

KRANESHARES ICAV

KraneShares Electric Vehicles & Future Mobility ESG Screened UCITS ETF

16 March 2022

(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 13 December 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 Electric Vehicles & Future Mobility ESG Screened UCITS ETF Fund (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, New York and China, 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	Bloomberg Electric Vehicles ESG Screened Index (Total Return version (BBVET))
Index Provider	Bloomberg
Listing Stock Exchange	Euronext Dublin, London Stock Exchange, Borsa Italiana and Euronext Amsterdam
Minimum Subscription Amount	50,000 Shares (for in-kind subscriptions) or cash equivalent (for cash subscriptions)
Offer Period	9 am on 21 March 2022 to 5 pm on 20 September 2022 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 Dealing 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	USD 25	0.72%
Class EUR	EUR 25	0.72%
Class GBP	GBP 25	0.72%

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 companies that are engaged in or expected to derive significant revenues from the production of electric vehicles or their components or in other initiatives that may change the future of mobility ("**Electric Vehicle 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 aims to represent the performance of Electric Vehicle Companies. In order to be eligible for the Index, a security must:

- be a constituent of the Bloomberg World Equity Aggregate Index (the "**Base Index**");
- belong to the vehicles, electric vehicle components, batteries, hydrogen fuel cells, or raw materials sectors of the Base Index, as determined by the Index Provider;
- have a minimum free float market capitalisation of US\$500 million; and
- have a 90-calendar day average daily traded value of US\$5 million.

The Index also screens out companies involved in environmental, social and governance ("**ESG**") controversies and controversial business activities. Data for ESG controversies is sourced by the Index Provider from Sustainalytics, an ESG data provider. The thresholds for exclusion within each category have been determined by the Index Provider and are summarised in the table below.

Controversial Categories	Criteria
Extreme Event Controversies	<p>Companies:</p> <ul style="list-style-type: none">• which are considered to be the bottom of their peer group or sector in this regard;• whose controversies have severe and irreversible impact and risk;• which are a highly exceptional case within the peer group;• whose misconduct has an impact on a broad range of stakeholders over a long duration and imposes a clear cost on society;• which are subject to serious ongoing risk as a result of their controversies;• which are directly responsible for the controversies;• which have a level of involvement in controversies which is exceptional among peers in numerous respects;• which have controversies that are recurring and have not been addressed adequately or at all;• which fail to demonstrate the ability to remediate controversies;

	<p>and</p> <ul style="list-style-type: none"> • which refuse to address controversies and / or have tried to conceal the wrongdoing and / or their involvement.
Controversial Weapons	All companies classified as being involved in the core controversial weapon system or components and services that are considered tailor-made and essential for the lethal use of a controversial weapon system.
UNGC Violation	Companies that have breached a principle of the UN Global Compact .
Civilian Firearms	<p>All companies classified as generating 5% or more of their revenue from</p> <ul style="list-style-type: none"> • the manufacture and sale of weapons to civilian customers. • the distribution and retail sale of weapons. • the manufacture and sale of key components of weapons.
Thermal Coal Extraction	All companies classified as generating 5% or ore of their revenue from the extraction of thermal coal.
Tobacco	<p>All companies classified as generating 5% of their revenue from the production of tobacco or tobacco-related products and services.</p> <p>All companies classified as deriving 10% or more of their revenue from the distribution and retail sale of tobacco products.</p>

To determine eligibility for inclusion in the Index, the Index Provider uses a multistep process that (1) proposes companies and key words which it considers to be associated with the controversies and controversial business activities identified above; (2) searches filings of actively traded public companies within the Base Index for occurrences of the key words identified to affirm proposed companies and identify other companies within the Base Index that meet the criteria for inclusion in the Index; and (3) back-tests to see how closely the identified companies trade together as a group. Finally, the Index Provider reviews the results to determine the final composition of the Index.

The Index is a modified market capitalisation weighted index. The initial weight of each component security is determined by dividing the free float market capitalisation of each security by the sum of the free float market capitalisations of all the securities in the Index. Using a two-step capping process, the initial weights are distributed such that the top 8 securities by free float market capitalisation are subject to a 5% cap. Securities after the top 8 by free float market capitalisation are subject to a 2.5% cap. Any excess weight from capping is then redistributed proportionally to the remaining uncapped securities.

As of 28 February 2022, the Index included 67 securities. The Index is rebalanced quarterly in March, June, September, and December. 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-equity-indices/>, <https://assets.bbhub.io/professional/sites/10/Bloomberg-Electric-Vehicles-ESG-Screened-Index-Methodology.pdf> and <https://assets.bbhub.io/professional/sites/10/Bloomberg-Electric-Vehicles-ESG-Screened-Index-Select-Constituents.pdf>.

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 replicate 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 securities in which the Sub-Fund invests will be primarily equity securities (such as common or preferred stock) and *depositary receipts (including Global and American Depositary Receipts)* as alternatives to directly purchasing 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.

Sustainable Finance. As described above, the Sub-Fund seeks to promote a combination of ESG characteristics, within the meaning of Article 8. Investors should also refer to the “*Sustainable Finance*” section of the Prospectus for further details on how the Investment Manager addresses Sustainability Risk and ESG Integration for the Sub-Fund.

In line with the Index methodology, the Sub-Fund promotes environmental characteristics but does not commit to making environmentally sustainable investments as defined in the Taxonomy Regulation.

Risk Management. The expected proportion of the assets under management of the Sub-Fund that could be subject to securities lending will be 0%, 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 “*Equity Related Risks*”, “*Holdings and Sector Concentration*” and “*Index Related Risks*” in the “*Risk Information*” section of the Prospectus.

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 Electric Vehicle Companies 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*”.

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 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

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.

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