Thematic Opportunities

Is E-Commerce a Prime Opportunity?

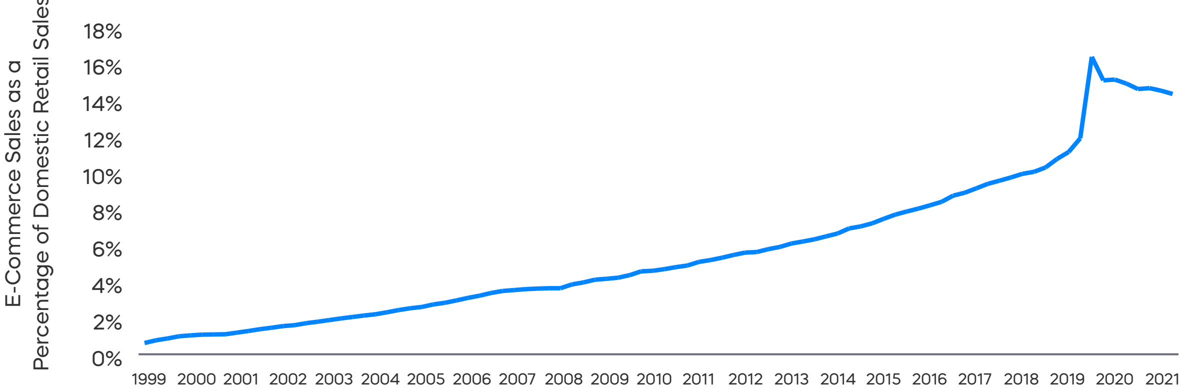
Key Observations:

- E-commerce growth remains strong, and there is ample room to gather market share
- With inflation on the rise, dynamic e-commerce companies may have the advantage
- E-commerce and bricks-and-mortar index levels equalized, but the growth expectations are widely divergent

The E-Commerce Growth Trend Remains on Track

Think online shopping accounts for a majority of U.S. retail sales? Think again. Total retail sales in Q1 2022 were over $1.7 trillion in the U.S. alone and e-commerce represented just over 14% of total sales.[1] Online retailers may have the opportunity to capture more revenue by taking market share from traditional bricks-and-mortar companies over time. Shoppers turned to e-commerce firms during the height of the pandemic, with online purchasing hitting a high of 16% in Q2 2020.[2] Customers used the internet to buy things they had traditionally purchased in stores, like food and clothes, and those new shopping patterns may persist. While online sales dipped from the pandemic-induced peak, e-commerce as a percent of total sales remains on a robust trend line.

E-Commerce Penetration Has Room to Grow



Source: United States Census Bureau, "Latest Quarterly E-Commerce Report," May 2022. Data through March 2022.

Amid Inflation, It Is E-Commerce's Time to Shine

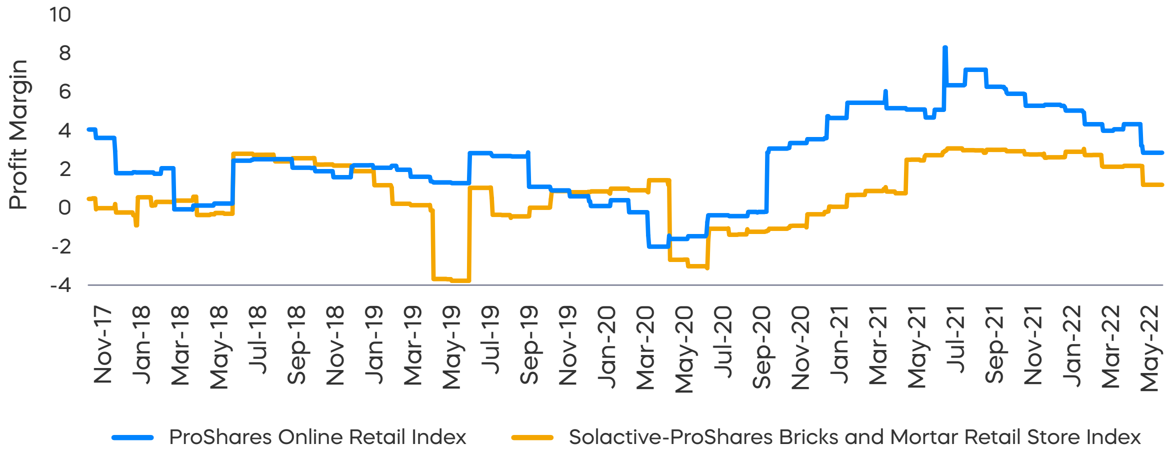
With inflation hitting a 40-year high in May 2022, maintaining margins has become essential and businesses cannot necessarily shift cost structure to stabilize profits as the cost of inputs increases.[3] E-commerce firms may have an edge over bricks-and-mortar retail that typically has high fixed costs for storefronts and employees. By contrast, e-commerce companies with a digital-first retail model may operate with less overhead and can adjust prices in real time. E-commerce profit margins compared with those of bricks-and-mortar stores over the past five years have been higher over 75% of the time.[4]

[1, 2] United States Census Bureau, "Latest Quarterly E-Commerce Report," May 2022

[3] U.S. Bureau of Labor Statistics, "Consumer Price Index (CPI)," 5/31/22

[4] Source: ProShares, Bloomberg. Profit margins measured daily from 11/21/17-5/31/22.

