



ProShares Credit Suisse 130/30 (CSM)

Alpha ProShares

Providing access to advanced investment strategies

The First 130/30 ETF

Based on the first 130/30 index

Institutional investors have used 130/30 investment strategies for a number of years. Now, with ProShares Credit Suisse 130/30 (CSM), investors have ETF access to a 130/30 strategy.

CSM seeks to track the first-ever 130/30 index—the Credit Suisse 130/30 Large-Cap Index. The index was designed by recognized experts in quantitative finance: Andrew W. Lo, PhD, world-renowned MIT Professor, and Pankaj N. Patel, CFA, Managing Director and Head of the Credit Suisse Quantitative Equity Research Group, a highly regarded provider of quantitative investment strategies.

Understanding 130/30

A 130/30 strategy aims to outperform an index benchmark by taking advantage of both negative and positive expectations for stocks. How? Using limited shorting and leverage. A 130/30 sells short 30% of the portfolio. The proceeds are used to increase long positions to a total of 130%. In the resulting portfolio, the 30% short position offsets the 130% long position, for a net market exposure of 100%—comparable to the 130/30's long-only index benchmark.

Shorting helps a 130/30 increase the potential benefit from stocks with negative expected alphas[†]. And with the proceeds from shorting, a 130/30 can take larger overweight positions in stocks with positive expected alphas. This means the

130/30 structure can strengthen the overall investment impact of the portfolio. In theory, a 130/30 strategy can provide a more efficient portfolio[†] with the potential for risk-adjusted outperformance of its long-only index benchmark.

Of course, the ability of a 130/30 strategy to provide excess returns versus its index benchmark depends on the effectiveness of its stock ranking system (or the stock forecasting ability of its manager), as well as on the strength of its investment process. If the return forecasts for the stocks in a 130/30 portfolio are incorrect, or if the investment process is flawed, a 130/30 strategy could in fact show increased potential to underperform rather than outperform its index benchmark.



For illustrative purposes only. A 130/30 strategy involves costs that are potentially higher than traditional long-only strategies, including short sales costs and transaction costs attributable to the higher turnover required to maintain 30% short and 130% long positions.

The First Strategy Index of Its Kind

Andrew Lo, PhD, and Pankaj Patel, CFA, recognized that, with advances in risk management, trading and portfolio construction, an active 130/30 investment strategy could be expressed in an index format. By replicating a 130/30 strategy, following a transparent and disciplined process, they created the first 130/30 strategy index, the Credit Suisse 130/30 Large-Cap Index.

The Credit Suisse 130/30 Index: A Disciplined and Risk-Managed Monthly Investment Process



¹ The 10 composite factors fall into five categories: value, growth, profitability, momentum and technical.

² The portfolio is constrained so that the maximum active weight for each stock is $\pm 0.40\%$. Annual portfolio turnover is limited to 100%. The expected beta⁺ for the portfolio is set to 1, in line with the investment Universe.

Visit 13030ETF.com

With CSM, investors have access to an innovative 130/30 strategy index—an index that aims to outperform traditional long-only large-cap indexes, with comparable volatility and, of course, a target beta⁺ of 1.

Convenience: Implementing a 130/30 strategy is operationally complex and can be prohibitively expensive—even for many large institutions. CSM gives investors the potential benefits of a 130/30 strategy in a single ETF investment.

Lower Cost: CSM, with an expense ratio of 0.95%, offers a relatively low cost approach to 130/30 investing.

⁺ For definitions of terms refer to back cover Glossary.

It is not possible to invest directly in an index. This fund seeks investment results that correspond to the index performance, before fees and expenses.

This fund may not be suitable for all investors. Investing involves risk, including the possible loss of principal. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. This ETF may involve certain costs and risks, including aggressive investment techniques (futures contracts, swap agreements and similar instruments), correlation and market price variance risks. Short positions lose value as security prices increase. Leverage can increase market exposure and magnify investment risk. In addition, this fund is non-diversified. These risks can increase volatility and decrease performance. See the prospectus for a more complete description of risks. There is no guarantee any ProShares ETF will achieve its investment objective.

Visit 13030ETF.com for more information, or call ProShares at 866.PRO.5125 (866.776.5125).

Glossary

Alpha – A measure of the risk-adjusted return of an investment in relation to its benchmark index. If a stock's return is higher than its benchmark, given the same amount of risk, the stock has a positive alpha; if its excess return is lower, it has a negative alpha. Expected alpha is the forecasted return of an investment, adjusted for its anticipated risk.

Beta – A measure of an investment's price variability, relative to its market. A security with a beta of 1.5, will move, on average, 1.5 times its market return less the risk-free rate $[1.5 (R_m - R_f)]$.

Example: Consider a large-cap stock with an expected beta of 1.5, and assume a risk-free interest rate of 0%. If the market were to gain 2% over the risk-free rate, the stock's expected return (with no alpha) would be 3% $(2\% \times 1.5 = 3\%)$. If the anticipated return for this stock were 4%, it would show positive expected alpha. Alternatively, if the market were to lose 2%, the stock's expected return (with no alpha) would be -3% $(-2\% \times 1.5 = -3\%)$. If the anticipated return for this stock were -2%, it would show positive expected alpha.

Efficient Portfolio – A portfolio that provides the greatest expected return for a given level of risk. An efficient portfolio is mathematically calculated and takes into account the expected return and risk for each security in the portfolio.

Portfolio Optimization – The process of building an efficient portfolio so that its expected return is maximized for a given risk level.

Carefully consider the investment objectives, risks, charges and expenses of ProShares. This and other information is contained in their summary and full prospectuses, which should be read carefully before investing. To obtain them, contact your financial adviser or broker/dealer representative or visit 13030ETF.com or proshares.com.

The Credit Suisse 130/30 index is designed to replicate an investment strategy that establishes either long or short positions in certain of the 500 largest U.S. market cap equities (the "Universe"). Short positions will approximate 30% of index portfolio value. Short sale proceeds are used to purchase 30% more in long positions using leverage. There is no guarantee index methodology will result in returns exceeding the index Universe returns. It is not possible to invest directly in an index.

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