

KRANESHARES ICAV

KraneShares Bloomberg China Bond Inclusion UCITS ETF

20 February 2024

(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 20 February 2024 (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 Bloomberg China Bond Inclusion 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
Bond Connect	is an initiative launched in July 2017 for mutual bond market access between the PRC and Hong Kong.
Business Day	a day on which commercial banks are open and settle payments in China, UK, and US, including 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 USD unhedged version of the Bloomberg China Treasury and Policy Bank 9% Capped Index.
Index Provider	Bloomberg.
Listing Stock Exchange	Euronext Dublin, London Stock Exchange.
Minimum Subscription Amount	50,000 Shares (for in-kind subscriptions) or cash equivalent (for cash subscriptions).
Offer Period	In respect of Class EUR and Class GBP, 9am on 21 February 2024 to 5pm on 20 August 2024 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 last bid prices for securities.
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	Initial Offer Price	TER
Class USD	N/A	0.35%

Class EUR	EUR 25	0.35%
Class GBP	GBP 25	0.35%

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 fixed income securities issued by the Chinese government and government-related Chinese banks (the “**Issuers**”).

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 the Issuers, as determined by the Index Provider. The Index seeks to track the performance of the Chinese onshore renminbi (“**RMB**”)-denominated government and government-related bank fixed-income market. The Index is comprised of RMB-denominated fixed income securities (“**RMB Bonds**”) issued into the China Interbank Bond Market (“**CIBM**”). Onshore RMB Bonds are traded in the CIBM, which is a quote-driven over-the-counter market for institutional investors. Issuers in the Index are the Chinese government and Chinese Government-related banks (known as “**Policy Banks**”), with par values of at least RMB 5 billion. The Index includes only debt that pays fixed interest rates and does not impose any minimum credit rating requirements other than excluding bonds that are in default. The Index is rebalanced monthly and, at each rebalancing, in the event that the aggregate of Index components issued by any one policy bank exceeds 9% of the market value of the uncapped China Treasury + Policy Bank Index, the parent index of the Index, the aggregate weighting of such RMB Bonds will be capped at 9%.

As of 31 October 2023, the Index included 330 issues. 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: <https://www.bloomberg.com/professional/product/indices/bloomberg-barclays-indices/#/ucits>.

The Sub-Fund may be fully invested in sub-investment grade fixed income securities issued by the Chinese government and Policy Banks. Further information on risks associated with investment in sub-investment grade securities can be found under “*Lower Rated / Unrated Securities*” and “*Credit Risk*” in the “*Risk Information*” section of the Prospectus.

To gain exposure to the Index, the Sub-Fund will invest directly in RMB Bonds traded in the CIBM. The Sub-Fund may invest in the CIBM through Bond Connect, a PRC program that permits foreign investors

to invest in RMB Bonds traded in the onshore market or through a Renminbi Qualified Foreign Institutional Investor or Qualified Foreign Institutional Investor licence that may be obtained by the Sub-Fund's Investment Manager. Please see Appendix I for further details on Bond Connect.

In order to seek to achieve the Sub-Fund's investment objective, the Investment Manager will use the optimisation methodology to select Index securities in order to build a representative portfolio that provides a return that is comparable to that of the Index. Consequently, the Sub-Fund may only hold a certain sub-set of the components of the Index. Further information on the use of the optimisation methodology can be found under "*Index Tracking Sub-Funds*" in the "*Investment Objectives and Policies*" section of the Prospectus.

Instruments / Asset Classes. The Sub-Fund may invest in debt securities (including bonds and notes) which have been issued by sovereign and quasi-sovereign issuers and which form part of the Index. Under normal circumstances, the Sub-Fund will invest at least 80% of its Net Asset Value in Index components. 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 replicate the performance of the Index, e.g. securities which provide similar price and yield performance and risk profiles to constituents of the Index. These investments may include debt securities, issued by sovereign, quasi-sovereign and corporate issuers, with fixed or floating rates, which may be: RMB-denominated and principally traded in the off-shore RMB market, which is an over-the-counter market located in jurisdictions outside of Mainland China, such as Hong Kong and Singapore; debt securities issued in any currency denomination globally; variable and floating rate debt securities; and unrated and high yield debt securities. The Sub-Fund may also invest in U.S. cash equivalents, such as certificates of deposit and UCITS eligible money market funds.

