

# A Holistic View of China Today



**Brendan Ahern**  
Chief Investment Officer  
at KraneShares



## 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 current on global market trends and aim to provide meaningful diversification. Krane Funds Advisors, LLC, is a signatory of the United Nations-supported Principles for Responsible Investing (UN PRI). The firm is majority owned by China International Capital Corporation (CICC).



## KraneShares Investment Strategies Overview



### China Thematic

<b>KWEB</b>	Internet & E-Commerce*
<b>KURE</b>	Healthcare*
<b>KFYP</b>	China A 100 Leaders
<b>KGRN</b>	Clean Technology
<b>KFVG</b>	5G & Semiconductor
<b>KBUY</b>	Consumer Brands
<b>KSTR</b>	STAR Market*
<b>KTEC</b>	Hang Seng Tech



### Asia Fixed Income

<b>KBND</b>	Bloomberg China Bond Inclusion*
<b>KHYB</b>	Asia High Income USD Bond



### China Core

<b>KBA / KA50</b>	MSCI China A 50*
<b>KESG</b>	MSCI China ESG Leaders*
<b>KALL</b>	MSCI All China
<b>KGRO</b>	China Innovation



### Climate Suite

<b>KRBN</b>	Global Carbon Strategy
<b>KEUA</b>	European Carbon Allowance Strategy
<b>KCCA</b>	California Carbon Allowance Strategy
<b>KGHG</b>	Global Carbon Transformation
<b>KSET</b>	Global Carbon Offset Strategy



### EM Thematic

<b>KEMX</b>	MSCI Emerging Markets ex China
<b>KEMQ</b>	Emerging Markets Consumer Tech
<b>KMED</b>	Emerging Markets Healthcare



### Global Thematic

<b>KARS</b>	Electric Vehicles & Future Mobility*
<b>OBOR</b>	One Belt One Road
<b>KDIV</b>	Pan Asia Dividend

\*strategy also available in UCITS



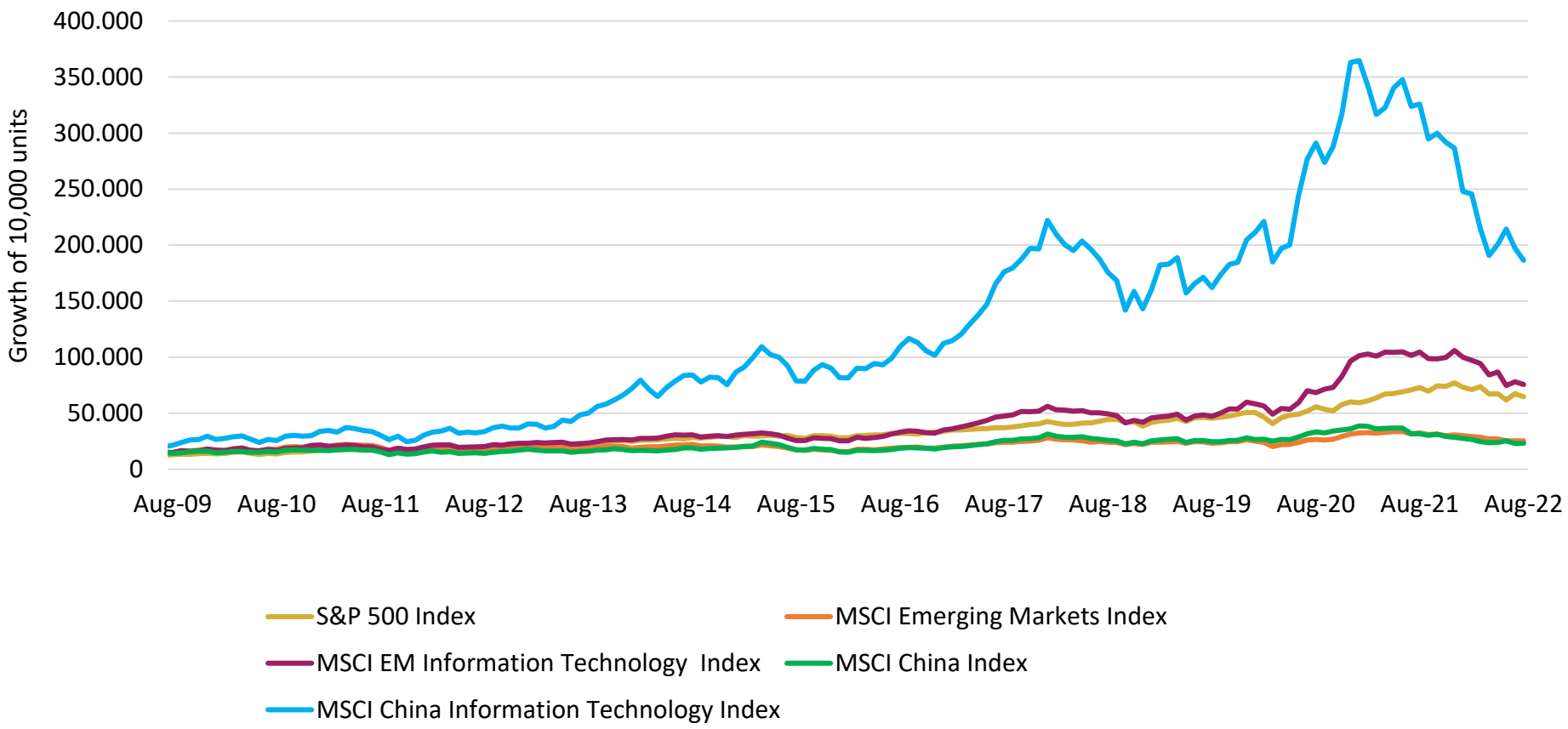
China and Emerging Markets have provided outsized performance if you invested in the right place. Private equity and venture capital returns have exceeded those in broad public markets, which we believe could change as China’s market develops.

*“We’ve answered skeptical questions about China for each of the past 17 years. It was bank balance sheets. It was trade wars. And throughout this entire period, the end result has been that China’s GDP share, relative to the U.S., has gone up 5X.”*

Chase Coleman, Founder Tiger Global Management LLC<sup>1</sup>

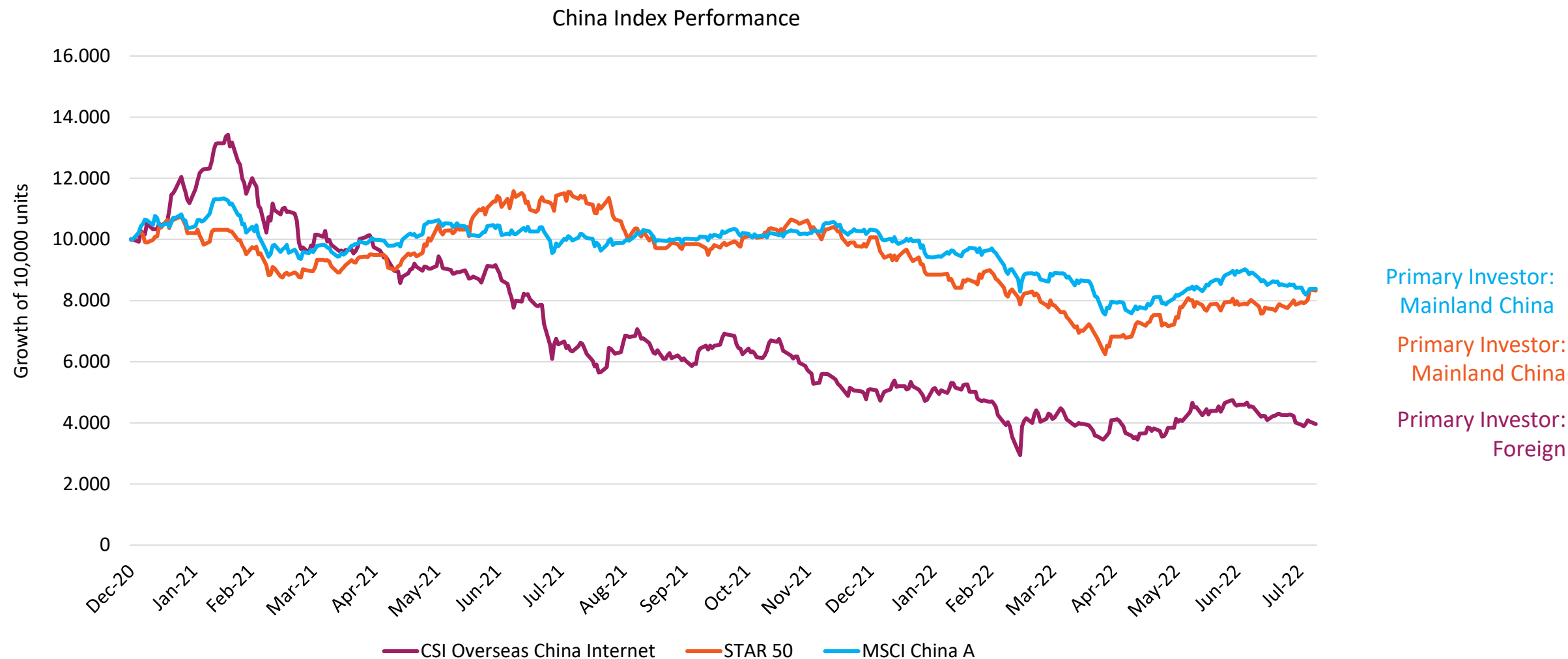
1. “Tiger Global’s \$65 Billion Man Shrugs Off China Crackdown Threat”, Bloomberg 11/12/2021

Performance Comparison



Data from Bloomberg as of 8/31/2022. Index returns are for illustrative purposes only. Index returns do not reflect fees or other costs associated with investing. Indexes are unmanaged and one cannot invest directly in an index. Past performance is no guarantee of future results. Please see the end of the presentation for definitions.

Onshore & Offshore Investors' perceptions of China have created a significant performance dispersion.



Data from Bloomberg as of 8/31/2022. 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 end of presentation for index definitions.

