

KRANESHARES ICAV

KraneShares MSCI All China Health Care Index UCITS ETF

9 March 2021

(A sub-fund of KraneShares ICAV, an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registered number C181441 authorised by the Central Bank of Ireland pursuant to the UCITS Regulations).

This Supplement (the “Supplement”) forms part of the Prospectus dated 9 March 2021 (the “Prospectus”) in relation to KraneShares ICAV (the “ICAV”) for the purposes of the UCITS Regulations. This Supplement should be read in the context of, and together with, the Prospectus and contains information relating to the KraneShares MSCI All China Health Care Index UCITS ETF (the “Sub-Fund”) which is a separate sub-fund of the ICAV.

The Sub-Fund is an Index Tracking Sub-Fund.

Prospective investors should review this Supplement and the Prospectus carefully and in their entirety and consider the risk factors set out in the Prospectus and in this Supplement before investing in this Sub-Fund. If you are in any doubt about the contents of this Supplement, you should consult your stockbroker, bank manager, solicitor, accountant and/or financial adviser. An investment in the Sub-Fund should not constitute a substantial proportion of an investment portfolio and may not be appropriate for all investors.

The Directors, as listed in the “*Management*” section of the Prospectus accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

KEY INFORMATION

Unless otherwise defined herein or unless the context otherwise requires, all defined terms used in this Supplement shall bear the same meaning as in the Prospectus.

Base Currency	US Dollars
Business Day	a day on which commercial banks are open and settle payments in London, Hong Kong, Shanghai and New York, excluding days on which such commercial banks are open only half a day.
Dealing Deadline	For cash subscriptions and redemptions, 5pm (Irish time) on the Business Day immediately prior to each Dealing Day.
Index	The MSCI China All Shares Health Care 10/40 Index.
Index Provider	MSCI, Inc.
Listing Stock Exchange	Euronext Dublin, London Stock Exchange
Offer Period	9 am on 20 October 2020 to 5 pm on 19 April 2021 or such earlier or later date as the Directors may determine.
Settlement Deadline	Appropriate cleared subscription monies must be received by the second Business Day following the Dealing Day, or such later date as may be determined by the ICAV and notified to prospective investors from time to time.
Valuation	The Net Asset Value per Share is calculated in accordance with the " <i>Determination of Net Asset Value</i> " section of the Prospectus, using the official closing price published by the relevant exchange.
Valuation Point	Close of business on the New York Stock Exchange on each Valuation Day or such other time as the Directors may determine in respect of the Sub-Fund from time to time and notify to Shareholders in advance.

The following Share Classes are available in the Sub-Fund:

Class	Minimum Subscription Amount	Initial Offer Price	TER
Class USD	USD 2,500,000	USD 25	0.65%
Class EUR	EUR 2,500,000	EUR 25	0.65%
Class GBP	GBP 2,500,000	GBP 25	0.65%

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective. The objective of the Sub-Fund is to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the investable universe of publicly traded China-based companies, whose primary business or businesses are in the healthcare and healthcare-related sectors and whose securities are listed in Hong Kong, Shanghai, Shenzhen and outside of China (“**China Healthcare Companies**”).

Investment Policy. The investment policy of the Sub-Fund is to track the performance of the Index (or such other index determined by the Directors from time to time as being able to track substantially the same market as the Index and which is considered by the Directors to be an appropriate index for the Sub-Fund to track, in accordance with the Prospectus), as closely as possible, regardless of whether the Index level rises or falls, while seeking to minimise as far as possible the tracking error between the Sub-Fund’s performance and that of the Index. Any determination by the Directors that the Sub-Fund should track another index at any time shall be subject to the provision of reasonable notice to Shareholders to enable any Shareholders who wish to do so to redeem their Shares prior to implementation of this change and the Supplement will be updated accordingly.

