

September 2018

BetaShares Asia Technology
Tigers ETF

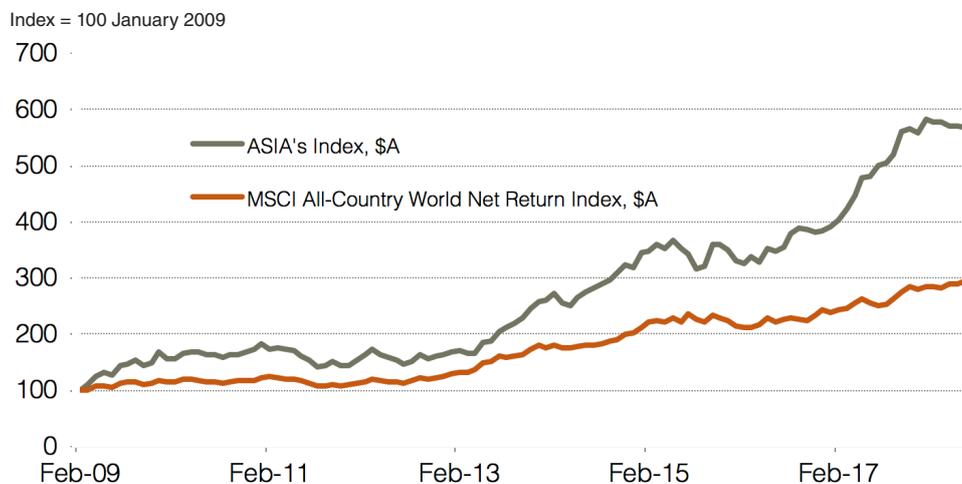
ADD SOME ASIAN TIGERS TO YOUR PORTFOLIO

Accessing the investment potential of Asia's rapidly growing technology sector

Although America's technology giants - including Google, Netflix, Amazon and Facebook - attract the most attention in our western-focused media, it may surprise some Australian investors that there is a technology revolution also taking place much closer to home.

Asia (ex-Japan) has been one of the boom economic regions within emerging markets, and its technology sector has been a significant performer amongst global sharemarkets. This sector returned 45% in \$A dollar terms in 2017, and it has enjoyed annualised returns of 22% over the past 5 years to 31 December 2017 – compared to 13% for global shares in general*.

Performance of Solactive Asia ex-Japan Technology & Internet Tigers Index vs MSCI All Country World Net Return Index: Jan 2009 – 31 July 2018



Past performance is not an indicator of future performance of Index or ETF. You cannot invest directly in an index. Does not take into account ETF's fees and costs. Source: Bloomberg

Let's dig into some of the factors that have been driving this performance.

* Source: Bloomberg. As measured by the Solactive Asia Ex-Japan Technology & Internet Tigers Index and MSCI All-Country World Net Return Index, \$A indices respectively. Past performance is not indicative of future performance.

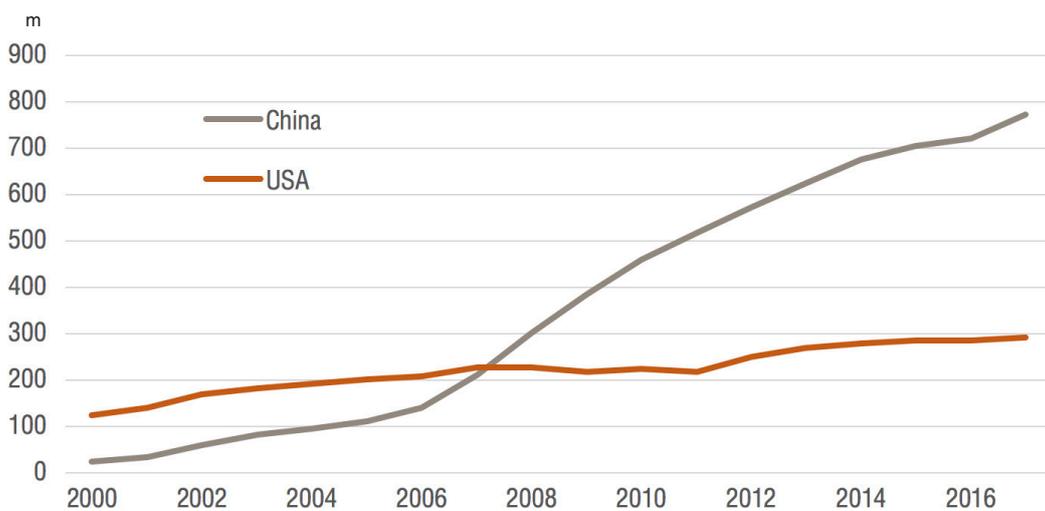
ASIA: LEAP-FROGGING THE WEST IN TECHNOLOGY USAGE

Due to its younger, tech-savvy population and less developed traditional retail, media and communication industries, Asia is surpassing the West in terms of online activity and technological advancements.