E-Commerce Profit Margins Outpaced Bricks-and-Mortar Profit Margins

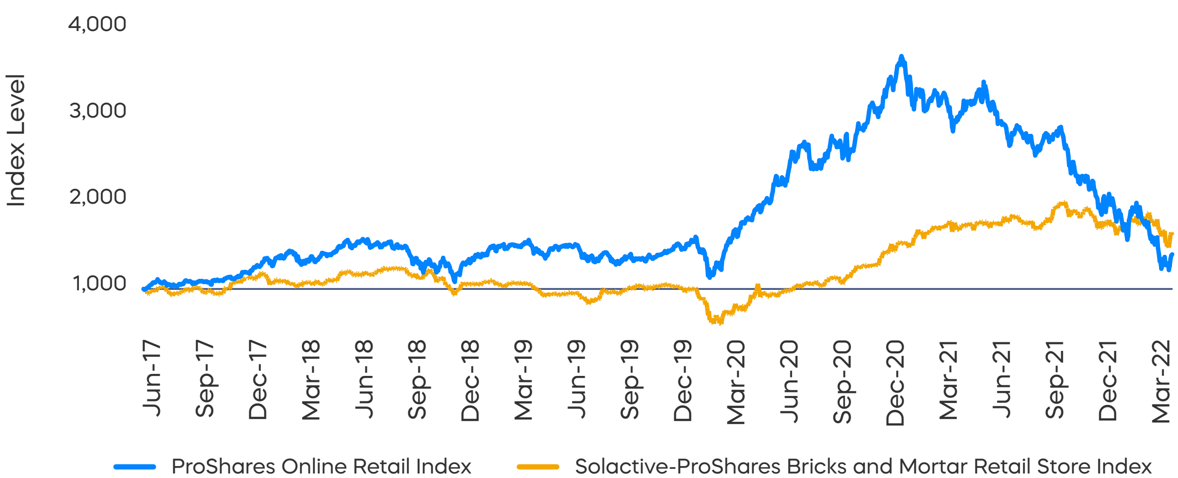


Source: Bloomberg, 11/21/17–5/31/22. Index information does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged, and one cannot directly invest in an index. Past performance does not guarantee future results.

Unique Moment to Invest in the Future

Sales and earnings growth usually have proven important in the long run. After years of online retail outperforming bricks-and-mortar retail, the COVID-19 lockdown and subsequent reopening have provided investors with a unique opportunity. The ProShares Online Retail Index and the Solactive-ProShares Bricks-and-Mortar Retail Store Index are priced at similar levels for the first time in about five years; however, online retail may outpace its traditional counterparts going forward.[5] Online retail has an estimated projected 14% growth in earnings by 2023, versus only 2% growth for bricks-and-mortar retail.[6] There is an opportunity to invest in a fast-growing segment at an access point similar to traditional retail.

Index Levels Offer a Possible Unique E-Commerce Buying Opportunity



Source: Bloomberg, 6/30/17–5/31/22. Index information does not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged, and one cannot directly invest in an index. Past performance does not guarantee future results.

The Retail Disruption Opportunity

ProShares ETFs enable investors to tap into the long-term trends of retail disruption. Explore ProShares Online Retail ETF (ONLN); it tracks retailers that principally sell online or through other non-store channels.

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[5] Bloomberg, as of 6/23/22

[6] Bloomberg, as of 4/28/22

About ProShares

ProShares has been at the forefront of the ETF revolution since 2006. ProShares now offers one of the largest lineups of ETFs, with more than $60 billion in assets. The company is a leader in strategies such as dividend growth, interest rate hedged bond, thematics and geared (leveraged and inverse) ETF investing. ProShares continues to innovate with products that provide strategic and tactical opportunities for investors to manage risk and enhance returns.

Have Questions?

Financial professionals can contact ProShares at **866-776-5125** or email **info@proshares.com** for additional information about ONLN and our other ETFs.

Fund performance and index history Fund inception (7/13/18)–3/31/22		1-Year	3-Year	5-Year	Since Fund Inception
ProShares Online Retail ETF	NAV	-41.55%	6.65%	–	4.10%
	Market Price	-41.49%	6.73%	–	4.15%
ProShares Online Retail Index		-41.31%	7.18%	–	4.63%

Source: ProShares, Bloomberg. Operating expenses are 0.58%.

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Investments in smaller companies typically exhibit higher volatility. Smaller company stocks also may trade at greater spreads or lower trading volumes, and may be less liquid than stocks of larger companies.

ONLN invests in international investments, which may involve risks from: geographic concentration, differences in valuation and valuation times, unfavorable fluctuations in currency, differences in generally accepted accounting principles, and from economic or political instability.

In emerging markets, many risks are heightened, and lower trading volumes may occur.

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