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# The E-commerce revolution: how to invest in the online retailing boom

**ASX: IBUY**

## Betashares Online Retail & E-Commerce ETF

### Introducing the Betashares Online Retail & E-commerce ETF (ASX: IBUY)

Although it was already growing in importance prior to the COVID-19 pandemic, the forced lockdown of millions across the world in the past two years has rapidly introduced many more to the convenience, value and choice available through online shopping. As a result, what was a strong trend prior to COVID-19 has accelerated, and it appears as though there's no turning back.

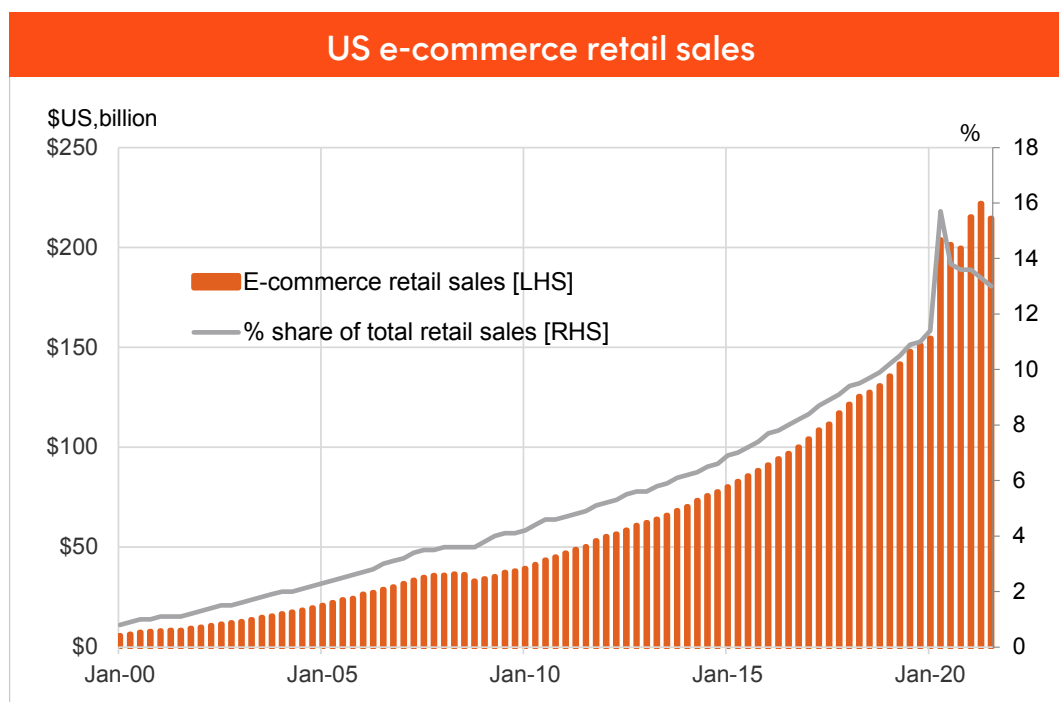
What's more, thanks to strong network effects, those companies that are already succeeding in the rapidly evolving online marketplace appear poised to retain a strong competitive position. Especially for Australian investors, where dynamic online companies account for only a relatively small share of the overall market, exposure to leading global online commerce companies offers the opportunity for both growth and diversification within their portfolios.

With this in mind, the Betashares Online Retail & E-Commerce ETF (ASX: IBUY) has been designed to provide investors with ongoing exposure to some of the world's leading online retail companies.

# E-commerce: A rapidly growing marketplace

Faster internet speeds and more secure payment and delivery systems mean it is becoming even easier to buy a wide variety of goods and services safely and conveniently online. This trend was already evident prior to the COVID-19 pandemic.