For example, despite having relatively low income per capita, China is already very advanced in terms of its use and consumption of technology:

- China already had 772 million internet users as at end-2017, or more than twice as many as in the United States¹.
- In 2017, almost 20% of Chinese retail spending was transacted online - a staggering \$US1.14 trillion - compared to a comparative figure of only 10% in the United States². And that's despite the fact still only 50% of China's 1.4 billion people use the internet, compared to around 90% in the United States³.
- Around 20% of Chinese internet users rely solely on their mobile phones for access, compared to only 5% in the United States. And, as at 2016, Chinese phone users on average spent 49 hours per month on their devices, compared to 45 hours in the United States⁴.
- All up, almost 40% of the Chinese population are making online payments via their mobile phones, compared to only 15% in the United States⁵.

Number of internet users, China v USA – 2000-2017



Source: InternetLiveStats.com

THE GROWTH POTENTIAL FOR ASIA'S ONLINE COMMERCE IS SIGNIFICANT

According to one study by Google and Temasek Holdings, South East Asia's internet transactions - covering online bookings, gaming and retail spending - are forecast to grow at a compound annual rate of 20% over the 10-years to 2025, reaching almost \$US200 billion. Online retail spending alone is expected to grow at an annual rate of 32% p.a., reaching \$US88 billion.

¹ Source: InternetWorldStats.com

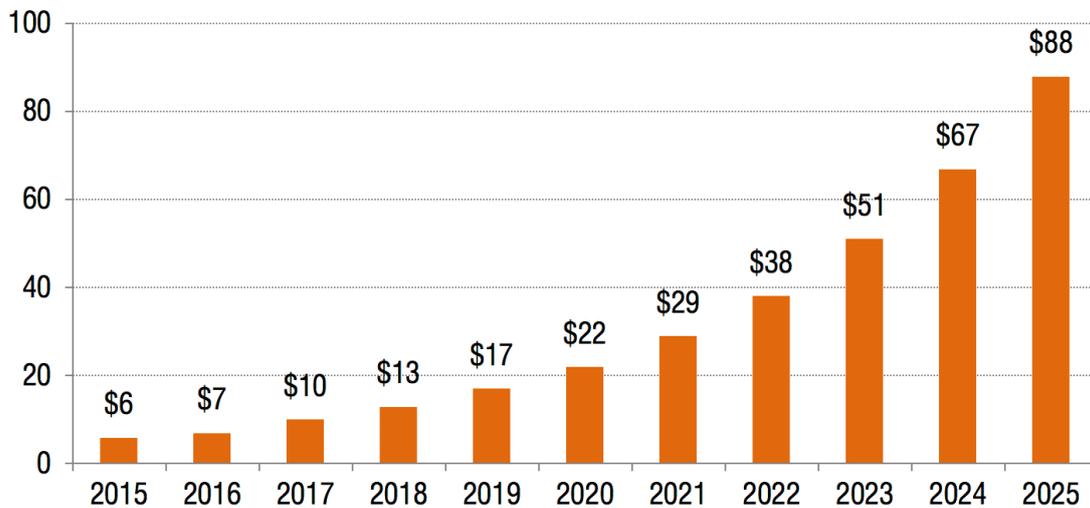
² Source: National Bureau of Statistics China and US Department of Commerce, December 2017.

³ Source: China Internet Report, 2018. South China Morning Post.

⁴ Source: Verto Analytics, April 2016

⁵ Source: China Internet Report, 2018. South China Morning Post.

South-East Asia E-Commerce Spending Projections – 2015A-2025F



Source: e-economy SEA Report, authored by Google & Temasek Holdings

WHO ARE ASIA'S TECHNOLOGY TIGERS?

Although not yet necessarily household names in Australia, companies such as Alibaba, Baidu and Tencent are leaders in the Asian technology sector, with multi-billion dollar market capitalisations and a large share of the region's advanced online and digital technology products and services. China's technology market leaders are also relatively more dominant compared to their U.S. counterparts: for example, whereas 15 online publishers in the United States are able to reach 50% of the population, in China it takes just three to boast that degree of market reach⁶.



- Alibaba is the world's largest retailer. Its online sales and profits have surpassed all US retailers (including Walmart, Amazon and eBay) combined since 2015⁷.
- As at 31 July 2018, Alibaba's market cap stood at US\$481 billion⁸.



