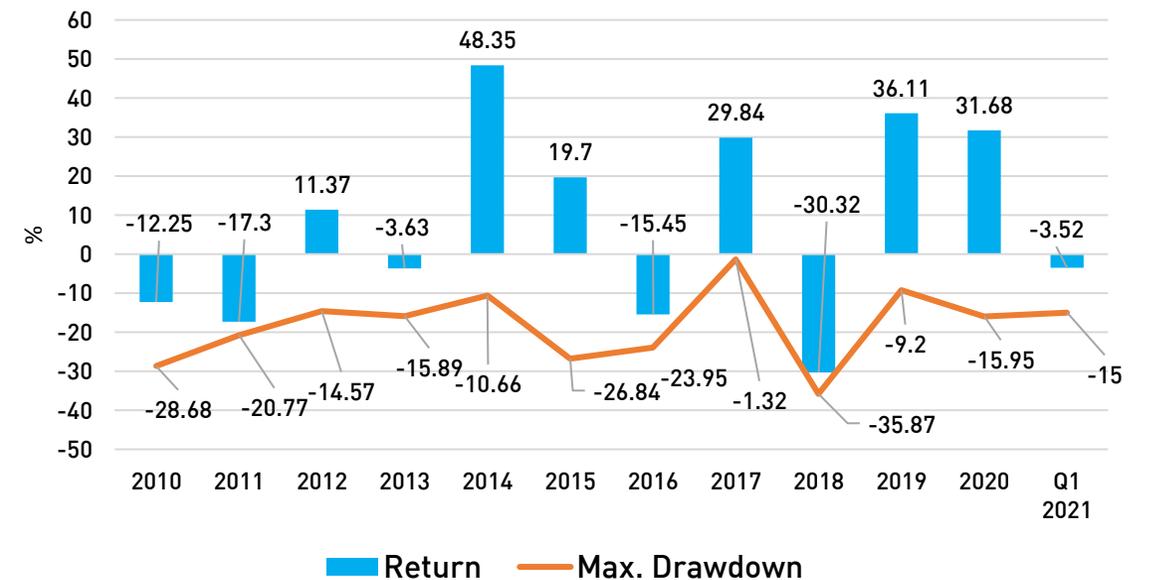
Tactically investing in China Equity is difficult. A long-term approach is more appropriate and beneficial to portfolios.

- Since inception of the China internet index and MSCI China A onshore index, both have mostly recovered from and returned better than the max drawdown of the year, over 50% of the time that year finishes in a positive return
- Investors have been rewarded by riding through market volatility and picked up 3 - 59% outperformance from the bottom for China onshore equity & 6% - 105% for China Internet Equity

CSI Overseas China Internet Index 1-Year Return & Max. Drawdown



MSCI China A Onshore Index 1-Year Return & Max. Drawdown



Data from Morningstar and Bloomberg as of 3/31/2021. Index returns are for illustrative purposes only. Indexes are unmanaged and one cannot invest directly in an index. Indexes do not reflect fees or other costs associated with investing. Past performance does not guarantee future returns. See page 19 for index definitions.

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Where can you find these rates of growth elsewhere in the world?

