

How does KWIN use options and what are the Shariah considerations for their usage under this strategy?

KWIN's structure is specifically designed to avoid the three main issues Shariah scholars have with conventional options:

- a) **Impermissible:** Selling what you don't own. In conventional options, it is possible to sell a call option on a stock or commodity that you do not own currently, as you are selling 'option rights'.

KWIN's Solution: We always buy and take possession of the actual, Shariah-compliant stocks first. The fund only enters into a structured forward sale for shares it already owns.

- b) **Impermissible:** Speculation & Gambling (maysir). Conventional options can be used to take directional 'bets' on the direction of stock prices in the future.

KWIN's Solution: We do not use options to bet on market direction. Rather, we use them purely to facilitate a structured forward sale of the shares we own, allowing us to capture the spread between the current market price and the future sale price.

- c) **Impermissible:** Excessive Uncertainty (gharar). A normal option contract is full of uncertainty, as there are embedded rights that may or may not be exercised.

KWIN's Solution: KWIN's structure combines two options (a long put and a short call) at the exact same price and date. These two positions effectively form a structured forward sale. What's left is no longer an "option" in substance, but a simple structured forward sale.

In short, KWIN doesn't trade in uncertain "rights"; it makes a structured forward sale to sell real assets it already owns at a fixed, future price.

What exactly is being bought and sold?

Actual Shariah-compliant stocks. Think of it this way: The stocks held by the fund are selected from the Wahed Shariah Alternative Income Index. These stocks are the underlying assets for the fund's strategy. The fund uses options to generate alternative income and manage risk in a way that aligns with Shariah principles. The options strategy is the mechanism used to lock in the future sale price and date.

How does the long-put/short-call pair convert into a Shariah-compliant sale?

Individually, selling a "call" option gives the counterparty the right to buy and buying a "put" option gives the owner the right to sell. These "rights" are the source of uncertainty as they may or may not be exercised in the future, and the value of these rights are uncertain.

By pairing a long put (buying a put option) with a short call (selling a call option) at the same exercise price and expiration date, a structured forward sale is constructed.

KWIN's "right to sell" (from the put) is paired with its "obligation to sell" (from the call).

The counterparty's "right to buy" (from the call) is paired with its "obligation to buy" (from the put).

What remains is a straightforward structured forward sale. This is a standard, Shariah-compliant trade structure where the asset, price, and delivery date are all clearly defined from the start, removing the prohibited uncertainty.

Where does KWIN's income come from, precisely?

The fund's income comes from lawful trade profit, specifically the "price differential" on the sale of equities.

Here's the simple, three-step cycle:

Buy: KWIN buys Shariah-compliant stocks at today's price (the "spot price").

Lock-in Sale: It simultaneously enters a structured forward sale to sell those same stocks at a future date. KWIN aims to secure a contract to sell at a higher price in the future when there is a price differential available in the market.

Alternative Income: The income is the markup, or the difference between the lower purchase price and the higher, pre-agreed sale price.

This profit is not interest, it's the result of a genuine trade involving real assets, ownership, and a defined sale price.

However, fixing a future sale price does not guarantee a profit or protect against losses. If the market value of the underlying equities declines below the purchase price or the fixed sale price, the Fund may realize a loss. Adverse market movements, volatility, or other factors may result in the Fund's returns being lower than expected or negative. Investors may lose some or all of their principal. For a full discussion of risks, please refer to the Fund's prospectus.

Is there a guaranteed yield?

No. No return or yield is ever guaranteed for an investment vehicle. It's important to distinguish between two things:

A Single Trade: KWIN secures a contract to sell, fixes the sale price in advance & establishes a sale agreement, the profit markup for that specific trade is determined at the very beginning.

The Fund's Overall Return: The fund's total return is not guaranteed. This is because the size of the available markup changes constantly based on market conditions. Factors like market volatility, investor demand, and other market forces determine how much markup the fund can achieve on new trades.

The fund's performance depends on successfully finding and executing new trades in these changing market conditions, as well as managing costs. The fund may realize losses, and investors could lose some or all of their principal.

What commercial forces determine the markup?

The "markup" is simply the pre-determined profit from buying a stock today and locking in its sale at a higher, fixed price in the future. This price difference isn't random; it's driven by real market forces:

Certainty has value: Buyers are often willing to pay a small premium for the assurance of getting an asset at a locked-in price on a future date, rather than risking an unknown price later.

Market volatility: When markets are shaky, this certainty becomes even more valuable. This can increase the demand for fixed-price future sales, which can widen the available markup.

Supply and demand: Like any market, the price for "delivery today" versus "delivery in 30 days" is set by the supply and demand for each. KWIN operates in this differential.

Trust and reliability: KWIN's transactions are executed through regulated clearing members on U.S. exchanges and cleared via the Options Clearing Corporation (OCC), the central counterparty that stands between buyer and seller to support settlement and delivery.

What role do exchanges and the OCC play?

Think of the Options Clearing Corporation (OCC) as the official guarantor and middleman for the entire market. Their role is critical for two reasons:

Guarantees the Trade: The OCC stands in the middle of the transaction. It helps ensure that KWIN will deliver the shares and that the counterparty will pay the agreed-upon price, reducing the risk of defaulting on their obligations by either party.

Ensures Settlement: It manages the final delivery of the stocks and the secure receipt of the cash proceeds in a highly cost-efficient manner.