- Tencent specialises in various Internet-related services and products, entertainment, artificial intelligence and technology both in China and globally.
- Tencent is the provider of social media services including the wildly popular QQ and WeChat - the most popular social mobile application in China.
- In a single minute 26 million messages are sent via We Chat⁹.
- As at 31 July 2018, Tencent's market cap was US\$434B¹⁰.



- Baidu is a multinational technology company specialising in Internet-related services and products, and artificial intelligence (A.I.). This includes the Baidu search engine service which is the #1 used search engine in China with over 58.3% of the market. For context, Google ranks #6 in that market¹¹.
- As at 31 July 2018, Baidu's market cap was US\$86B¹².



- JD.com is China's leading e-commerce platform, with customer numbers exceeding 300 million as at 31 July 2018¹³.
- JD.com is setting the global standard for online shopping experience, offering a vast selection of products across every major category and delivering them at rapid speed to Chinese consumers.
- As at 31 July 2018, JD.com's market cap stood at US\$51B.

⁶ Source: Verto Analytics, April 2016.

¹⁰ Source: YCharts.

⁷ Source: Digital Commerce 360.

¹¹ Source: QuerTime.

⁸ Source: Bloomberg.

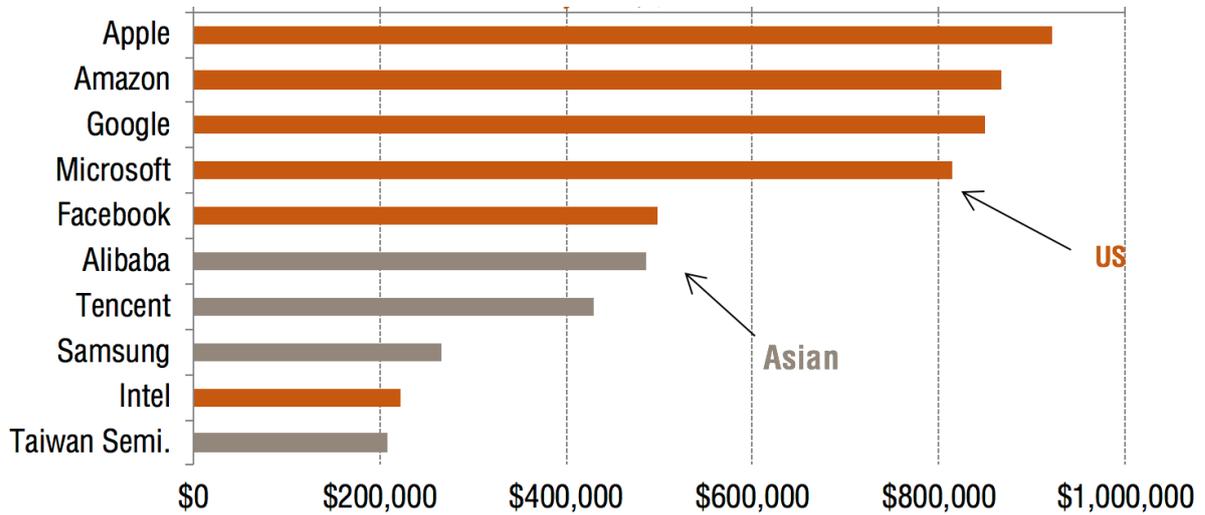
¹² Source: YCharts.

⁹ Source: BMR Business Statistics, August 2018.

¹³ Source: JD.com.

In fact, Asia is home to four of the 10 largest technology companies in the world.

Top 10 Global Internet Companies by Market Capitalisation (US\$): as at June 2017



Source: Bloomberg

Despite the growth potential, Asia’s leading online technology companies are not, at the time of writing, trading at demanding valuations by the standards of their US counterparts.

At end-July 2018, for example, the price-to-forward earnings (PE) ratio for leading Asian technology companies was around 13.3, compared to around 20 times earnings for shares within America’s tech-heavy NASDAQ-100 Index*.

HOW CAN INVESTORS ACCESS THIS GROWTH POTENTIAL?

The **BetaShares Asia Technology Tigers ETF (ASX code: ASIA)** provides access to a portfolio of the 50 largest technology companies in Asia (ex-Japan), which includes Asia’s technology giants such as Alibaba, Tencent and Baidu – just to name a few.

ASIA provides an easy, transparent and cost-effective way of tapping into this growth opportunity that is emerging right on our doorstep.

Add a pack of Tigers to your portfolio today!

There are risks associated with an investment in the Fund, including information technology sector risk, concentration risk, emerging markets risk and currency risk. For more information on risks and other features of the Fund please see the Product Disclosure Statement.

*Source: Bloomberg

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