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, quasi-governments or corporates which are rated investment grade) in accordance with the UCITS Regulations, provided however that this restriction will not apply following large subscriptions and/or large redemptions to/from 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. In addition, the Sub-Fund may invest in debt issued by REITs subject to a limit of 10% of its Net Asset Value.

While the Investment Manager does not currently have a Renminbi Qualified Foreign Institutional Investor or Qualified Foreign Institutional Investor license, the Investment Manager may apply for such a licence in the future for the purpose of accessing bonds traded on the Chinese Interbank Bond Market.

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 Sub-Fund does not intend to engage in securities lending. 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*", "*Fixed Income Related Risks*", "*Lower Rated/Unrated Securities*", "*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 may invest in essentially only one country and will have greater exposure to market, political, legal, economic and social risks of that country than a Sub-Fund which diversifies country risk across a number of countries. There is a risk that a particular country may impose foreign exchange and/or conversion controls or regulate in such a way as to disrupt the way the markets in that country operate. The consequences of these actions, and others such as confiscation of assets, could be to hinder the normal operation of the Sub-Fund with regard to the purchase and sale of investments and possibly the ability to meet redemptions. In such cases, the Sub-Fund may be suspended and investors may not be able to acquire or redeem Shares. These and other actions could also adversely affect the ability to price investments in the Sub-Fund which could affect the Net Asset Value of the Sub-Fund in a material way.

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 the Issuers and are prepared to accept the risks associated with an investment of this type.

SUBSCRIPTIONS – PRIMARY MARKET

Shares in Share Classes which have not already launched at the date of this Supplement will be available during the Offer Period at the Initial Offer Price per Share set out above under “*Key Information*” or such other amount as determined by the Investment Manager and communicated to investors prior to investment.

Thereafter and, in the case of Share Classes which have already launched, from the date of this Supplement, 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 may distribute Net Income and / or capital in respect of the Class USD Shares, Class EUR Shares and Class GBP Shares, in accordance with the provisions set out in the “*Distributions*” section of the Prospectus.

LISTING

Shares have been 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. Shares may also be admitted to trading on other stock exchanges.

INDEX DISCLAIMER

“Bloomberg®” and the Index are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“**BISL**”), the administrator of the index (collectively, “**Bloomberg**”), and have been licensed for use for certain purposes by the Investment Manager.

The Fund is not sponsored, endorsed, sold or promoted by Bloomberg. Bloomberg does not make any representation or warranty, express or implied, to the owners of or counterparties to the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly. The only relationship of Bloomberg to the Investment Manager is the licensing of certain trademarks, trade names and service marks and of the Index, which is determined, composed and calculated by BISL without regard to the Investment Manager or the Fund. Bloomberg has no obligation to take the needs of the Investment Manager or the owners of the Fund into consideration in

determining, composing or calculating the Index. Bloomberg is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Shares in the Fund to be issued. Bloomberg shall not have any obligation or liability, including, without limitation, to the Fund customers, in connection with the administration, marketing or trading of the Fund.

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APPENDIX I

INVESTING VIA BOND CONNECT

The People's Bank of China ("PBoC") and the Hong Kong Monetary Authority ("HKMA") have approved the China Foreign Exchange Trade System & National Interbank Funding Centre ("CFETS"), China Central Depository & Clearing Co., Ltd ("CCDC"), Shanghai Clearing House ("SHCH"), together with Hong Kong Exchanges and Clearing Limited and Central Moneymarkets Unit ("CMU") to launch Bond Connect, a mutual bond market access programme between Mainland China and Hong Kong. Bond Connect allows investors to trade electronically between the Mainland China and Hong Kong bond markets without quota restrictions and requirements to identify the ultimate investment amount.