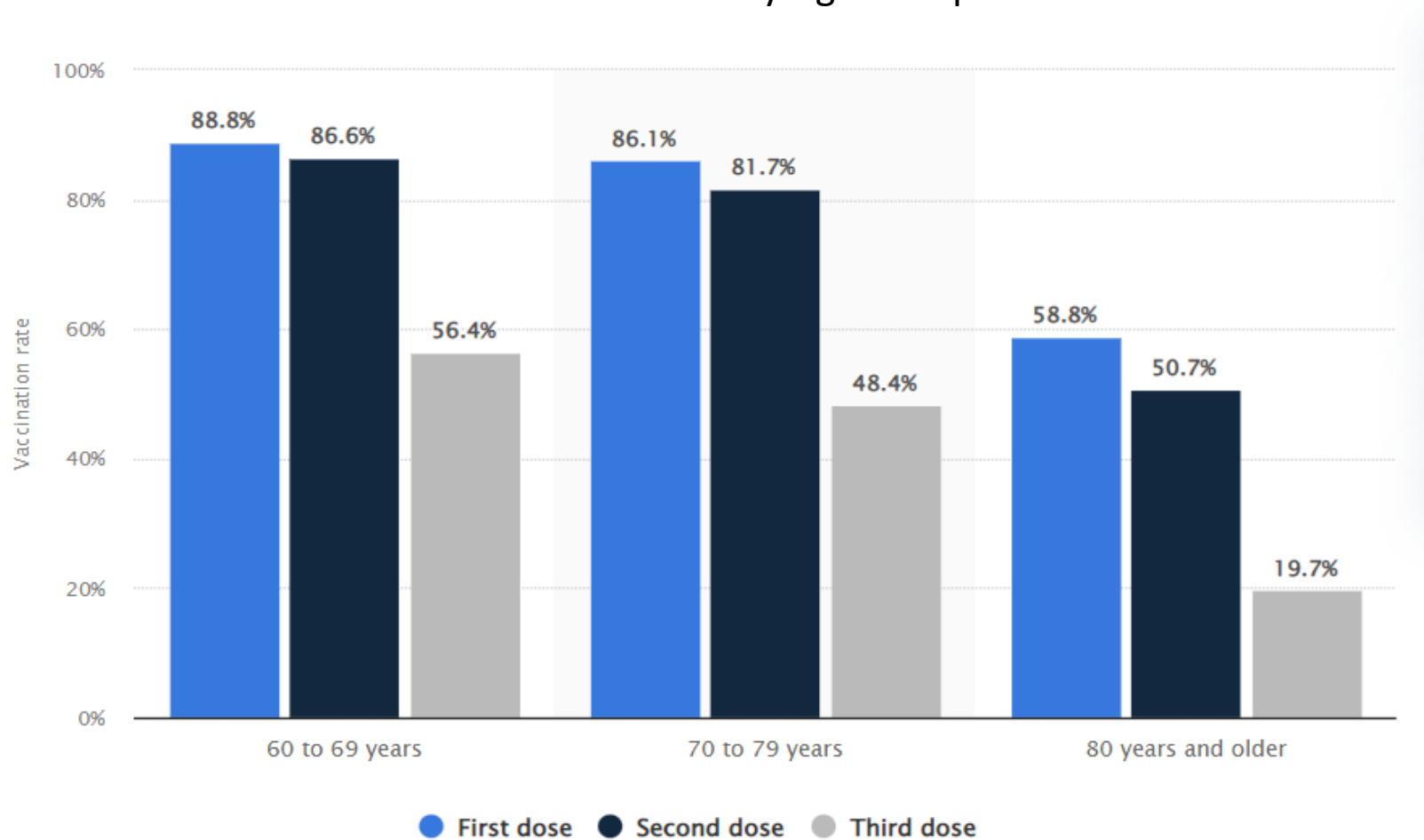
## Offshore Focus

- US-China Political Relations
- Geopolitical Risks for China
- The Holding Foreign Companies Accountable Act (HFCAA) & American Depositary Receipt (ADR) Delisting
- The Path of China's Zero COVID ("Lives First") Policy
- China's Internet Regulatory Cycle
- China's Economic Outlook



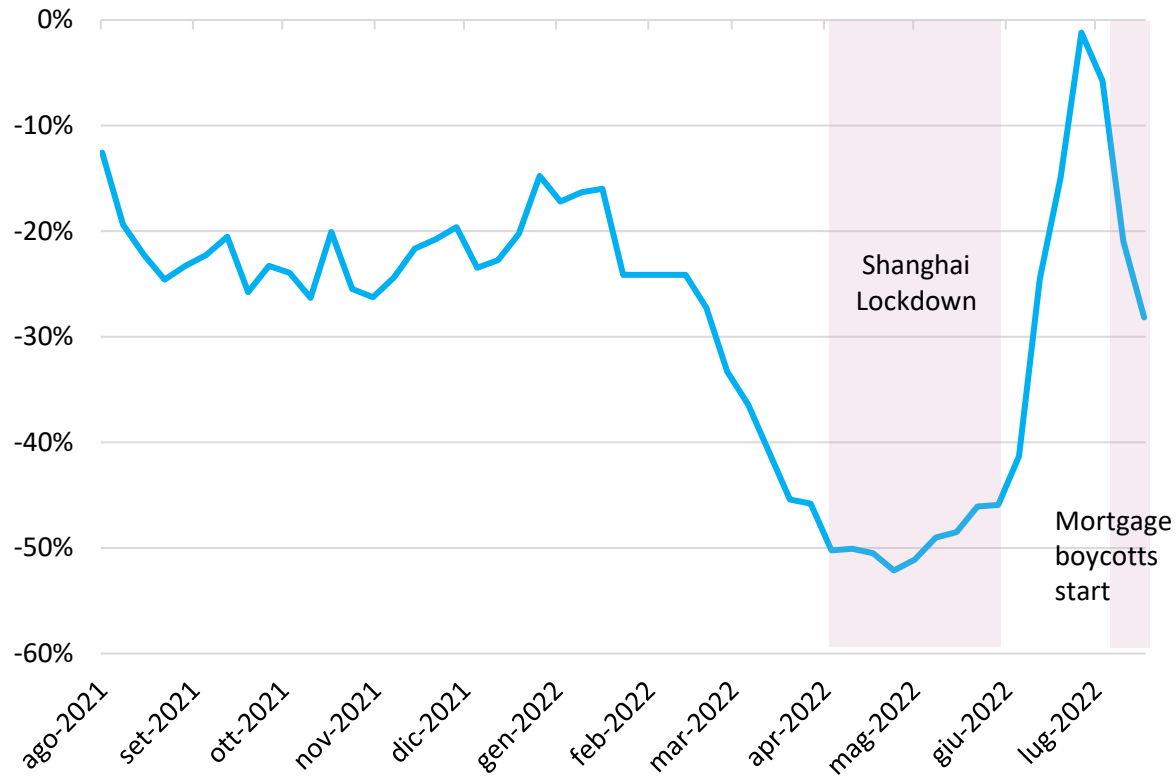
The Zero COVID “Lives First” policy was adjusted following the draconian lockdown in Shanghai. Vaccination rates are significantly lower among seniors (80 and up), but quite high among other age groups.

Vaccinations in China by Age Groups

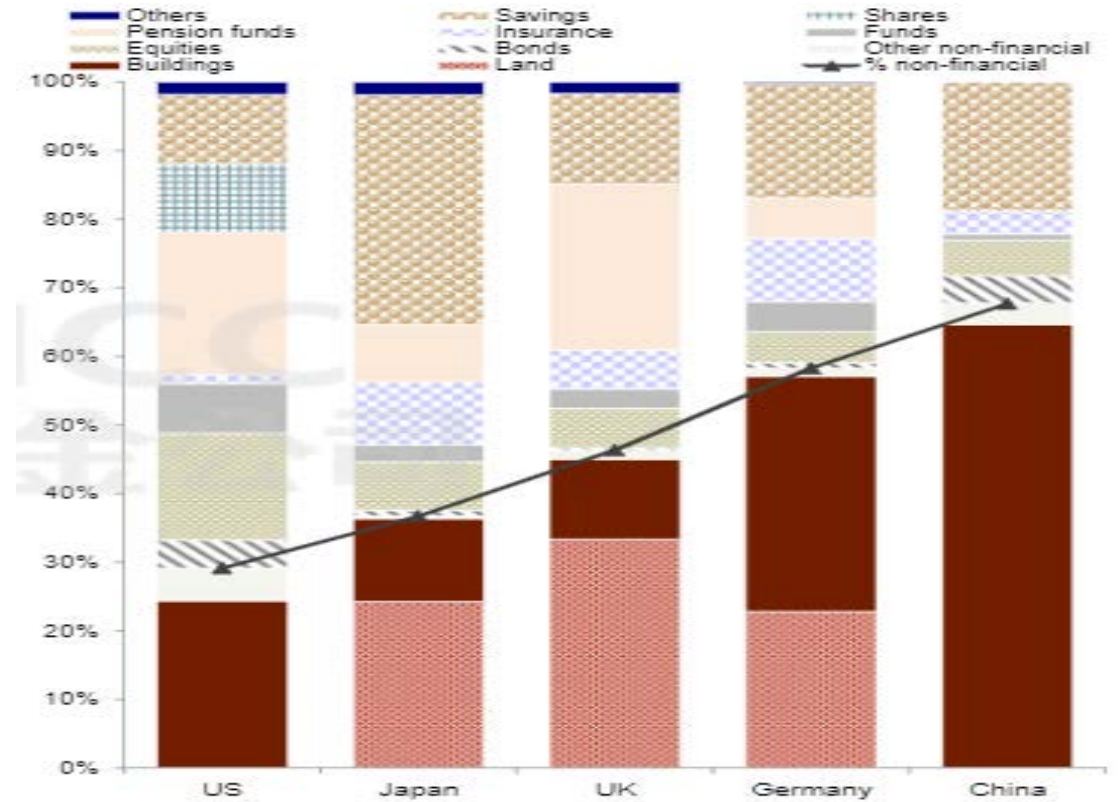


## Housing Has Always Required a Balancing Act: Disincentive Malinvestment Without Hurting a Significant Store of Value

China 30 Cities, Property Sales by Gross Floor Area  
(4 week moving average, YoY)



Cross-Country Asset Allocation (2019)





How does the market reflect the US-China relationship today?