The Index is designed to measure the performance of China Healthcare Companies, as determined by the Index Provider. Issuers eligible for inclusion in the Index must be classified under the Global Industry Classification Standard as engaged in the healthcare sector. The Global Industry Classification Standard is a widely accepted industry analysis framework, jointly developed and maintained by MSCI and Standard & Poor’s. The issuers included in the Index may include mid-cap and large-cap companies. To determine the investable universe of Chinese equity securities for the Index, the Index Provider applies investability screens (as outlined below) to individual securities within the healthcare sector, based on the MSCI Global Investable Market Indexes Methodology, along with MSCI’s investability and minimum size criteria for emerging markets. These screens and criteria require that in order for securities to be eligible for inclusion in the Index at the time of each rebalance, they must, among other things: (1) come from issuers comprising the top 85% (based on market capitalisation) of the investable equity universe and (2) meet minimum liquidity requirements as measured by their three-month and 12-month annual traded value ratios and three-month frequency of trading percentage over the prior year.

Under normal circumstances, the Sub-Fund will invest at least 80% of its net assets in securities issued by China Healthcare Companies or in depositary receipts representing such components and securities of the Index. Depositary receipts are securities issued by a financial institution which evidence ownership interests in a security or a pool of securities deposited with the financial institution.

The Index is weighted according to each component’s free-float adjusted market capitalisation, which is calculated based on the component’s price, multiplied by its Foreign Inclusion Factor (“**FIF**”), but is modified so that, as of the rebalance date, no issuer constitutes more than 10% of the Index and so that, in the aggregate, the individual issuers that would represent more than 5% of the Index represent no more than 40% of the Index (“**10/40 Cap**”). The FIF of a security is defined as the proportion of shares outstanding that is available for investment in the public equity markets by foreign investors. For China A-Shares, a FIF of 100% is applied to their free-float adjusted market capitalisation for calculating their final weight in the Index, which may be different from other foreign indices.

As of 29 May 2020, the Underlying Index included approximately 81 securities of companies with a market capitalisation range of US\$401.89 million to US\$17.53 billion and an average market capitalisation of US\$2.64 billion. The Underlying Index is rebalanced quarterly and whenever the 10/40

cap is breached, which may occur due to market movements. The Index Provider is independent of the ICAV and the Investment Manager. Further details on the Index, including its components and performance, are available at: <http://www.msci.com/china>.

In order to seek to achieve the Sub-Fund's investment objective, the Investment Manager will aim to replicate the Index by holding all of the constituents of the Index in a similar proportion to their weighting in the Index. Further information on the use of the replication methodology can be found under "*Index Tracking Sub-Funds*" in the "*Investment Objectives and Policies*" section of the Prospectus.

The Sub-Fund may in certain, limited circumstances, where replication of the Index is not reasonably practical (for example as a result of the illiquidity or unavailability of certain securities within the Index), invest in instruments that are not included in the Index but which the Investment Manager believes will help the Sub-Fund track the Index, e.g. securities which provide similar price and yield performance and risk profiles to constituents of the Index. These investments may include equity securities and depositary receipts of issuers whose securities are not components of the Index.

Instruments / Asset Classes. The following types of China-related equity securities may be included in the Index and/or represent investments of the Sub-Fund:

- China A-Shares of companies incorporated in mainland China and traded on Chinese exchanges. China A-Shares are primarily purchased and sold in the domestic Chinese market. To the extent the Sub-Fund invests in China A-Shares, it will do so through the Shanghai-Hong Kong Stock Connect Program or Shenzhen-Hong Kong Stock Connect Program ("Stock Connect Programs").
- *China H-Shares* of companies incorporated in mainland China and listed on the Hong Kong Stock Exchange, where they are traded in Hong Kong Dollars and may be traded by foreign investors.
- *China B-Shares* of companies incorporated in mainland China and listed on the Shanghai Exchange in US Dollars and Shenzhen Exchange in Hong Kong Dollars.
- *P-Chips* of private sector companies with a majority of their business operations in mainland China and controlling private Chinese shareholders, which are incorporated outside of mainland China and traded on the Hong Kong Stock Exchange in Hong Kong Dollars.
- *Red Chips*, which are shares of companies with a majority of their business operations in mainland China and controlled by the central, provincial or municipal governments of the PRC, whose shares are traded on the Hong Kong Stock Exchange in Hong Kong Dollars.
- Global Depositary Receipts (including American Depositary Receipts) as alternatives to directly purchasing the above equity securities in their national markets and currencies.