KWEB's top ten revenue growth metrics

Name	Ticker	Weight (%)	Market Cap (in USD)	Revenue (in millions USD)					Compound Annual Growth (CAGR)			
				2018	2019	2020	2021E	2022E	2019	2020	2021E	2022E
ALIBABA GROUP HOLDING-SP ADR	BABA US Equity	10.67	653,380 M	51,511	68,326	100,924	133,176	163,506	32.64%	47.71%	31.96%	22.77%
TENCENT HOLDINGS LTD	700 HK Equity	10.19	770,205 M	47,308	54,627	69,938	90,661	109,154	15.47%	28.03%	29.63%	20.40%
MEITUAN-CLASS B	3690 HK Equity	7.43	216,831 M	9,868	14,121	16,654	27,369	37,950	43.09%	17.94%	64.34%	38.66%
PINDUODUO INC-ADR	PDD US Equity	6.35	163,514 M	1,985	4,364	8,631	17,131	23,950	119.87%	97.77%	98.49%	39.80%
BAIDU INC - SPON ADR	BIDU US Equity	5.81	75,495 M	15,474	15,552	15,534	19,370	22,091	0.51%	-0.12%	24.69%	14.05%
NETEASE INC-ADR	NTES US Equity	4.70	74,216 M	7,743	8,577	10,688	13,602	15,882	10.78%	24.60%	27.27%	16.76%
KE HOLDINGS INC	BEKE US Equity	4.68	59,110 M	4,334	6,662	10,225	13,836	16,949	53.73%	53.48%	35.31%	22.50%
TRIP.COM GROUP LTD-ADR	TCOM US Equity	4.37	21,458 M	4,685	5,164	2,657	3,721	5,622	10.23%	-48.54%	40.04%	51.07%
JD.COM INC-ADR	JD US Equity	4.37	122,563 M	69,900	83,527	108,201	143,959	174,260	19.50%	29.54%	33.05%	21.05%
BILIBILI INC-SPONSORED ADR	BILI US Equity	4.24	38,927 M	625	981	1,741	2,941	4,213	57.10%	77.39%	68.93%	43.25%

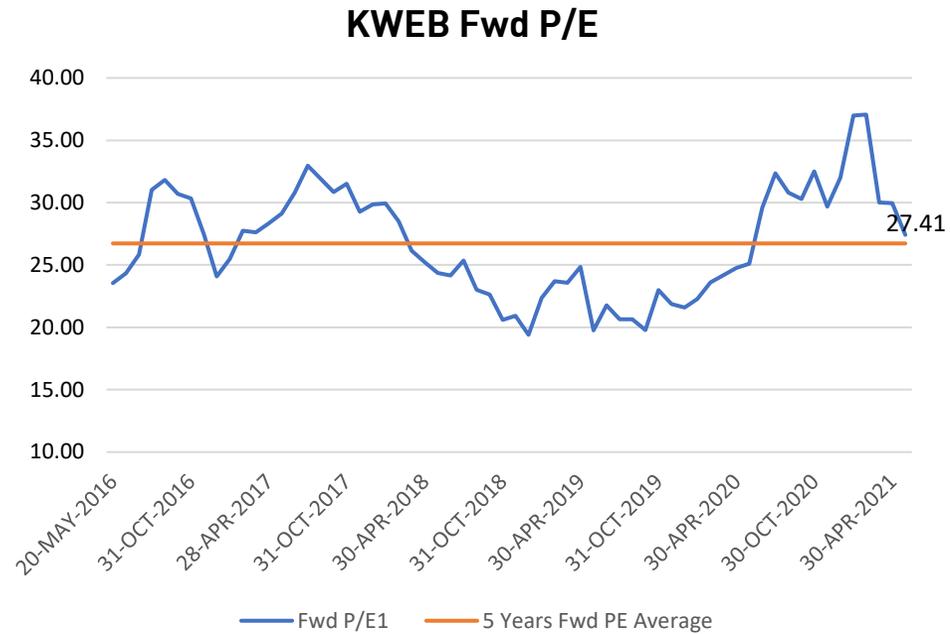
Total Sales Revenue	245,468	261,904	345,194	465,766	573,576
Growth Year over Year	38.04%	6.70%	31.80%	34.93%	23.15%
Sales Revenue CAGR (5 yr)	18.50%				

Source: Bloomberg. Holdings for KraneShares CSI China Internet UCITS ETF as of 3/31/2021. Fund holdings subject to change.

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KWEB's earnings growth revised higher

