

---

# PROSHARES INTEREST RATE HEDGED BOND ETFs

## TARGET ZERO INTEREST RATE RISK

### SUMMARY

---

When interest rates rise, bonds lose money.

Short-term bond funds may help reduce interest rate risk, but they still have interest rate risk.

ProShares Interest Rate Hedged Bond ETFs target zero interest rate risk.

#### ProShares Interest Rate Hedged Bond ETFs

ProShares Interest Rate Hedged Bond ETFs offer diversified portfolios of bonds, each with a built-in hedge against interest rate risk.

**HYHG**

High Yield—  
Interest Rate  
Hedged

**IGHG**

Investment Grade—  
Interest Rate  
Hedged

---

## WHAT INTEREST RATE RISK CAN COST YOU

### Quantifying Interest Rate Risk

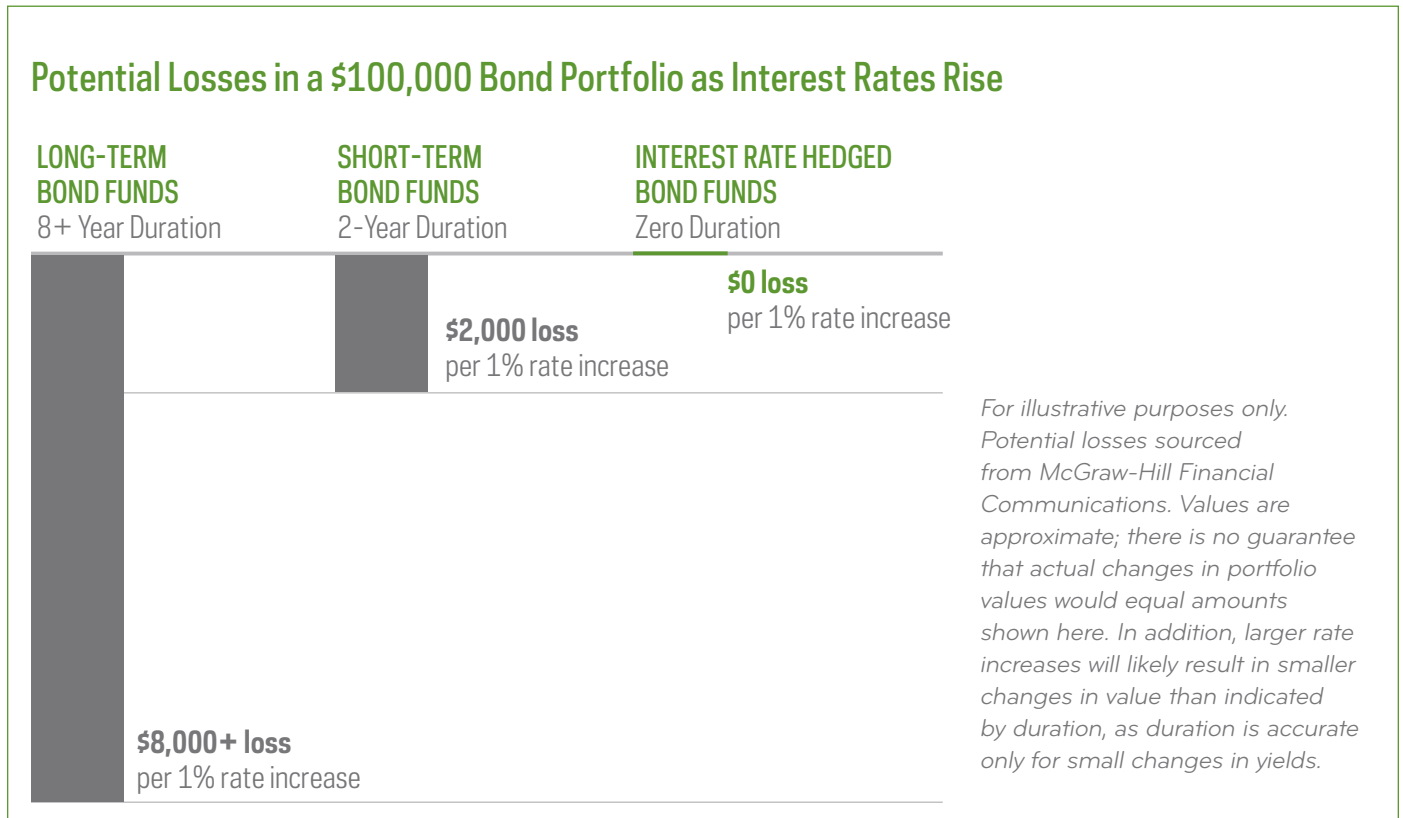
When interest rates rise, bond prices fall. How much they fall depends on a bond's duration, which measures sensitivity to interest rate changes. The higher a bond or bond fund's duration, the more sensitive it is to interest rates, and the more value it can gain or lose as rates change.