The securities in which the Sub-Fund invests will be primarily listed or traded on Recognised Markets globally, although the Sub-Fund may also invest in unlisted securities in accordance with the limits set out in the UCITS Regulations. In normal circumstances, the Sub-Fund may hold up to 10% of its Net Asset Value in ancillary liquid assets (deposits, certificates of deposit, commercial paper and fixed rate bonds issued by governments which are rated investment grade) in accordance with the UCITS Regulations, provided however that this restriction will not apply following large subscriptions to the Sub-Fund. The Sub-Fund may also, subject to a maximum of 10% of its Net Asset Value, invest in other

regulated, open-ended collective investment schemes, including ETFs, as described under “*Investment in other Collective Investment Schemes*” in the “*Investment Objectives and Policies*” section of the Prospectus, where the objectives of such funds are consistent with the objective of the Sub-Fund. Such funds may be advised, sponsored or otherwise serviced by the Investment Manager or an affiliate.

The Sub-Fund does not currently use financial derivative instruments. A risk management process will be submitted to the Central Bank in accordance with Central Bank UCITS Regulations prior to the Sub-Fund engaging in financial derivative instruments.

Sustainable Finance. The Sub-Fund’s investment policy and the nature of the Index means that the Investment Manager will not generally be able to take Sustainability Risks into account in making investment decisions, as such decisions will be driven instead by the constituents of the Index. Investors should refer to the “*Sustainable Finance*” section of the Prospectus for further details with respect to Sustainability Risk and ESG Integration for the Sub-Fund.

Risk Management. The expected proportion of the assets under management of the Sub-Fund that could be subject to securities lending will be 15%, subject to a maximum of 50%. The Sub-Fund will not have any exposure to repurchase agreements or total return swaps.

For information in relation to the difficulties associated with tracking indices, please refer to “*Index Tracking Risk*” in the “*Risk Information*” section of the Prospectus. It is currently anticipated that the tracking error of the Sub-Fund will be up to 1% under normal market conditions. The causes of tracking error can include but are not limited to the following: holdings/size of the Sub-Fund, cash flows, such as any delays in investing subscription proceeds into the Sub-Fund or realising investments to meet redemptions, fees and the frequency of rebalancing against the Index.

Portfolio Holding Disclosure Policy. The Sub-Fund will publicly disclose its complete holdings on a daily basis. Details of the Sub-Fund’s holdings and full disclosure policy may be found at: www.kraneshares.eu.

INVESTMENT RISKS

Investment in the Sub-Fund carries with it a degree of risk including the risks described in the “*Risk Information*” section of the Prospectus. These risks are not intended to be exhaustive and potential investors should review the Prospectus and this Supplement carefully and consult with their professional advisers before purchasing Shares. In addition, investors should be aware of the risks headed “*Sustainability Risk*”, “*Country Concentration*”, “*Holdings and Sector Concentration*”, “*Emerging Markets Including China*” and “*Index Related Risks*” in the “*Risk Information*” section of the Prospectus.

The Sub-Fund will invest in China A-Shares through the China-Hong Kong Stock Connect Programmes which are subject to regulatory change, quota limitations and also operational constraints (as set out in the Prospectus) which may result in increased counterparty risk.

INVESTOR PROFILE

Typical investors in the Sub-Fund are expected to be investors who want to take short, medium or long term exposure to the performance of China based companies whose primary business or businesses are in the healthcare and healthcare-related sectors and are prepared to accept the risks associated with an investment of this type.

SUBSCRIPTIONS – PRIMARY MARKET

The Shares will be available during the Offer Period at the Initial Offer Price per Share set out above under “*Key Information*”.

After the Closing Date, Shares will be issued on each Dealing Day at the appropriate Net Asset Value per Share with an appropriate provision for Duties and Charges in accordance with the provisions set out below and in the Prospectus. Investors may subscribe for Shares for cash on each Dealing Day by making an application by the Dealing Deadline in accordance with the requirements set out below and in the “*Purchase and Sale Information*” section of the Prospectus. Consideration, in the form of cleared subscription monies/securities, must be received by the applicable Settlement Deadline.