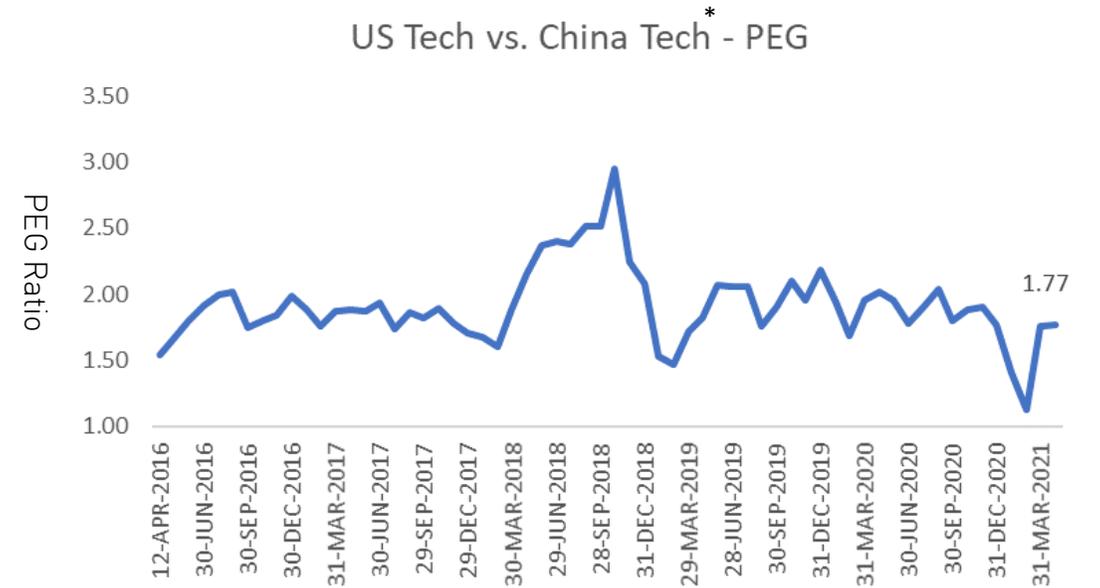
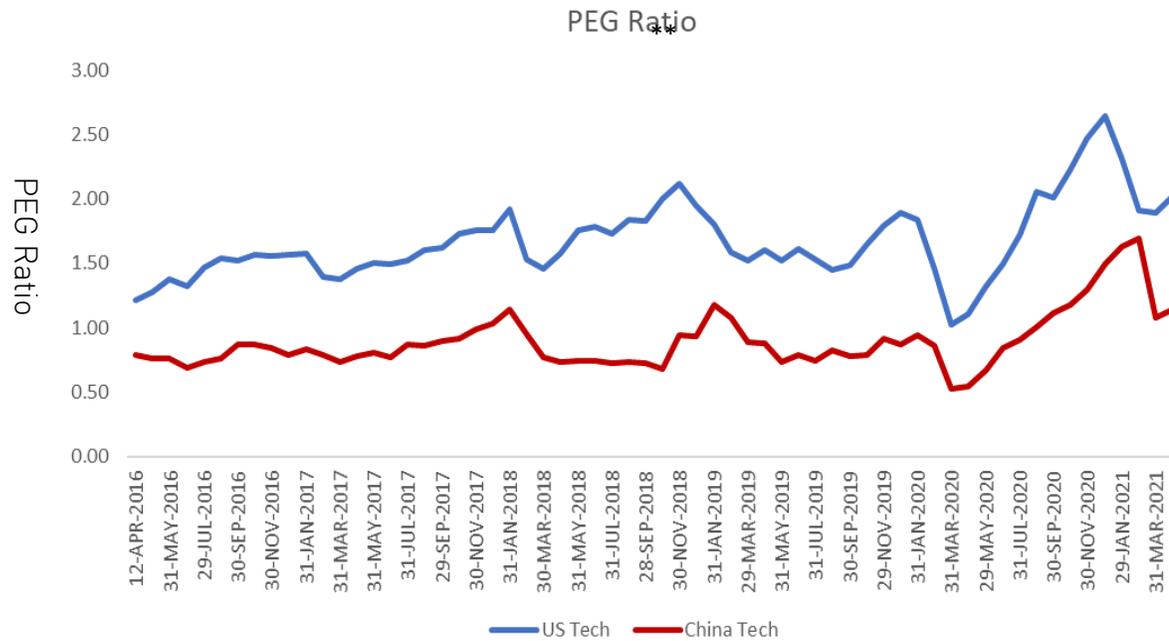
Valuation Driven By Fundamentals of the Companies



Source: FactSet. Forward P/E Data as of May 24th, 2021

KWEB's earnings growth revised higher

China technology growth offered at a discount compared to US Tech growth



* Dow Jones Internet Composite Index and the CSI Overseas China Internet Index are used as proxies for US tech and China Tech respectively