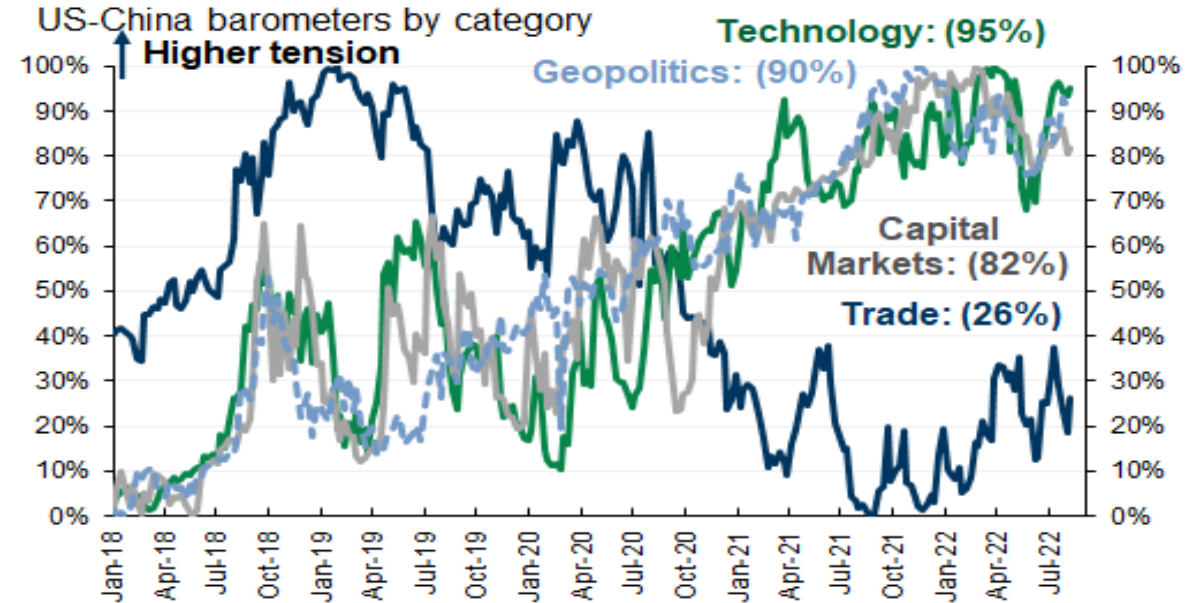


Source: Bloomberg, Goldman Sachs Global Investment Research

*The Goldman Sachs US-China Relationship Barometer Index is at a level of 93, off its all-time high though close to the maximum of 100.*



Source: EU Reporter



Source: Wind, FactSet, Bloomberg, Goldman Sachs Global Investment Research

Is the worst-case scenario already priced in?

- Equity technology sectors have been impacted significantly.
- Meanwhile, trade tension with China has decreased significantly since its high in September 2018 and is currently at 10% within the index.
- We believe US-China political tensions are already priced in.

## What are the geopolitical risks for China stemming from Russia's invasion of Ukraine?

- China imports both Ukrainian wheat and Russian natural resources and does not benefit from higher commodity prices, but has seen a limited impact on its CPI.
- Trade disruption with Russia is less impactful on Chinese economy compared to the US.
- China state-backed banks, including the Asian Infrastructure Investment Bank (AIIB), have suspended Russian activity.
- On March 25<sup>th</sup>, US Treasury Secretary Janet Yellen said she does not believe that sanctions on China are “necessary or appropriate.”<sup>1</sup>



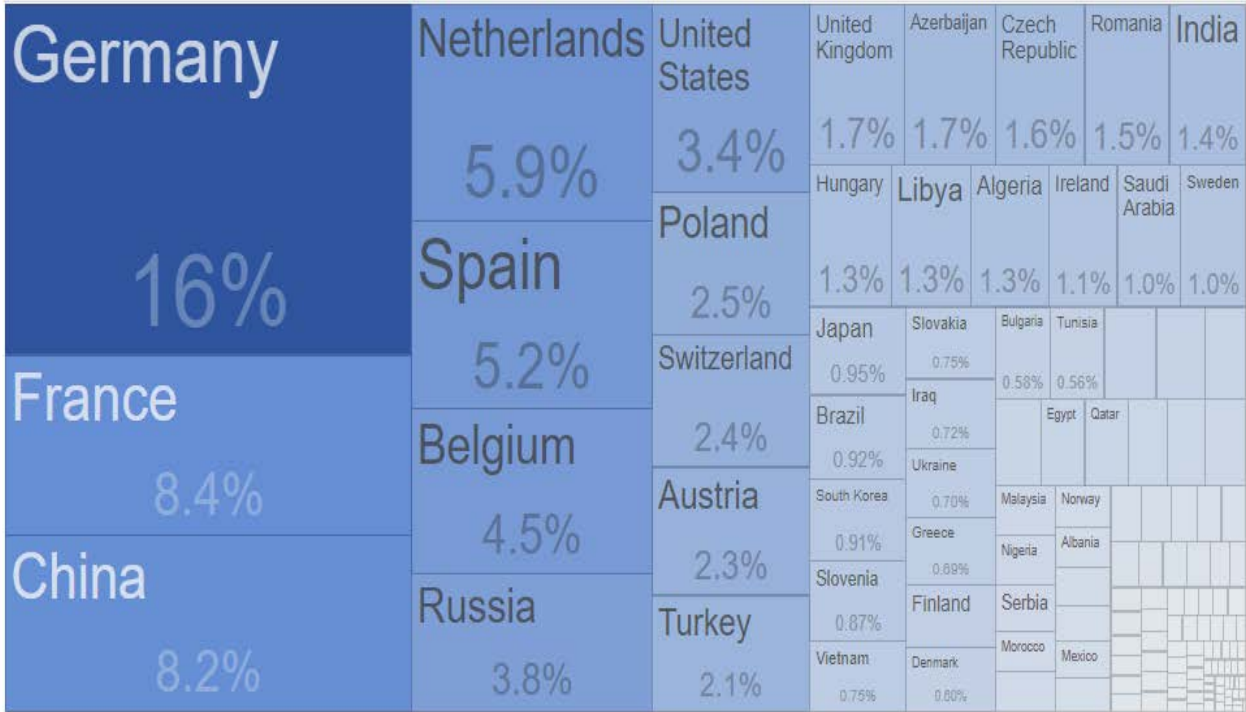
Data from Bureau of Economic Analysis (BEA) as of 12/31/2020. Retrieved 6/30/2022. Please see the end of the presentation for term definitions.

1. Franck, Thomas. “Treasury Secretary Yellen sees no need for China sanctions as US tries to deter aid to Russia,” CNBC. March 25, 2022.

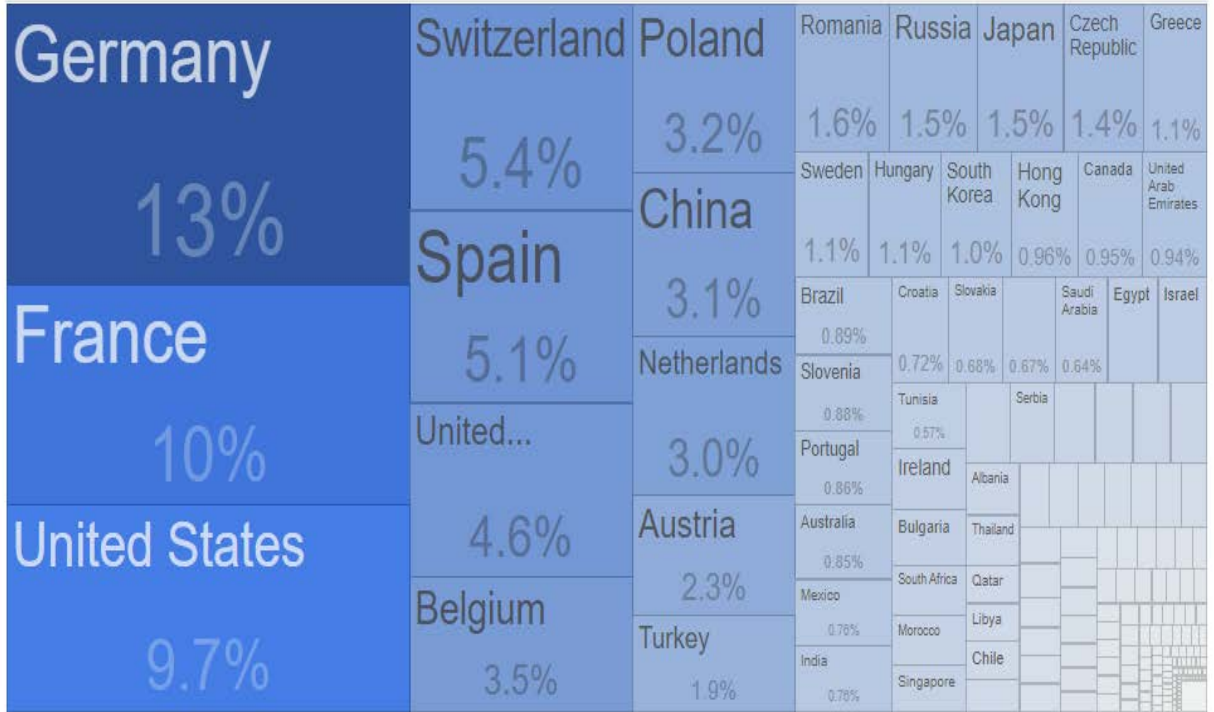
## Why Is China Important To Italy's Economy?

- Italy imported \$45.54B of goods from China in 2021 making it the 3rd largest import partner
- Italy exported \$18.46B of goods to China in 2021 making China the 9th largest export destination

Italian Imports by Country



Italian Exports by Country



Global multinationals continue to look to China's market for growth.

“Sales generated by US multinationals in China amounted to \$376 billion in 2018.”

-Liberty Street Economics, The Federal Reserve Bank of New York, May 2020.