As at the date of this Supplement, Bond Connect comprises a Northbound Trading Link between CFETS, the operator of the CIBM and offshore trading access platforms recognised by the PBoC, to facilitate investment by Hong Kong and overseas investors (including the Sub-Fund) in eligible bonds traded on the CIBM. A Southbound Trading Link, facilitating investment in overseas bond markets by Mainland Chinese investors, is still under development but is intended to form part of Bond Connect once established.

For the purposes of this Supplement, the CIBM shall constitute a Recognised Market.

RISKS ASSOCIATED WITH INVESTMENT IN THE CIBM THROUGH BOND CONNECT

The Sub-Fund may invest through Bond Connect in eligible bonds on the CIBM, which exposes the Sub-Fund to certain risks, including but not limited to the following:

Suspension Risk

It is contemplated that the Mainland Chinese authorities will reserve the right to suspend Northbound trading of Bond Connect if necessary for ensuring an orderly and fair market and that risks are managed prudently. Where a suspension in the Northbound trading through Bond Connect is effected, the Sub-Fund's ability to access the PRC bond market will be adversely affected.

Differences in Trading Day

Northbound trading through Bond Connect can be undertaken on days upon which the CIBM is open to trade, regardless of whether it is a public holiday in Hong Kong. Accordingly, it is possible that bonds traded through Bond Connect may be subject to fluctuation at times where the Sub-Fund is unable to buy or sell bonds, as its Hong Kong or globally-based intermediaries are not available to assist with trades. Accordingly, this may cause the Sub-Fund to be unable to realise gains, avoid losses or to benefit from an opportunity to invest in mainland Chinese bonds at an attractive price.

Operational Risk

Bond Connect provides a channel for investors from Hong Kong and overseas to access Mainland China bond markets directly.

The "connectivity" in Bond Connect requires routing of orders across the border, requiring development of new trading platforms and operational systems. There is no assurance that these platforms and systems will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading through Bond Connect may be disrupted. The Sub-Fund's ability to trade through Bond Connect to pursue its investment strategy may therefore be adversely affected.

For investments via Bond Connect, the relevant filings, registration with the PBoC (as defined below) and account opening have to be carried out via offshore custody agent, registration agent or other third

parties (as the case may be). As such, the Sub-Fund's investments via Bond Connect are subject to the risk of default or errors on the part of such third parties.

Not protected by Investor Compensation Fund

Investors should note that if the Sub-Fund engages in any Northbound Trading, the Sub-Fund will not be covered by Hong Kong's Investor Compensation Fund or the China Securities Investor Protection Fund and thus investors will not benefit from compensation under such schemes.

RMB Currency Risk

RMB is currently not a freely convertible currency and is subject to exchange controls and restrictions. The Sub-Fund's investments via Bond Connect may be adversely affected by movements of exchange rates between RMB and other currencies. There can be no assurance that the RMB exchange rate will not fluctuate widely against Euro or any other currency in the future. Any depreciation of the RMB will decrease the value of RMB denominated assets, which may have a detrimental impact on the performance of the Sub-Fund.

The RMB is traded in both the onshore and offshore markets. While both CNY and CNH represent the same currency, they are traded in different and separate markets which operate independently. Therefore, CNY and CNH do not necessarily have the same exchange rate and their movement may not be in the same direction. When calculating the Net Asset Value per Share of a non-RMB denominated Class, the Administrator will apply the exchange rate for the offshore RMB market in Hong Kong, i.e. the CNH exchange rate, which may be at a premium or discount to the exchange rate for the onshore RMB market in the PRC, i.e. the CNY exchange rate.

Regulatory Risk

Bond Connect is novel in nature and will be subject to regulations promulgated by regulatory authorities and implementation rules made by regulators in Mainland China and Hong Kong. It should be noted that the regulations are untested and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change which may have retrospective effect. There can be no assurance that Bond Connect will not be abolished. Accordingly, the Sub-Fund's investments in the Mainland China markets through Bond Connect may be adversely affected as a result of regulatory changes.