** PEG Ratio is fwd. PE divided by EPS Growth y1-y2

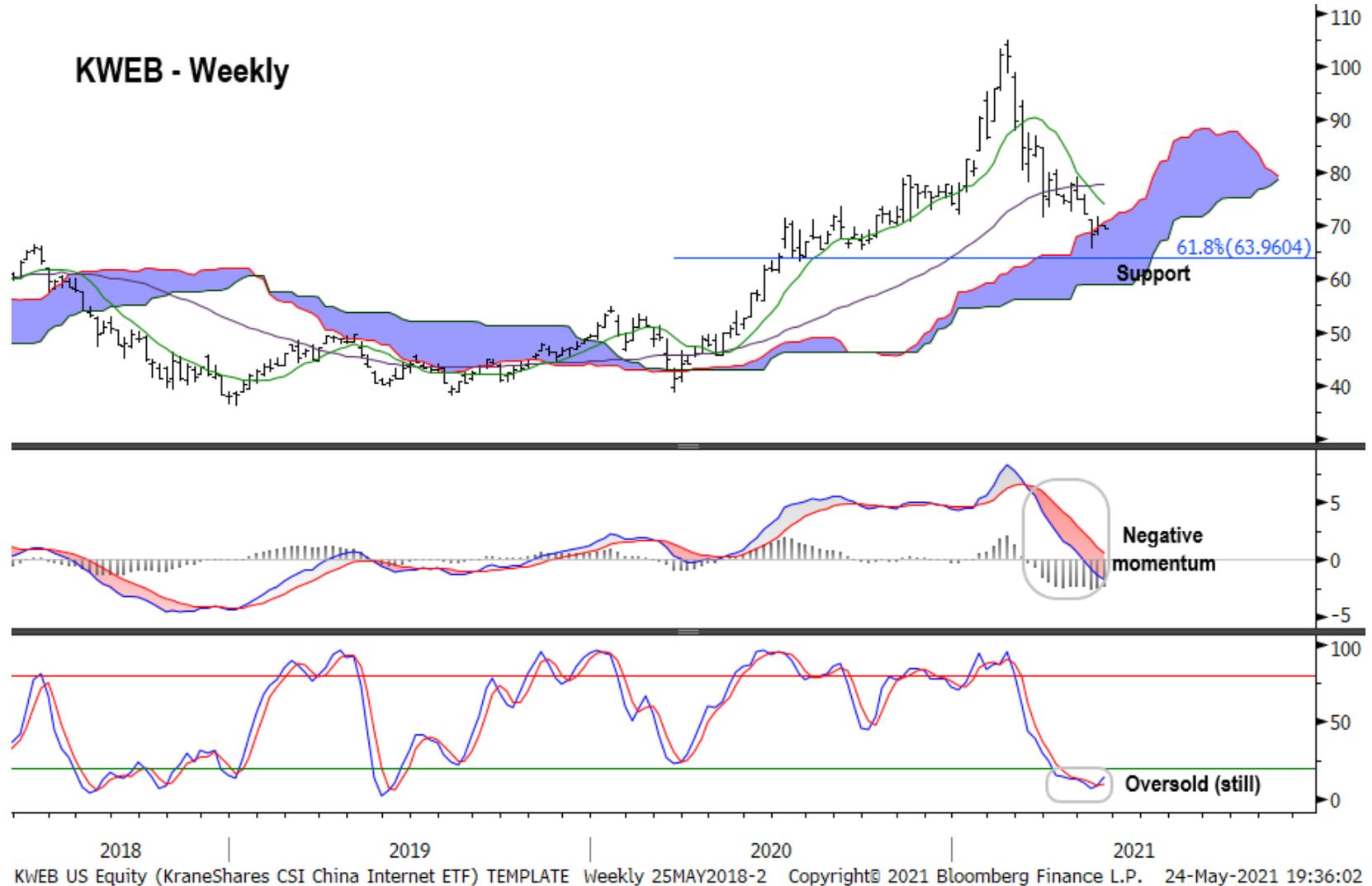
Source: FactSet. Data as of March 31, 2021. Index returns are for illustrative purposes only and do not represent actual Fund performance. Indexes are unmanaged and one cannot invest directly in an index. Index returns do not reflect fees or other costs associated with investing. Past performance does not guarantee future results. See page 19 for index definitions.