US & Italian Companies' Trailing 12 Month Revenue from China as of 6/20/2022

Company Name	% Revenue from China
Apple	17%
Walmart Inc.	11%
Exxon Mobil Corp	12%
Microsoft Corp	15%
Chevron Corp	19%
Amazon.com Inc	5%
Alphabet Inc C	9%
QUALCOMM Inc	66%
Intel Corp	27%
Tesla Inc.	25%

Company Name	% Revenue from China
Moncler SpA	25%
Amplifon SpA	10%
Leonardo S.p.a.	11%
Telecom Italia SpA	5%
Brembo SpA	15%
Technogym SpA	9%
Maire Tecnimont SpA	6%
El.En. SpA	16%
Saipem SpA Ord	6%
Piaggio & C SpA	11%



## Holding Foreign Companies Accountable Act

### Statement on Agreement Governing Inspections and Investigations of Audit Firms Based in China and Hong Kong



Chair Gary Gensler

Aug. 26, 2022

Today, the Public Company Accounting Oversight Board (PCAOB) signed a Statement of Protocol with the China Securities Regulatory Commission (CSRC) and the Ministry of Finance of the People's Republic of China governing inspections and investigations of audit firms based in China and Hong Kong.

“Alibaba's financial statements are prepared in accordance with U.S. GAAP and since our inception in 1999, we have been audited by PwC Hong Kong, PwC Hong Kong is the local affiliate of the worldwide PwC firm and its auditing standards are overseen by the PwC national office in the United States. The integrity of Alibaba's financial statements speaks for itself. We have been an SEC filer since 2014 and hold ourselves to the high standards of transparency. Each year we have received -- and qualified by the opinion of our financial statements from PwC.”

Alibaba Earnings Conference Call on May 20, 2020 – Maggie Wu, Chief Financial Officer & Head of Strategic Investments

## FACT SHEET: CHINA AGREEMENT

Statement of Protocol Marks First Step Toward Complete Access for PCAOB to Select, Inspect and Investigate in China

Washington, Aug. 26, 2022

On August 26, 2022, the Public Company Accounting Oversight Board (PCAOB) signed a Statement of Protocol with the China Securities Regulatory Commission and the Ministry of Finance of the People's Republic of China, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong completely, consistent with U.S. law.

### Three Keys to Complete Access

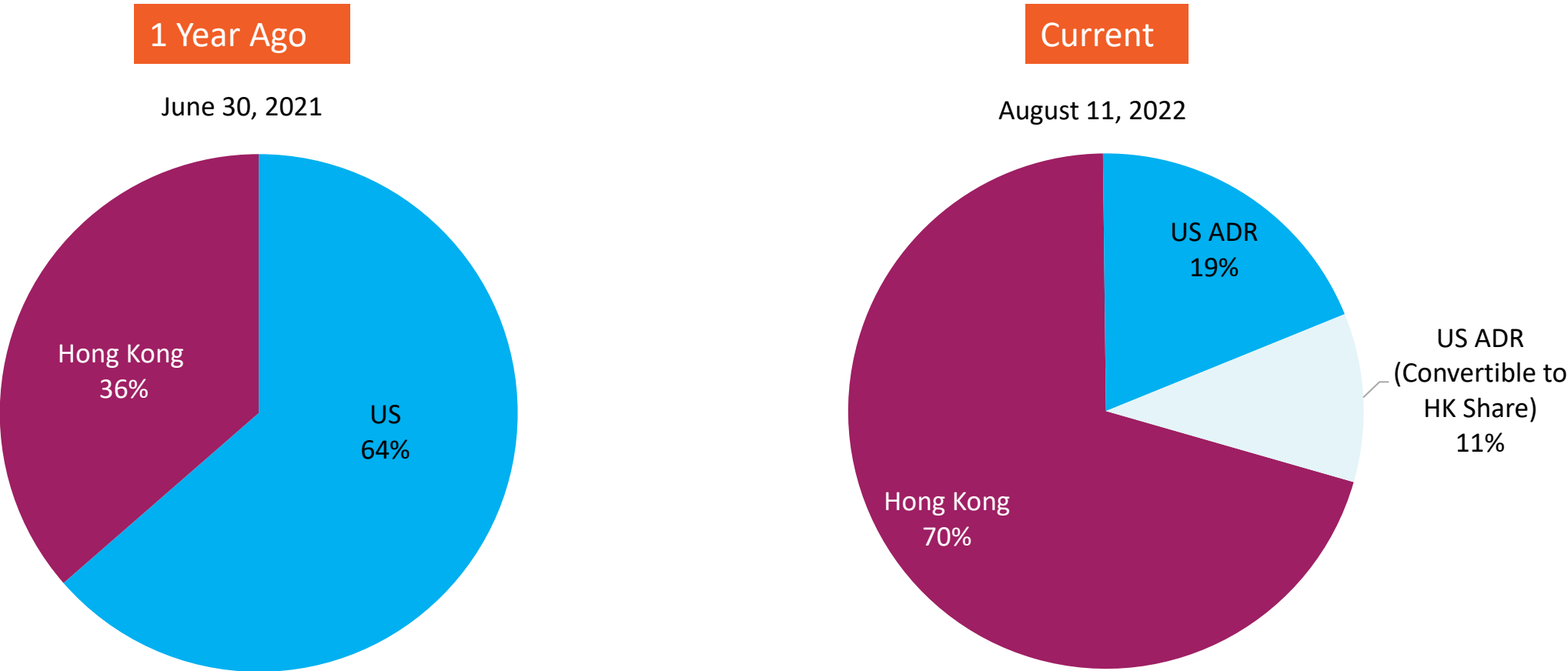
This is the most detailed and prescriptive agreement the PCAOB has ever reached with China. It includes three provisions that, if abided by, would grant the PCAOB complete access for the first time:

1. The PCAOB has sole discretion to select the firms, audit engagements and potential violations it inspects and investigates – without consultation with, nor input from, Chinese authorities.
2. Procedures are in place for PCAOB inspectors and investigators to view complete audit work papers with all information included and for the PCAOB to retain information as needed.
3. The PCAOB has direct access to interview and take testimony from all personnel associated with the audits the PCAOB inspects or investigates.



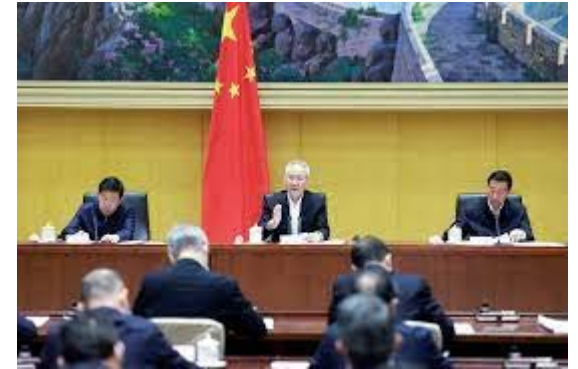
KWEB has already converted the majority of US holdings to Hong Kong shares. We expect the portfolio to be fully converted out of American Depositary Receipts (ADRs) by the end of the year.

KWEB Breakdown By Listing Location



## Is China's internet regulatory cycle over?

- January 2022 - The Central Cyberspace Administration (CAC) and other four departments hold a symposium on promoting the healthy and sustainable development of internet companies<sup>1</sup>.
- March 2022 - Vice Premier Liu He chaired the *Financial Stability and Development Committee* and responded to key market concerns on the government's macroeconomic policy stance, property risk, overseas listings, and platform economy regulation and confirmed that the regulatory cycle had ended.
- April 2022 - Xi Jinping addressed the Politburo, emphasizing stabilizing the economy.
- May 2022 - Premier Li held a conference call with 2,000 local officials, echoing the president's message.



### Tencent President Martin Lau Q2 2022:

“Firstly, we believe that the regulatory environment in China is progressing from rectification to normalization gradually, which should bode well for the industry over time. Specifically, for platform economy, we saw recent regulatory direction trending more positive and supportive, supporting well-regulated healthy and sustainable development of the industry.”<sup>2</sup>

“But I think as you have observed, right, the recent regulatory direction is trending towards more positive tone for platform economy....Number one is that there is actually no new regulation this year that are materially detrimental to the industry.... And in addition to that, thirdly, we also have seen initiatives to formulate more supportive policies for platform economy across various regulatory bodies,...So we have seen quite a few new developments along the line of the general more supported direction.”<sup>3</sup>

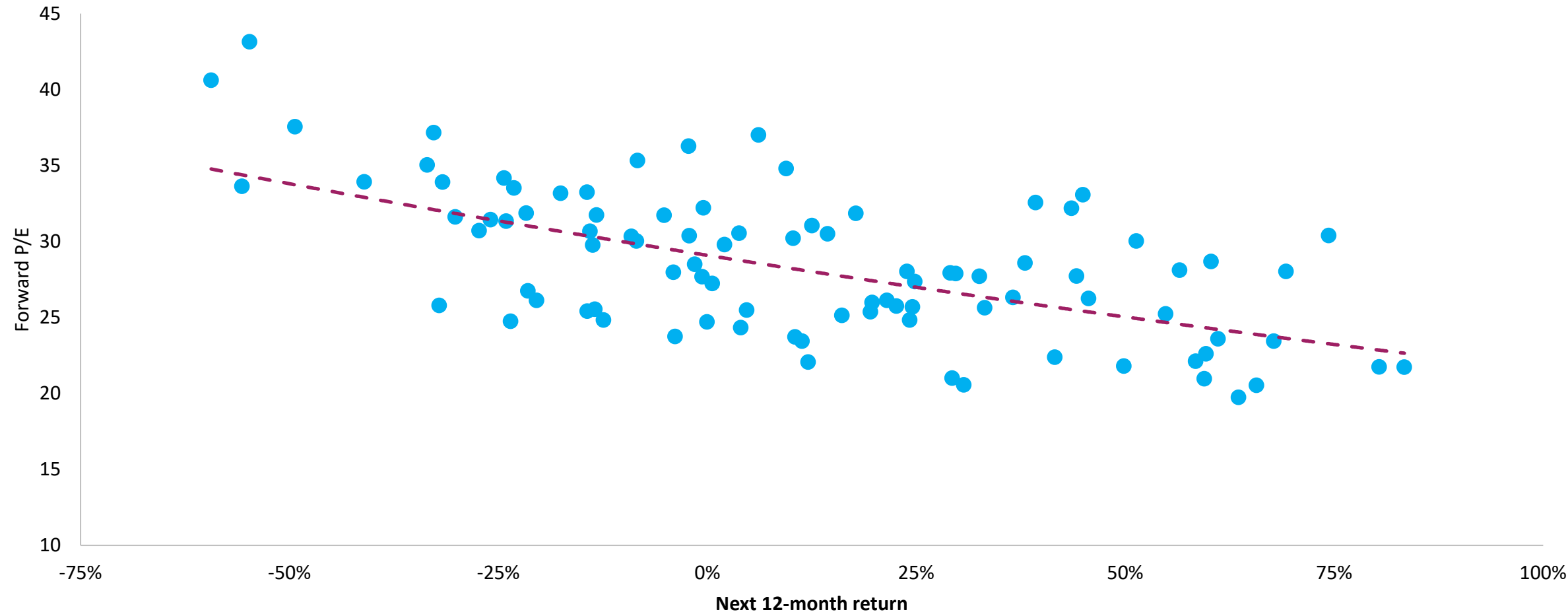
1. Cyberspace Administration of China, January 29, 2022.