REDEMPTIONS – PRIMARY MARKET

Shareholders may effect a redemption of Shares on any Dealing Day at the appropriate Net Asset Value per Share, subject to an appropriate provision for Duties and Charges, provided that a valid redemption request from the Shareholder is received by the ICAV by the Dealing Deadline on the relevant Dealing Day, in accordance with the provisions set out in this section and at the “*Purchase and Sale Information*” section of the Prospectus. Settlement will normally take place within two Business Days of the Dealing Day but may take longer depending on the settlement schedule of the underlying markets. In any event, settlement will not take place later than 10 Business Days from the Dealing Deadline.

FEES AND EXPENSES

The TER for each Class is set out in the table in the “*Key Information*” section above.

Further information in this respect is set out in the “*Fees and Expenses*” section of the Prospectus.

DISTRIBUTIONS

The Sub-Fund has determined to accumulate all net investment income and net realised capital gains attributable to the Class USD, Class EUR Shares and Class GBP Shares and therefore does not intend to declare dividends in respect of Shares in such Share Classes.

LISTING

Application has been made for the Shares to be admitted to the Official List and to trading on the Regulated Market of Euronext Dublin and to trading on each of the Listing Stock Exchanges and such Shares are expected to be admitted to listing in October 2020.

OTHER SUB-FUNDS OF THE ICAV

As at the date of this Supplement, in addition to the Fund, the ICAV has also obtained the approval of the Central Bank for the establishment of the following sub-funds: the KraneShares CSI China Internet UCITS ETF, the KraneShares MSCI China A Share UCITS ETF, the KraneShares MSCI China ESG Leaders UCITS ETF and the KraneShares Bloomberg Barclays China Bond Inclusion UCITS ETF.

INDEX DISCLAIMER

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The Sub-Fund is not sponsored, endorsed, sold or promoted by MSCI Inc. ("**MSCI**"), any of its affiliates, any of its information providers or any other third party involved in, or related to, compiling, computing or creating the Index (collectively, the "**MSCI Parties**"). The Index is the exclusive property of MSCI. MSCI and the Index name is a service mark of MSCI or its affiliates and has been licensed for use for certain purposes by the Investment Manager. None of the MSCI parties makes any representation or warranty, express or implied, to the issuer or owners of the Sub-Fund or any other person or entity regarding the advisability of investing in funds generally or in this fund particularly or the ability of any MSCI index to track corresponding stock market performance. MSCI or its affiliates are the licensors of certain trademarks, service marks and trade names and of the Index which is determined, composed and calculated by MSCI without regard to the Sub-Fund or the issuer or owners of the Sub-Fund or any other person or entity. None of the MSCI Parties has any obligation to take the needs of the issuer or owners of the Sub-Fund or any other person or entity into consideration in determining, composing or calculating the Index. None of the MSCI Parties is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Sub-Fund to be issued or in the determination or calculation of the equation by or the consideration into which the Sub-Fund is redeemable. Further, none of the MSCI Parties has any obligation or liability to the issuer or owners of the Sub-Fund or any other person or entity in connection with the administration, marketing or offering of the Sub-Fund.

Although MSCI shall obtain information for inclusion in or for use in the calculation of the Index from sources that MSCI considers reliable, none of the MSCI Parties warrants or guarantees the originality, accuracy and/or the completeness of the Index or any data included therein. None of the MSCI Parties makes any warranty, express or implied, as to results to be obtained by the issuer of the Sub-Fund, owners of the Sub-Fund, or any other person or entity, from the use of the Index or any data included therein. None of the MSCI Parties shall have any liability for any errors, omissions or interruptions of or in connection with the Index or any data included therein. Further, none of the MSCI Parties makes any express or implied warranties of any kind, and the MSCI Parties hereby expressly disclaim all warranties of merchantability and fitness for a particular purpose, with respect to the Index and any data included therein. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No purchaser, seller or holder of this security, product or fund, or any other person or entity, should use or refer to any MSCI trade name, trademark or service mark to sponsor, endorse, market or promote this security without first contacting MSCI to determine whether MSCI's permission is required. Under no circumstances may any person or entity claim any affiliation with MSCI without the prior written permission of MSCI.