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Chinese Investors are Buying US & Hong Kong Listed Chinese Internet Stocks



KWEB has been hit hard by the growth correction



Investment Strategies to Capture China's Growing Importance In Global Portfolios



China Thematic

KWEB China Internet

KURE China Health Care

KGRN China Clean Technology

KFVG China 5G & Semiconductor

KBUY China Consumer

KSTR SSE STAR 50



China Core

KBA MSCI China A

KESG MSCI China ESG Leaders

KALL MSCI All China



EM Thematic

KEMX MSCI Emerging Markets ex China

KEMQ Emerging Markets Consumer Technology

KMED Emerging Markets Healthcare



China Fixed Income

KCNY China RMB Commercial Paper

KCCB China High Yield USD Bond



Global Thematic

IVOL Inflation Protection

KRBN Global Carbon Credit

KARS Electric Vehicles & Future Mobility

OBOR One Belt One Road

Index Definitions:

CSI Overseas China Internet Index (“KWEB’s Index”): Represents the Chinese internet companies listed in overseas markets (New York and Hong Kong), in order to measure the performance of the Chinese internet companies listed outside mainland China. The index was launched on September 20, 2011.

MSCI China Index: The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips and P chips. The index was launched on October 31, 1995.

MSCI China A USD Net Index: The MSCI China A Index captures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges. The index covers only those securities that are accessible through “Stock Connect”. The index is designed for international investors and is calculated using China A Stock Connect listings based on the offshore RMB exchange rate (CNH).

MSCI Emerging Markets Index (“MSCI EM”): Captures large and mid cap representation across 23 Emerging Markets (EM) countries. The index was launched on January 1, 2001.

MSCI World Index (“MSCI Developed Market”): The MSCI World Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1969. The index includes developed world markets and does not include emerging markets.

MSCI Emerging Markets ex China Index (“MSCI EM ex China”): The MSCI Emerging Markets ex China Index captures large and mid cap representation across 25 of the 26 Emerging Markets (EM) countries excluding China. With 676 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The index was launched on March 9, 2017.

MSCI All Country World Index (“MSCI ACWI”): The MSCI ACWI captures large and mid cap representation across 23 Developed Markets and 26 Emerging Markets countries. With nearly 3,000 constituents, the index covers approximately 85% of the global equity opportunity set. The index was launched on January 1, 2001.

The S&P 500 Index: The S&P 500 Index is an American stock market index based on the market capitalization of the 500 largest companies having common stock listed on the NYSE or NASDAQ.

CSI 300 Index: The CSI 300 Index consists of the 300 largest and most liquid A-share stocks. The Index aims to reflect the overall performance of China A-share market. The index was launched on April 8, 2005.

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

MSCI Emerging Markets ex China Index (Net USD): The MSCI Emerging Markets ex China Index captures large and mid cap representation across 23 of the 24 Emerging Markets (EM) countries* excluding China. With 692 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Inception date: Mar 09, 2017.

Hybrid KBA Index (“KBA’s Index”): The Hybrid KBA Index consists of the MSCI China A Index from the inception of the Fund through October 23, 2014, the MSCI China A International Index from October 23, 2014 through December 26, 2017, the MSCI China A Inclusion USD Gross Index from December 26, 2017 to May 29, 2019, and the MSCI China A Index going forward.

MSCI China A International Index: The MSCI China A International Index captures large and mid-cap representation and includes the China A-share constituents of the MSCI China All Shares Index. It is based on the concept of the integrated MSCI China equity universe with China A-shares included.

MSCI China A Inclusion USD Gross Index: The MSCI China A Inclusion Index is designed to track the progressive partial inclusion of A shares in the MSCI Emerging Markets Index over time. The index is designed for global investors accessing the A shares market using the Stock Connect framework and is calculated using China A Stock Connect listings based on the offshore RMB exchange rate (CNH).