2. Tencent's Financial Results Presentation from August 17, 2022

3. Bloomberg Transcript of Tencent Q2 2022 Earnings Call from August 17, 2022

KWEB's current forward P/E implies an attractive future return potential.

KWEB – Historical Forward P/E and Following 12 Month Return  
7/31/2013 – 6/30/2021

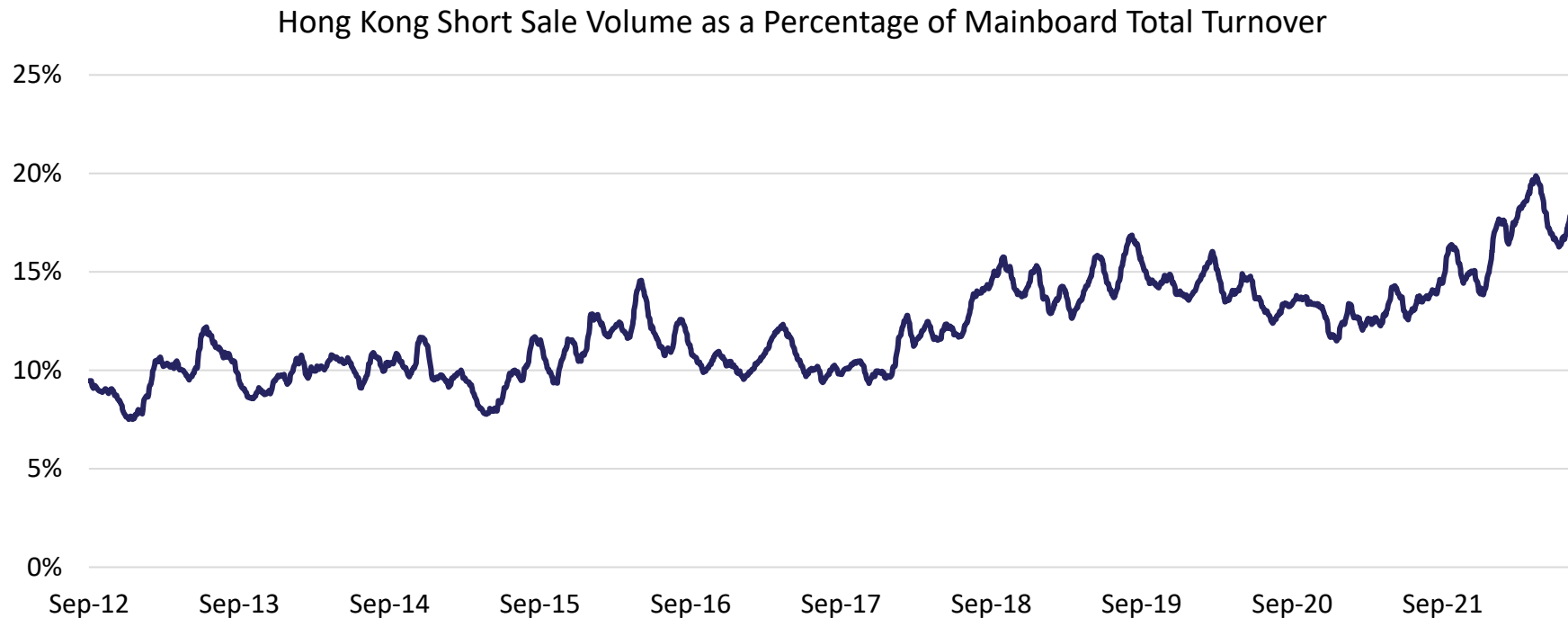


Data from Bloomberg and FactSet as of 6/30/2021. Please see the end of the presentation for definitions.



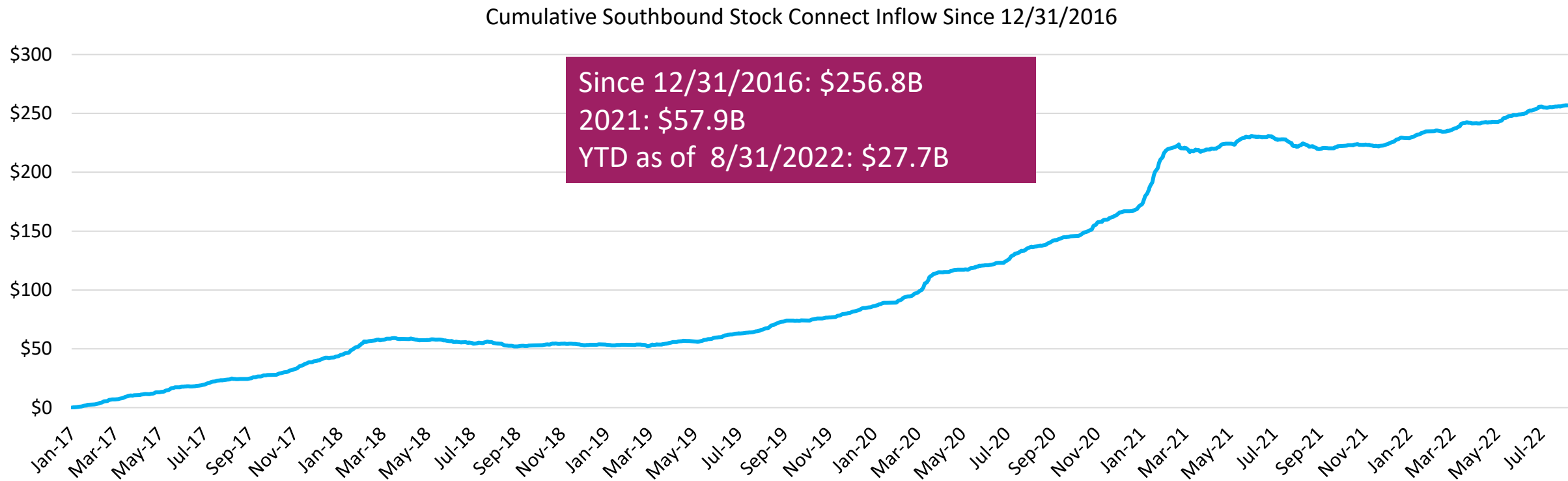
In Hong Kong, short selling has increased dramatically as a percentage of total turnover over the past six months.

- Over the last ten years, short sale turnover as a percentage of total Hong Kong turnover has averaged 12%
- Over the last six months, short sale turnover as a percentage of HK turnover has averaged 18%, a +50% increase in short sale turnover
- Over the last decade (2,323 trading days from August 20, 2012 to January 24, 2022), there had never been a day with short turnover accounting for 20% or more total turnover.
- From January 25, 2022 to today, there have been twenty-four days with short sale turnover accounting for more than 20% of total turnover.



# Inflows into Hong Kong remain strong.

- Since the launch of the Shanghai and Shenzhen / Hong Kong Stock Connect programs in 2014 and 2016, Mainland investors can now freely access Hong Kong listed stocks.
- As a result of this program, Mainland investors now represent approximately 9% of Hong Kong’s free-float market capitalization.<sup>1</sup> This number is projected to increase significantly in the coming years.



Data from Bloomberg as of 8/31/2022. \*See end of presentation for term and index definitions. Data starting after the launch of the Shenzhen-Hong Kong Stock Connect (Dec. 5, 2016).

1. Lockett, Hudson. “Chinese investors flood Hong Kong’s bruised stock market with cash,” Financial Times. January 12, 2021. Retrieved 6/30/2022.

# KWEB

## KraneShares CSI China Internet UCITS 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 within 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 \$2.05 trillion<sup>1</sup> in 2021 (compared to \$870 billion<sup>2</sup> in the United States).
- China's internet population reached 1.03 billion people in 2021, a penetration of only 73%<sup>3</sup>. The U.S. internet population reached 302 million people, a penetration rate of 91% in 2021.<sup>4</sup>
- Total Chinese retail sales reached \$7 trillion in 2021.<sup>5</sup>
- Online shopping accounted for 25% of retail purchases in China in 2021.<sup>5</sup>

1. The State Council, the People's Republic of China. Note: Figures converted from Chinese Renminbi to USD as of 31/Mar/2022. Retrieved on 30/Jun/2022.

2. US Census Bureau News as of 31/Mar/2022. Retrieved on 30/Jun/2022.

3. Data from Statista and The World Bank as of 31/Mar/2022. Retrieved on 30/Jun/2022.

4. Data from Statista and The World Bank as of 31/Mar/2022. Retrieved on 30/Jun/2022.

5. Data from Statista as of 31/Mar/2022. Retrieved on 30/Jun/2022. Note: Figures converted from Chinese Renminbi to USD.

## Onshore Focus: Economic & Policy Themes

### Growth in Focus From National People's Congress (NPC):

- Achieving the 2022 GDP Growth target of 5.5% while keeping inflation near target of 3%.<sup>1</sup>
- Creating 11 million new urban jobs and lower the unemployment rate to 5.5%.<sup>1</sup>
- Continuing pro-growth monetary policy from 2021, which is consistent with recent PBOC communications in January.
- Healthy fiscal budgeting and a stable currency.