Taxation Risk

There is no specific guidance by the Mainland China tax authorities on the treatment of income tax and other tax categories payable in respect of trading in the CIBM by foreign institutional investors via Bond Connect. Upon any future resolution of the aforementioned uncertainty or future changes to the tax law or policies, the ICAV will, as soon as practicable, make relevant adjustments to the amount of tax provision (if any), where necessary. Such uncertainties may operate to the advantage or disadvantage of Shareholders in the Sub-Fund and may result in an increase or decrease in the total value of the Sub-Fund.

Liquidity and Volatility

Market volatility and potential lack of liquidity due to low trading volume of certain debt securities in the CIBM may result in prices of certain debt securities traded on such market fluctuating significantly. The Sub-Fund is therefore subject to liquidity and volatility risks. The bid and offer spreads of the prices of such securities may be large, and the Sub-Fund may therefore incur significant trading and realisation costs and may even suffer losses when disposing of such investments.

Hedging Activities

Hedging activities under Bond Connect are subject to a series of laws, regulations and rules and any prevailing market practice. There is no guarantee that the Sub-Fund will be able to carry out hedging transactions at terms which are satisfactory to the Investment Manager and to the best interest of the Sub-Fund. The Sub-Fund may also be required to unwind its hedge in unfavourable market conditions.

Settlement Risk

Although delivery-versus-payment (“**DVP**”) settlement (e.g. simultaneous delivery of security and payment) is the dominant settlement method adopted by CCDC and SHCH (as defined below) for all bond transactions in the CIBM, there is no assurance that settlement risks can be eliminated. In addition, DVP settlement practices in the PRC may differ from practices in developed markets. In particular, such settlement may not be instantaneous and be subject to a delay of a period of hours. Where the counterparty does not perform its obligations under a transaction or there is otherwise a failure due to CCDC or SHCH (as applicable), the Sub-Fund may sustain losses.

The above may not cover all risks related to Bond Connect and any above-mentioned laws, rules and regulations are subject to change and there is no assurance as to whether or how such changes or developments may restrict or affect the Sub-Fund’s investments via Bond Connect.

Eligible Securities

Hong Kong and overseas investors (including the Sub-Fund) are able to trade over the entire range of instruments traded on the CIBM, including products on both the secondary and primary markets.

Trading Day

Northbound investors (including the Sub-Fund) are able to trade through Bond Connect on any day upon which the CIBM is open to trade, regardless of whether it is a public holiday in Hong Kong.

Settlement and Custody

Settlement and custody of Northbound bond trades under Bond Connect will be implemented under the link between the CMU of the HKMA and Mainland China’s two bond settlement systems, namely, CCDC and SHCH. The CMU settles Northbound trades and holds the CIBM bonds on behalf of its members in nominee accounts with each of CCDC and SHCH. CCDC and SHCH provide services to foreign investors, directly and indirectly, using Bond Connect.

Bonds purchased by Hong Kong and overseas investors (including the Sub-Fund) are recorded in an omnibus nominee account at CCDC and SHCH in the name of CMU. The CMU itself maintains the bonds in segregated sub-accounts of its members, who in turn may hold the bonds on their own account or on behalf of other investors or custodians. Accordingly, bonds purchased by Hong Kong and overseas purchasers through Bond Connect are held by the purchaser’s global or local custodian in a segregated sub-account opened in their name at the CMU.

Currency

Hong Kong and overseas investors may trade through Bond Connect using offshore RMB (“**CNH**”) or by converting foreign currencies into onshore RMB (“**CNY**”) under Bond Connect.

Where an investor uses foreign currencies to invest through the Northbound Trading Link, it must open a segregated RMB capital account with an eligible RMB settlement bank in Hong Kong to convert its foreign currencies into CNY. Where bonds are purchased in CNY in this manner, upon sale of the bonds, the sale proceeds remitted out of Mainland China must be converted back into the relevant foreign currencies.

Further information about Bond Connect is available at the website:
<http://www.chinabondconnect.com/en/index.html>.