The MSCI EAFE USD Gross Index: is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada.

MSCI USA USD Net Index: The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market.

MSCI Frontier Markets (FM) USD Gross Index: captures large and mid cap representation across 29 Frontier Markets countries. The index was launched on December 18, 2017.

Value-Added of Industry Index: An index developed and maintained by CICC Research that is meant to measure industrial output in Mainland China.

Service Index: An index developed and maintained by CICC Research that is meant to measure the output of the services, i.e. non-manufacturing, industries in Mainland China.

Term Definitions:

Stock Connect: A mutual market access program developed by the China Securities Regulatory Commission (CSRC) in 2014 allowing investors with accounts in Hong Kong to freely trade certain stocks listed on the Shanghai and Shenzhen stock exchanges in Mainland China as well as investors with Mainland accounts to trade certain stocks listed in Hong Kong.

Northbound Connect Flow: Denotes the daily value of stocks purchased on the Shanghai and Shenzhen stock exchanges in Mainland China by investors with Hong Kong accounts through the Stock Connect program.

Fixed Asset Investment (FAI): Investment in physical capital goods in a fixed location.

Value Added Index (VAI): A value added index tracks the returns on an investment over a specified period of time, i.e. the value added by that investment.

Retail Sales: The sale of end-products to consumers.

Volatility: 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.

Drawdown: the measure of decline from a historical peak in some variable, typically the price of a security or index.

Renminbi (RMB): The official currency of the People's Republic of China.

Offshore Renminbi (CNH): Renminbi that is traded in Hong Kong during US trading hours.

Alpha: The extent to which a portfolio outperforms a broad market benchmark. It is usually expressed as a percentage, denoting the % amount of excess return over a period of time.

Beta: A measure of the volatility of an individual security or portfolio compared to the systematic risk of the entire market, measured by some benchmark. Beta is usually expressed as a value from -1 to 1, where -1 means the security or portfolio moves exactly inverse to the market and 1 means the security or portfolio moves precisely with the market.

Correlation: The degree to which two data series move with one another, usually expressed as R^2 from -1 to 1, where a number below zero indicates an inverse relationship between the two datasets or that the two datasets move inversely to some extent, zero means no relationship between the two, and a positive number indicates that the datasets are somewhat related or move together to some extent.

Up Capture Ratio: A measure of the performance of a particular investment during a rising market period. It is expressed as the percentage of the market's upswing (as measured by some benchmark) over a period of time that is captured by the security or portfolio.

Down Capture Ratio: A measure of the performance of a particular investment during a declining market period. It is expressed as the percentage of the market's downswing (as measured by some benchmark) over a period of time that is captured by the security or portfolio.

Tracking Error: The extent to which a portfolio outperforms or underperforms its benchmark, expressed as a percentage.

Retail Sales: Sales of final goods to end consumers.

Fixed Asset Investment (FAI): Investment in the development of or improvements to physical, capital assets that are immobile, i.e. bridges, roads, factories, shelters, etc.

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 & summary prospectus, which may be obtained by visiting www.kraneshares.com. Read the prospectus carefully before investing. Please note these links also contain the Funds' current top ten holdings.

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 Funds may invest in derivatives, which are often more volatile than other investments and may magnify the Funds' gains or losses.

Narrowly focused investments typically exhibit higher volatility. The Funds' assets are expected to be concentrated in an industry or group of industries to the extent that the Underlying Index concentrates in a particular industry or group of industries. The securities of companies in an industry or group of industries could react similarly to market developments. Thus, the Fund is subject to loss due to adverse occurrences that affect one industry or group of industries or sector. The Funds are non-diversified.

The ability of the Funds to achieve their respective 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 a 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.

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

Fund shares are bought and sold on an exchange at market price (not NAV) and are not individually redeemed from the fund. However, shares may be redeemed at NAV directly by certain authorized broker-dealers (Authorized Participants) in very large creation/redemption units. The returns shown do not represent the returns you would receive if you traded shares at other times. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. Beginning 12/23/2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates the current NAV per share. Prior to that date, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated using prices as of 4:00 PM Eastern Time.

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