### Dovish Monetary Policy Stance:

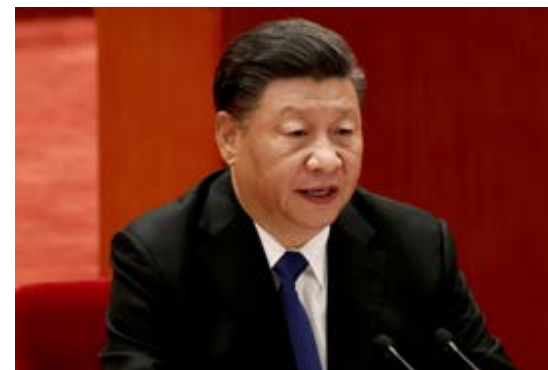
- We expect policy rates to stay low, fiscal policy to turn more expansionary, especially towards new infrastructure, and targeted liquidity relaxation to small and medium-sized enterprises (SMEs).
- China's monetary policy often does not follow the US. These eases are incremental but necessary to ensure stability.

### Relaxation of Zero COVID Policy:

- New COVID policies released on June 5<sup>th</sup>
- These policies are meant to prevent local governments from instituting the strict lockdown measures seen lately.
- This could soften the economic impact of any future disease prevention measures.
- Consumer confidence may improve

1. People's Republic of China. Government Work Report. March 7, 2022.

### Xi Jinping's 3<sup>rd</sup> term



### Renewables & sustainability



### Rate cuts & Policy easing

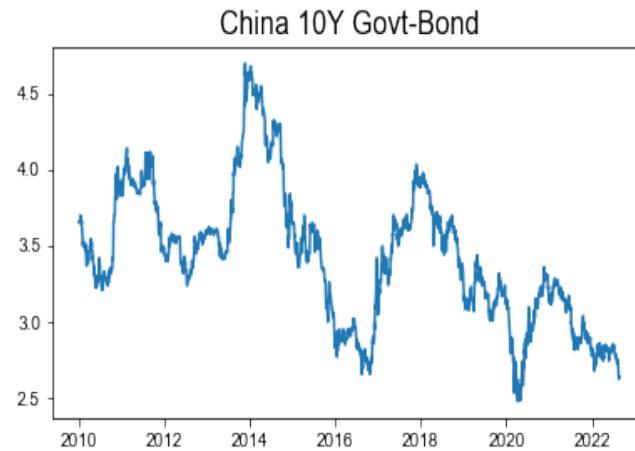
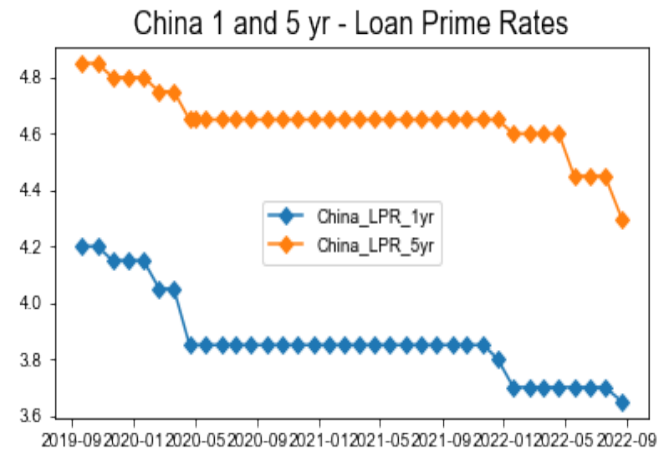
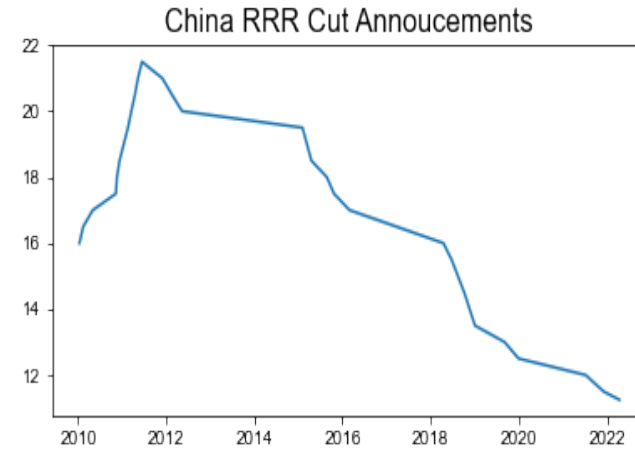
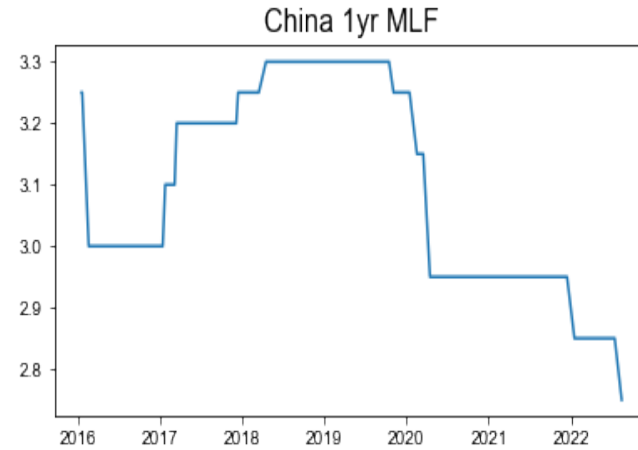