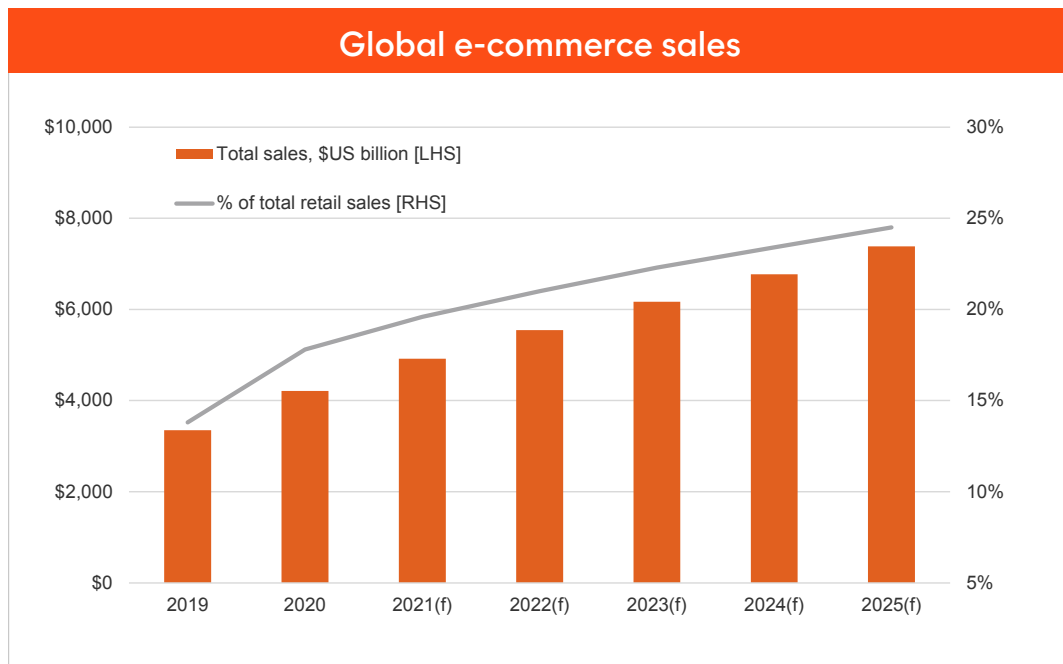
In the U.S., for example, the e-commerce share of total retail sales has increased from just under 1% at the height of the late 1990s internet boom to a recent peak of 15.7% in April 2020. With the U.S. economy re-opening, the share had eased to 13% by July 2021, which is still well up on pre-COVID levels.



Source: U.S. Census Bureau.

In the 10 years to July 2021, U.S. online retail sales grew at an annualised rate of 15.6%, compared with 4.9% p.a. for overall retail sales.

The online retail megatrend is also well established globally. According to research firm EMarketer, e-commerce already accounted for around 20% of retail spending in 2020. This share is projected to grow to 25% by 2025, implying 5-year online sales growth of 12% p.a. over this period, or more than twice the 5% p.a. expected for overall global retail spending.



Source: EMarketer. Forecast outcomes may differ materially from actual outcomes.

## Exposure to leading global online retailers

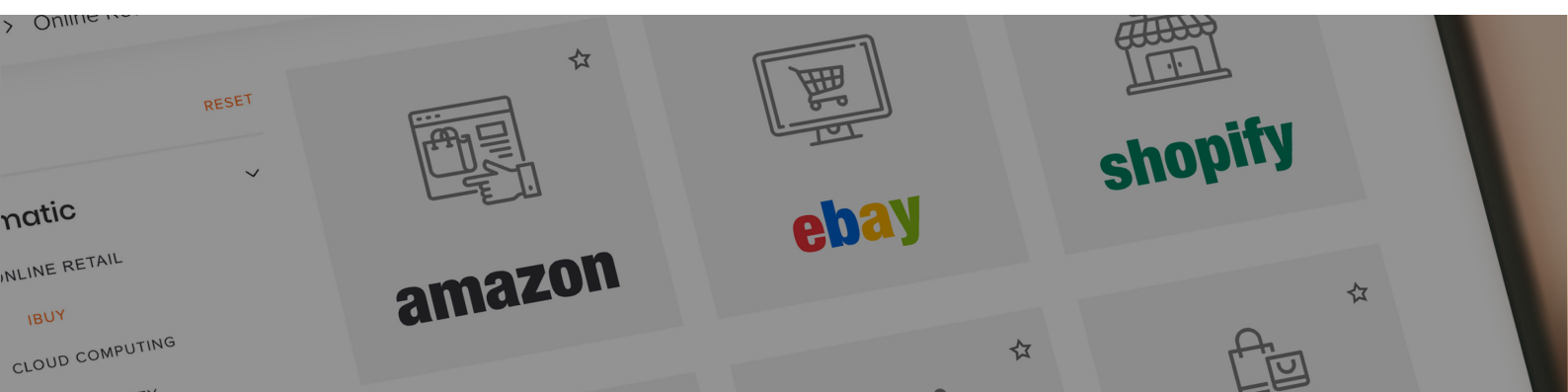
The index which the IBUY ETF aims to track provides exposure to up to 100 of the leading e-commerce companies around the world.