KWIN's transactions are executed through regulated clearing members on U.S. exchanges and cleared via the Options Clearing Corporation (OCC), the central counterparty responsible for guaranteeing settlement and delivery.

Is there any element of speculation or gambling in KWIN's strategy?

No.

KWIN's structure is built entirely on real-asset ownership and clearly defined trade terms.

The fund acquires Shariah-compliant equities and simultaneously agrees on a fixed sale price and fixed delivery date, establishing the full economics of the transaction at inception.

Because price, timing, ownership, and settlement are all determined upfront, the outcome of each trade cycle follows a defined commercial process rather than any uncertain or directional exposure.

While the process avoids speculation, the fund is still subject to normal investment risks.

How is income recognized and reported from each trade cycle?

At the start of the cycle, the fund may receive an initial amount as part of the paired contracts (the forward-sale structure).

When the cycle matures, the equities are delivered, and the fund receives the remaining sale proceeds.

The total sale price (initial + final payment) compared to the original purchase cost forms the realized trade income, which is then reported.

Who oversees KWIN's Shariah compliance?

KWIN's compliance is overseen in two key layers:

Independent External Certification: The fund structure, and its trading process are independently reviewed and certified by Abrahamic Finance Inc., an independent board composed of internationally recognized Shariah scholars.

Ongoing Internal Oversight: Wahed's internal Shariah governance team continually ensures monitoring of the fund's holdings over periodic basis to ensure that fund continues to remain compliant with Shariah principles.

Can KWIN lose money?

Yes

KWIN holds physical equities, and although each position is paired with a structured forward sale designed to reduce directional market risk, the fund is still exposed to normal investment risks.

Execution quality, transaction costs, market movements during the cycle, and other factors outlined in the fund documents can result in lower than expected outcomes or losses.

The forward-sale structure helps reduce drawdowns by defining the sale terms in advance, but it does not eliminate risk or the possibility of loss.

For standard performance, top 10 holdings, risks, and other fund information on the KraneShares Wahed Alternative Income Index ETF (Ticker: KWIN), please visit <https://www.kraneshares.com/etf/kwin> or consult your financial advisor.

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: <https://www.kraneshares.com/etf/kwin>. Read the prospectus carefully before investing.

Risk Disclosures:

Investing involves risk, including possible loss of principal. There can be no assurance that a Fund will achieve its stated objectives. Indices are unmanaged and do not include the effect of fees. One cannot invest directly in an index.

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The Fund may invest in derivatives, which are often more volatile than other investments and may magnify the Fund's gains or losses. A derivative (i.e., futures/forward contracts, swaps, and options) is a contract that derives its value from the performance of an underlying asset. The

primary risk of derivatives is that changes in the asset's market value and the derivative may not be proportionate, and some derivatives can have the potential for unlimited losses. Derivatives are also subject to liquidity and counterparty risk. The Fund is subject to liquidity risk, meaning that certain investments may become difficult to purchase or sell at a reasonable time and price. If a transaction for these securities is large, it may not be possible to initiate, which may cause the Fund to suffer losses. Counterparty risk is the risk of loss in the event that the counterparty to an agreement fails to make required payments or otherwise comply with the terms of the derivative.

By writing call options and buying put options as part of its strategy, the Fund may limit its ability to benefit from increases in the value of its holdings above the options' strike prices, while still being exposed to declines in value. The premiums received from selling options may not be enough to offset losses from volatility or declines in the underlying stocks. The Fund's use of options involves unique risks, including the possibility that options may become illiquid or expire worthless, and that the Fund may not be able to close out positions at desired times or prices. FLEX options, which the Fund uses, may be less liquid than standard options and can only be exercised at expiration.

The value of the Fund's options positions will fluctuate with changes in the value and volatility of the underlying securities. Unusual market conditions or trading suspensions may reduce the effectiveness of the Fund's options strategies, and the Fund's strategies may not work as expected and could result in losses. In addition, the Fund's ability to sell or buy the underlying securities may be limited while options are outstanding, unless the Fund cancels out the option positions by purchasing offsetting options before expiration.

Transactions in options are centrally cleared through the Options Clearing Corporation (OCC). While the OCC guarantees settlement, there is a risk that the OCC or a clearing member could fail to meet its obligations, which could result in losses for the Fund. If the Fund cannot find a clearing member to transact with, it may be unable to effectively implement its investment strategy.

Premiums received from writing options will generally result in short-term capital gains, which may be taxed at higher rates than long-term capital gains.

Because the Index applies Islamic principles, the Fund cannot invest in certain issuers and securities—such as financial companies and interest-paying bonds—which reduces the pool of eligible investments. This may limit investment opportunities and affect performance. The Fund will not earn interest on cash, and securities may become non-compliant after purchase and be held until the Index is rebalanced.

A large number of shares of the Fund is held by a single shareholder or a small group of shareholders. Redemptions from these shareholder can harm Fund performance, especially in declining markets, leading to forced sales at disadvantageous prices, increased costs, and adverse tax effects for remaining shareholders.

Narrowly focused investments typically exhibit higher volatility. The Fund's assets are expected to be concentrated in a sector, industry, market, or group of concentrations to the extent that the Underlying Index has such concentrations. The securities or futures in that concentration could react similarly to market developments. Thus, the Fund is subject to loss due to adverse occurrences that affect that concentration. In addition to the normal risks associated with investing, investments in smaller companies typically exhibit higher volatility. KWIN is non-diversified.

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