### National People's Congress

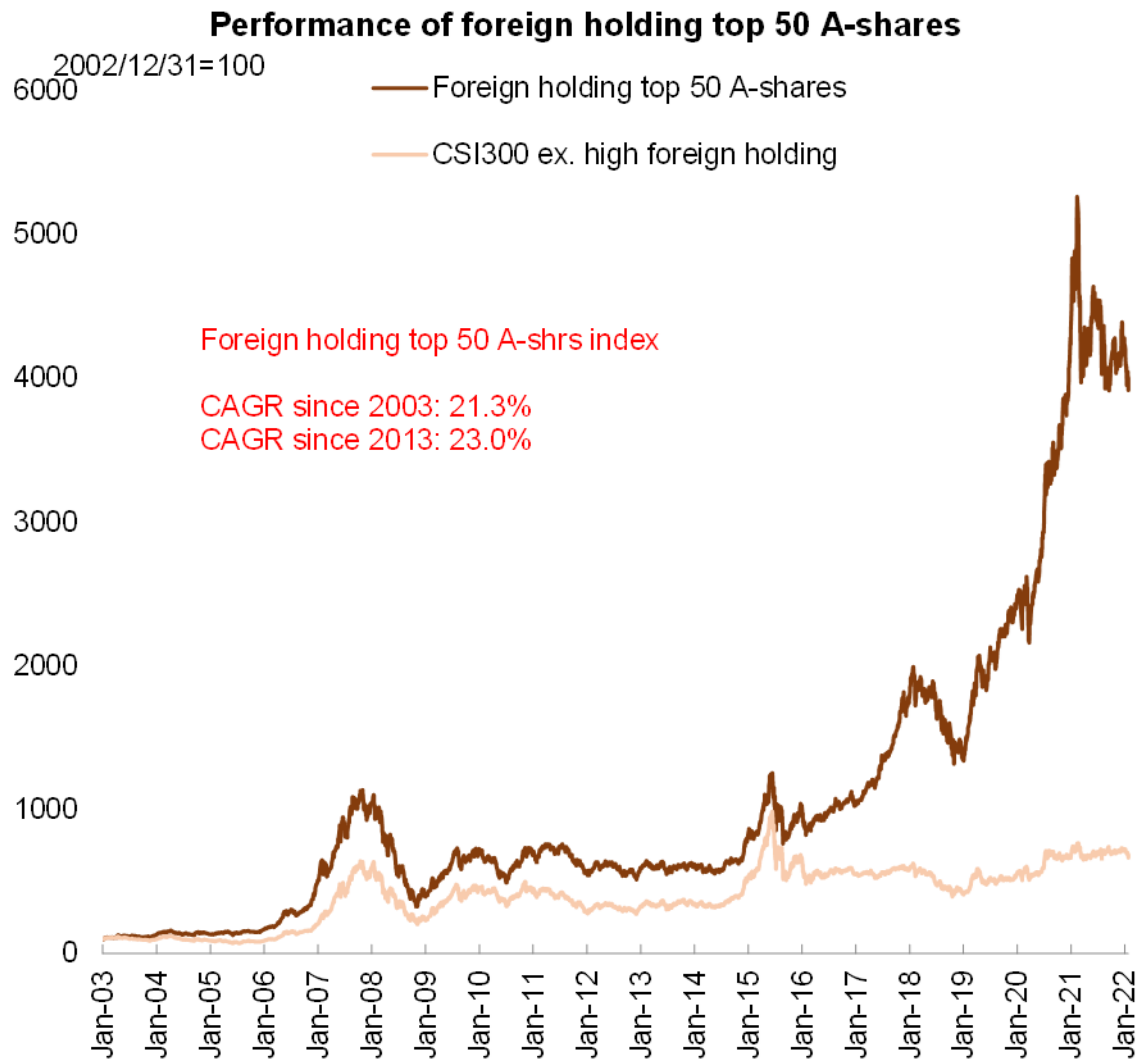




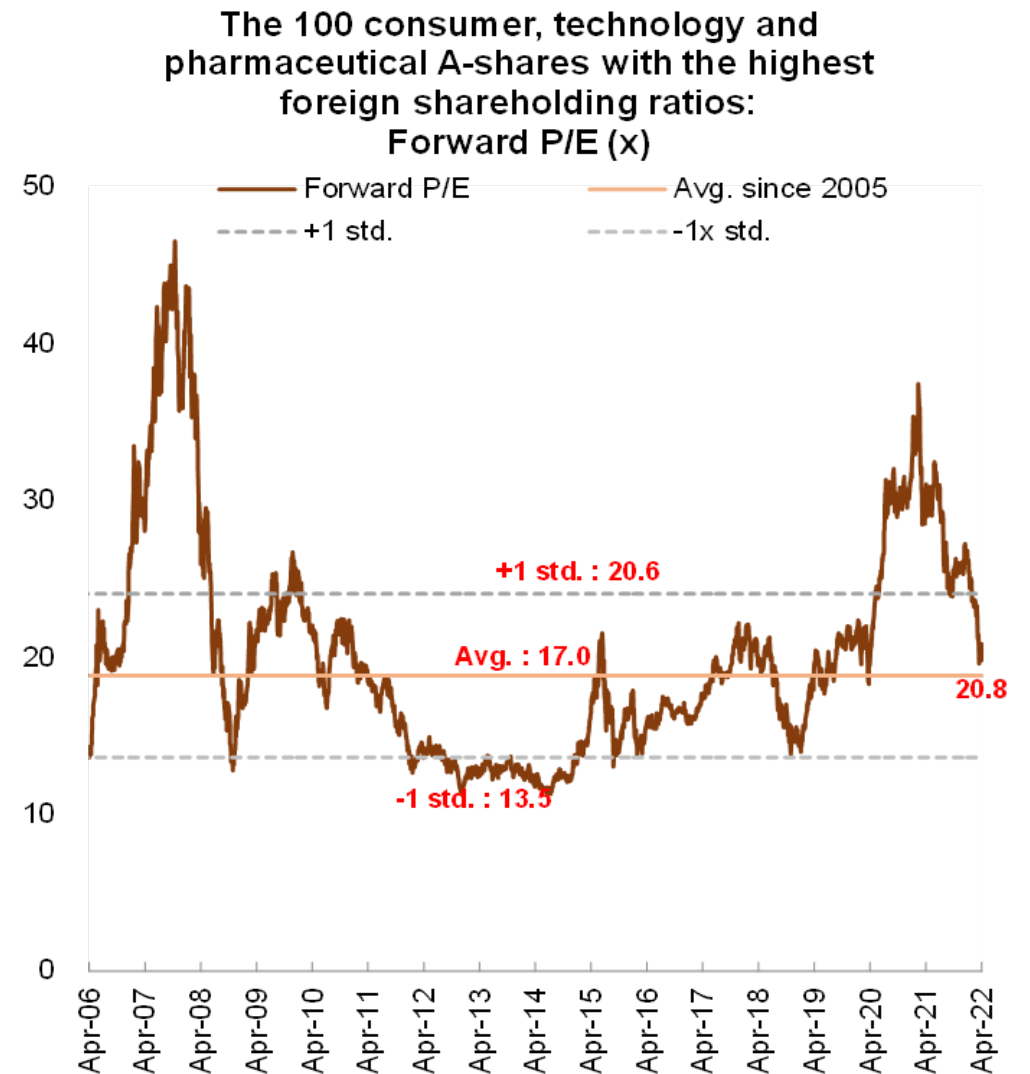
As central banks globally tighten, the People's Bank of China has been steadily cutting rates.



Stocks popular among foreign and domestic investors have corrected.



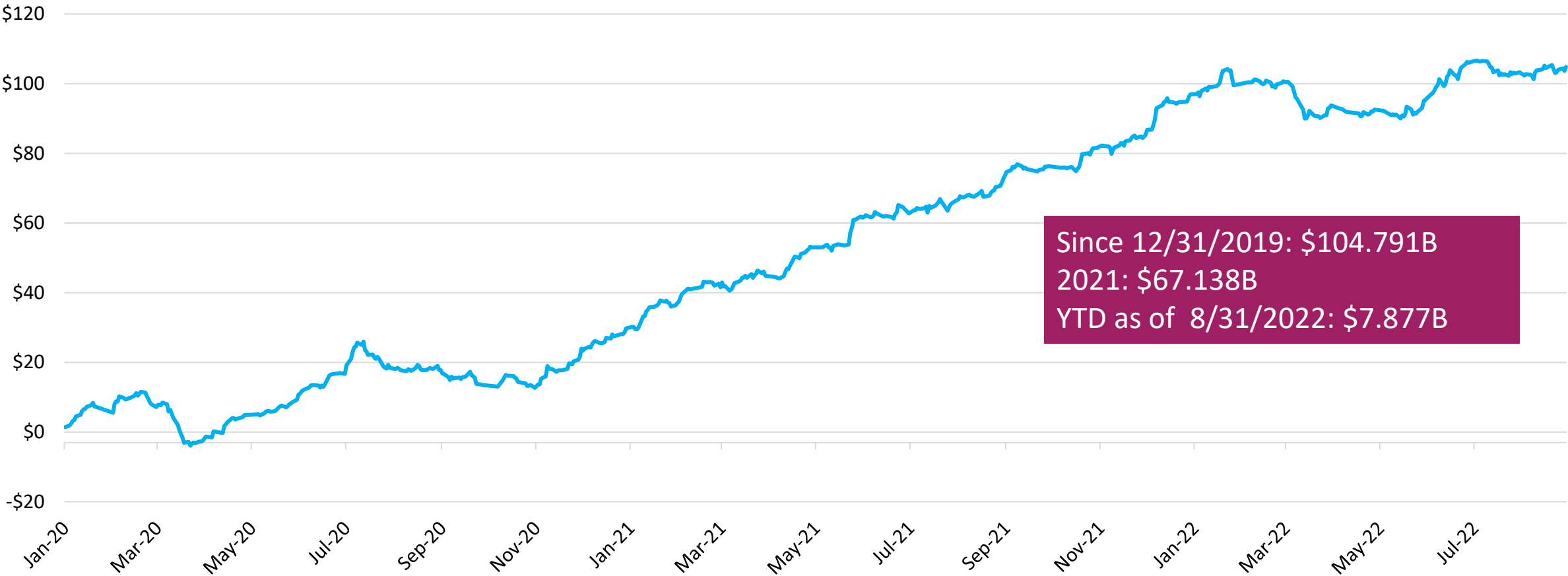
Source: FactSet, CICC Research



Source: Bloomberg, Factset, Wind, CICC Research

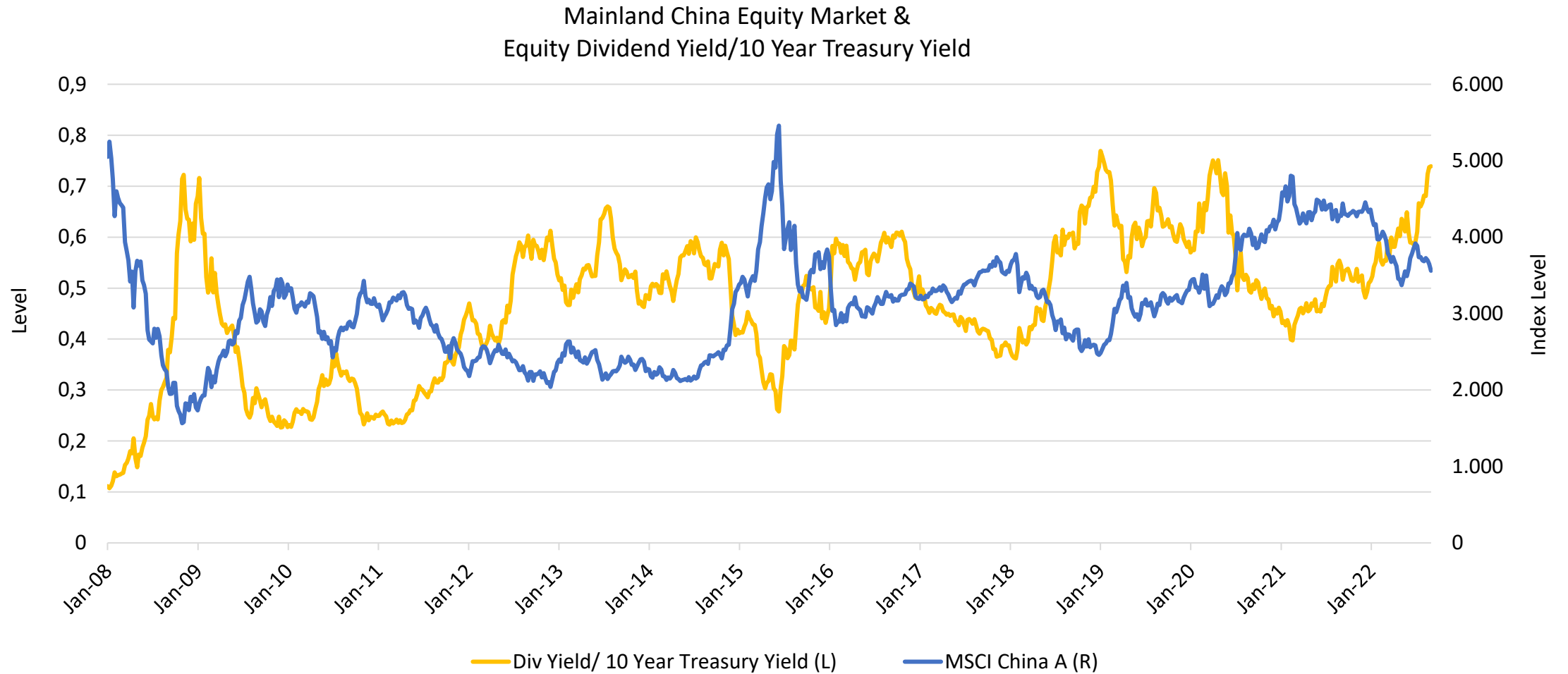
Foreign inflows into China’s Mainland equity (A share) market were strong last year, but the market has seen net outflow so far this year.

Cumulative Northbound Stock Connect Inflow Since 12/31/2019



Data from Bloomberg as of 8/31/2022. Please see the end of the presentation for definitions.