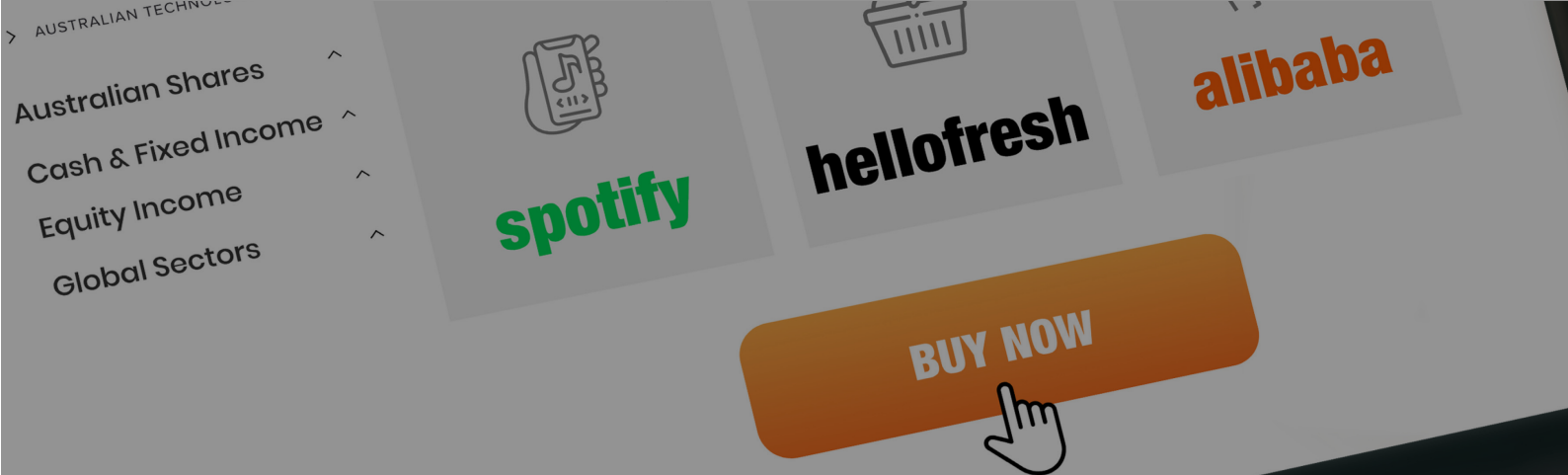
To qualify for index inclusion, companies must derive at least 65% of their revenues (or a minimum of \$US90 billion) from one of three online retail business segments:

- ▶ **Online Retail** - online shopping in the form of electronic or virtual commerce which allows consumers to buy goods or services directly over the internet.
- ▶ **Online Travel** - online booking of travel or travel-related services over the internet.
- ▶ **Online Marketplace** – online platforms in which consumer transactions are processed by the marketplace operator and then delivered and fulfilled by participating retailers, restaurants, or wholesalers.

Although companies are weighted by market capitalisation, to provide sufficient index diversification, a 6% maximum weight is applied to each company as at each index rebalance.

As evident in the table over the page, the index constituents as at end-January 2022 include many well-known, successful online companies such as Netflix, Amazon, PayPal and Uber. The Index also includes exposure to some of Asia's leading online companies, such as Tencent and Alibaba.





Top 10 companies in IBUY's index: 31 January 2022		
Name	Local exchange	Weight
Tencent Holdings	Hong Kong	8.40%
Amazon.com	USA	7.34%
PayPal Holdings	USA	6.02%
Alibaba Group Holding	Hong Kong	5.77%
Meituan	Hong Kong	5.56%
Shopify	Canada	5.54%
Netflix	USA	5.01%
JD.com	Hong Kong	4.75%
Booking Holdings	USA	4.51%
Airbnb	USA	3.93%

Source: Bloomberg. No assurance is given that these companies will remain in the index or be profitable investments. IBUY's Index is the Solactive Global Online Retail and E-Commerce Index.

Although retailing is a highly competitive industry, many leading companies – especially ‘platform’ companies offering online marketplaces – tend to enjoy strong network effects, which suggest the competitive advantage can endure for some time.

Either way, the benefit of the market-capitalisation weighted indexing approach as adopted for the IBUY ETF is that it will provide exposure to many of the up and coming e-commerce players of the future as they gain in market value – while reducing exposure to any companies facing tougher times.

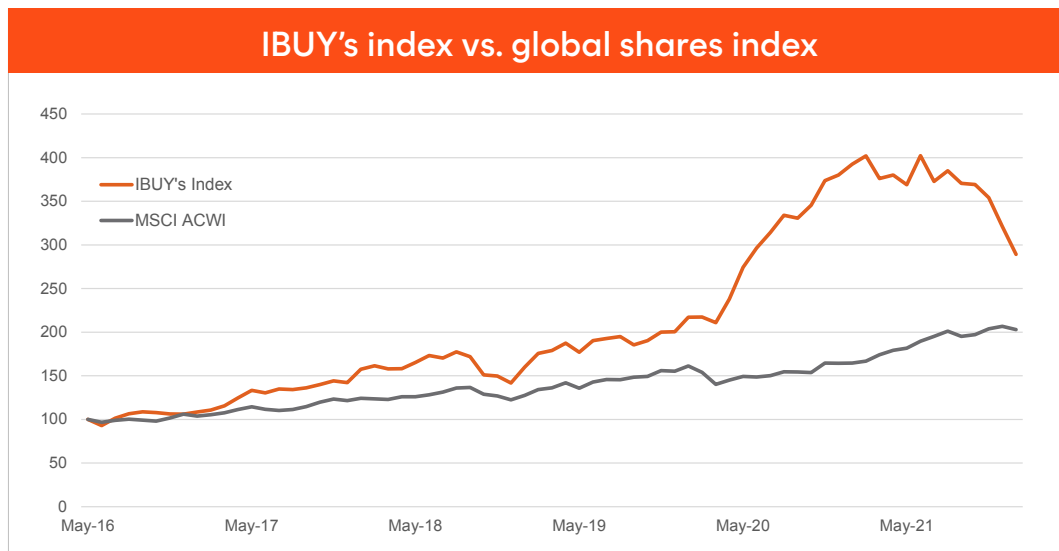
## Historical performance

As might be expected given the strong growth in online sales over recent years, the investment performance of leading global online companies has also been relatively good.

For example, the Index which the IBUY ETF aims to track has delivered annualised \$A returns of 20.6% from May 2016 to end-January 2022, compared with 13.3% for the MSCI All Country World Index<sup>1</sup>.

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<sup>1</sup> Past performance is not indicative of future performance of the Index or ETF and does not take into account ETF fees and expenses. You cannot invest directly in an index. The Index's performance can be expected to be more volatile (ie vary up and down) than a broad market index.



Source: Bloomberg. Past performance is not an indicator of future performance.

## Summary

Although growing prior to the COVID-19 pandemic, the trend towards online retail has only accelerated over the past year with millions forced into home lockdown. With many more discovering the convenience, value and choice available through e-commerce platforms, it seems likely that the share of shopping conducted online will grow further in coming years – making this a potentially attractive ‘megatrend’ investment theme.

With this in mind, Betashares is pleased to offer IBUY, which aims to provide a cost-effective and easily accessible way to gain exposure to some of the world’s leading online retailers.

There are risks associated with investment in the Fund, including market risk, sector risk, international investment risk and concentration risk. The Fund’s returns can be expected to be more volatile (i.e. vary up and down) than a broad global shares exposure, given its more concentrated exposure. The Fund should only be considered as a component of a diversified portfolio. For more information on risks and other features of the Fund, please see the Target Market Determination (TMD) and Product Disclosure Statement, available at [www.betashares.com.au](http://www.betashares.com.au).

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