## Mainland Chinese Stocks Look Attractive with China's 10 Treasury Bond Yield Near Twenty-Year Lows





# KA50

KraneShares MSCI  
China A 50 Connect  
UCITS ETF

## Investment Strategy:

KA50 is a passively managed UCITS ETF that seeks to track the performance of the MSCI China A 50 Connect Index, consisting of 50 large-cap Shanghai and Shenzhen listed stocks (A-shares) available through Stock Connect. This Index offers the first officially recognized Futures contracts for Stock Connect-eligible A-shares, representing a powerful risk management tool for international investors. KA50 will focus on the largest, most liquid stocks, which receive most foreign interest and inflows and may benefit from increased global investment in China's onshore market over the long term.

## MSCI China A 50 Connect Index Features:

- Designed to meet the requirements of the growing number of international investors in China's mainland A-share markets.
- In addition to offering high correlation to broad China A-share benchmarks<sup>1</sup>, the MSCI China A 50 Connect Index may offer greater liquidity and investability due to its balanced sector weighting methodology and focus on China's largest, most liquid securities.
- An expected reduction in tracking error and bid-ask spreads given that market makers can directly hedge exposure with Futures.

## China A-Share Internationalization Highlights:

- China A-shares are vastly underrepresented in global indexes. While the United States has a weight of 60.63% in the MSCI All Country World Index, China only has a weight of 4.14%<sup>1</sup>.
- MSCI is realigning China's overall weight in their Global Standard Indexes through an incremental inclusion process. Upon completion, China A-shares are predicted to account for about 20% of the MSCI Emerging Market (EM) Index<sup>1</sup>.
- Greater accessibility and inclusion in global indexes has led to significant foreign inflows into the China A-share market over the past several years.

1. Data from MSCI as of 30/Jun/2022.  
See end of presentation for definitions.

## Index & Term Definitions

**KWEB:** For the purposes of this presentation, this may refer to the exchange traded fund listed on the New York Stock Exchange under the ticker “KWEB” and is not to be construed as KWEB UCITS.

**Dow Jones US Internet Composite Index (“US Internet”):** The Dow Jones Internet Composite Index is designed to measure the performance of the 40 largest and most actively traded stocks of U.S. companies in the internet industry. To be eligible for the index, a company must derive at least 50% of cash flows from the internet. The index was launched on February 18, 1999.

**The CSI Overseas China Internet Index (“China Internet”):** The CSI Overseas China Internet Index selects overseas listed Chinese Internet companies as the index constituents; the index is weighted by free float market cap. The index can measure the overall performance of overseas listed Chinese Internet companies. The Index is within the scope of the IOSCO Assurance Report as at 30 September 2018. The index was launched on September 20, 2011.

**Price-to-Earnings (P/E):** The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

**Forward Price-to-Earnings (P/E):** Forward price-to-earnings (forward P/E) is a version of the ratio of price-to-earnings (P/E) that uses forecasted earnings for the P/E calculation. While the earnings used in this formula are just an estimate and not as reliable as current or historical earnings data, there is still benefit in estimated P/E analysis.

**Price-to-Book (P/B):** Companies use the price-to-book ratio (P/B ratio) to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share. An asset's book value is equal to its carrying value on the balance sheet, and companies calculate it by netting the asset against its accumulated depreciation.

**Price-to-Cash Flow (P/CF):** The price-to-cash flow is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share.

**Price-to-Sales (P/S):** The price-to-sales ratio is a valuation ratio that compares a company's stock price to its revenues. It is an indicator of the value that financial markets have placed on each dollar of a company's sales or revenues.

**MSCI Emerging Markets Index:** The MSCI Emerging Markets Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Market (EM) countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country. The index was launched on January 1, 2001.

**Sharpe Ratio:** The Sharpe ratio is a measure that indicates the average return minus the risk-free return divided by the standard deviation of return on an investment. It is meant to reflect the attractiveness of an investment from a risk vs. reward perspective.

**Max Drawdown:** A maximum drawdown is the maximum observed loss from a peak to a trough of a portfolio, before a new peak is attained. Maximum drawdown is an indicator of downside risk over a specified time period.

**Beta:** The degree to which an investment follows the market, which is usually represented by an index.

## Index & Term Definitions (continued)

**US Treasury:** Debt issued by the US government. For the purposes of this presentation, this refers specifically to government bonds with a maturity of 10 years.

**American Depositary Receipt (ADR):** The term American depositary receipt refers to a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares—usually one share—of a foreign company's stock. The ADR trades on U.S. stock markets as domestic shares would. ADRs offer U.S. investors a way to purchase stock in overseas companies that would not otherwise be available.

**Holding Foreign Companies Accountable Act (HFCAA):** An act passed by the United States Congress in 2020 requiring all listed ADRs to allow the Public Company Accounting Oversight Board (PCAOB) to inspect their audit papers, in some cases certify whether they are not owned or controlled by a foreign government, among other provisions.

**Gross Domestic Product (GDP):** Gross domestic product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

**People's Bank of China (PBOC):** The central bank of the People's Republic of China.

**Net PBOC Injections:** Capital released into the market by People's Bank of China (PBOC), China's central bank, through open market operations (OMO) only. Does not account for the impact of rates on overall liquidity.

**Open Market Operations/Injections (OMO):** Open market operations (OMO) refers to the Peoples' Bank of China (PBOC) practice of buying and selling Chinese Treasury securities, along with other securities, on the open market in order to regulate the supply of money that is on reserve at Chinese banks.

**Total Retail Sales:** This refers to an index published by the National Bureau of Statistics of China (NBS) and sourced from Bloomberg that tracks the overall value of retail sales within the People's Republic of China on a monthly basis.

**Total Online Retail Sales:** This refers to an index published by the National Bureau of Statistics of China (NBS) and sourced from Bloomberg that tracks the overall value of online retail sales within the People's Republic of China on a monthly basis.

**Consumer Price Index (CPI):** An index tracking the average price of a basket of goods and services, usually maintained by a government entity or economic research firm and used to gauge inflation and set interest rates. Sometimes, a CPI may exclude more volatile product categories such as energy and food.

**Relative Strength Index (RSI):** A relative strength index is a momentum indicator that measures the magnitude of recent price changes to evaluate overbought oversold conditions in the price of a stock or asset relative to a benchmark.

## Index Definitions (continued)

**MSCI EAFE Index (“EAFE”):** The MSCI EAFE Index is an equity index which captures large and mid cap representation across Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the UK. With 825 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The index was launched on March 31, 1986.

**MSCI All Country World Index (ACWI):** The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 27 Emerging Markets (EM) countries\*. With 2,978 constituents, the index covers approximately 85% of the global investable equity opportunity set. The index was launched on January 1, 2001.

**The S&P 500 (SPX):** is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

**Nasdaq Composite Index:** includes almost all stocks listed on the Nasdaq stock exchange.

**Russell 2000:** measures the performance of the small-cap segment of the US equity universe.

**Shanghai Composite:** tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

**MSCI China IMI Environment 10/40:** designed to measure the performance of securities with the country of classification as China comprising of large, mid, and small market cap segments.

**CICC China Consumer Leaders:** consists of the investable universe of publicly traded China-based companies whose primary business or businesses are in the consumption-related industries such as home appliance, food & beverage, apparel & clothing, hotels, restaurants, and duty-free goods.

**MSCI China A Net Return USD:** captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips, and foreign listings (e.g. ADRs).

**Hang Seng Tech:** represents the 30 largest technology companies listed in Hong Kong that have high business exposure to technology themes and pass the index’s screening criteria.

**CSI CICC Select 100:** 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.

**CICC China 5G and Semiconductor Leaders:** designed to track the performance of companies engaged in the 5G and semiconductor-related businesses, including 5G equipment, semiconductors, electronic components, and big data centers.

**MSCI China A 50 Connect:** seeks to represent the performance of the top 50 large-cap China A-shares using a sector-neutral approach.

**MSCI China All Shares:** captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips, and foreign listings (e.g. ADRs).

**MSCI China All Shares Healthcare 10/40 Net Return USD:** captures large and mid-cap representation across China A-shares, B-shares, H-shares, Red-chips, P-chips, and foreign listings (e.g. ADRs).

**Bloomberg China Inclusion Focused Bond:** designed to track the performance of China’s onshore renminbi-denominated government and high-quality corporate bond market.

**Global China Infrastructure Exposure:** designed to represent the performance of listed companies within Developed, Emerging, and Frontier markets with high revenue exposure to China infrastructure development from within a specified set of industries relevant to what has become known as the ‘One Belt, One Road’ (“OBOR”) investment program and development strategy promoted by China.

**Bloomberg Electric Vehicles:** designed to track the performance of companies engaged in the production of electric vehicles and/or their components, or engaged in other initiatives that may change the future of mobility.

**Solactive Emerging Markets Consumer Technology:** selects companies from 26 eligible countries within emerging markets whose primary business or businesses are internet retail, internet software/services, purchase, payment processing, or software for internet and E-Commerce transact.

**Solactive Emerging Markets Healthcare:** seeks to track the equity market performance of companies engaged in the health care sector in various emerging markets.

**MSCI Emerging Markets ex China:** tracks large-cap and mid-cap companies within emerging market countries, excluding China.

## 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.eu](http://www.kraneshares.eu). Read the prospectus carefully before investing.

## Risk Disclosures

**The views and opinions expressed in this material are those of the authors Krane Fund Advisors. These opinions have been given in good faith, but are subject to change without notice. It is the responsibility of the investor to evaluate the accuracy, completeness and usefulness of any opinions, advice, services or other information provided.**

UCITS shares are not individually redeemable with the issuing fund other than in large Creation Unit aggregations. Instead, investors must buy and sell UCITS 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 (NAV) when selling. The Net Asset Value per share is calculated in accordance with the "Determination of Net Asset Value" section of the prospectus, using the official closing price published by the relevant exchange. Shares are bought and sold at market price which may or may not be consistent with NAV.

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. 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.

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In Switzerland, the Fund has appointed as Swiss Representative Waystone Fund Services (Switzerland) SA, Av. Villamont 17, 1005 Lausanne, Switzerland, Tel: +41 21 311 17 77, email: [switzerland@waystone.com](mailto:switzerland@waystone.com). The Fund's paying agent is Helvetische Bank AG. In respect of the Shares distributed in or from Switzerland, the place of performance and jurisdiction is Lausanne (Switzerland).

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# Follow Up Questions?

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