### Most Bonds Come Up Short When Interest Rates Rise

Because they have a high duration, long-term bonds carry significant interest rate risk. They can lose substantial value as rates rise. Many investors turn to short-term bonds to reduce rate risk, even though it often means sacrificing return potential. Short-term bonds may fare better than long-term, but they still have interest rate risk and will be hurt as rates rise.

### Interest Rate Hedged Bond ETFs

Interest rate hedged bond funds go a step further than short-term bond funds. They offer a diversified bond portfolio, but include a built-in hedge that targets a duration of zero to eliminate interest rate risk.

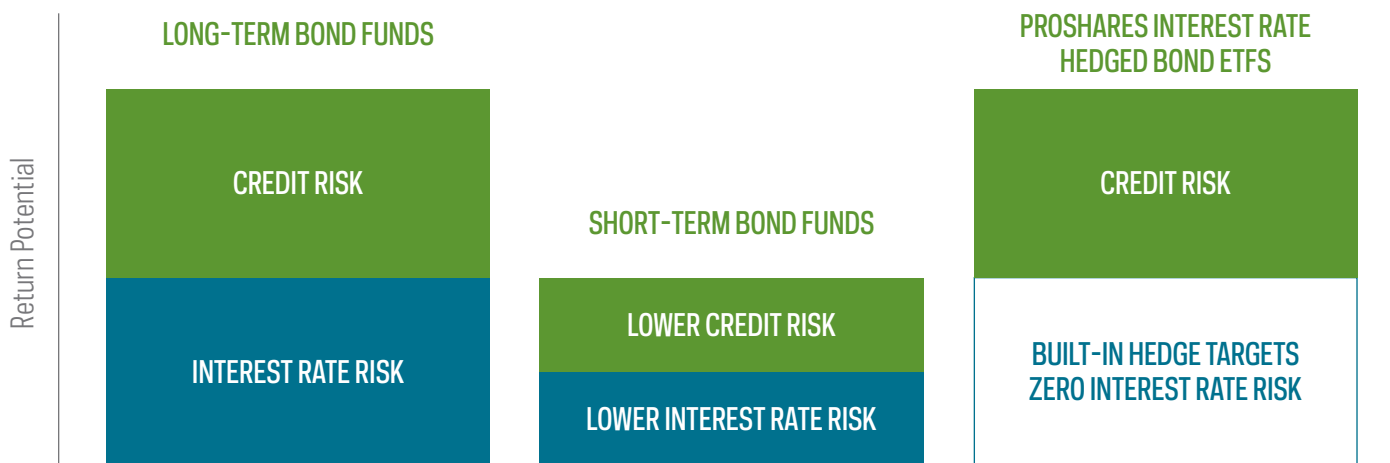


There is no guarantee that the hedge will completely eliminate interest rate risk.

## KEEP THE BONDS, LOSE THE DURATION

### Changing the Drivers of Risk and Return

Bond investing carries a variety of risks, but two key components generally drive bond and bond fund returns: credit risk and interest rate risk. Minimizing interest rate risk is key when rates rise.



For illustrative purposes only.

ProShares Interest Rate Hedged Bond ETFs, HYHG and IGHG, offer diversified portfolios of high yield or investment grade long-term bonds. They maintain full exposure to credit risk as a primary source of return, while the built-in hedge is designed to alleviate the drag on returns caused by rising interest rates. Combined, these features change the drivers of risk and return, enabling HYHG and IGHG to target zero duration and zero interest rate risk while offering full credit exposure.

*IGHG and HYHG do not attempt to mitigate factors other than rising Treasury interest rates that impact the price and yield of corporate bonds, such as changes to the market's perceived underlying credit risk of the corporate entity. IGHG and HYHG seek to hedge investment grade bonds and high yield bonds, respectively, against the negative impact of rising rates by taking short positions in Treasury futures. These positions lose value as Treasury prices increase. Investors may be better off in a long-only investment grade or high yield investment than investing in IGHG or HYHG when interest rates remain unchanged or fall, as hedging may limit potential gains or increase losses. No hedge is perfect. Because the duration hedge is reset on a monthly basis, interest rate risk can develop intra-month, and there is no guarantee the short positions will completely eliminate interest rate risk. Furthermore, while IGHG and HYHG seek to achieve an effective duration of zero, the hedges cannot fully account for changes in the shape of the Treasury interest rate (yield) curve. IGHG and HYHG may be more volatile than a long-only investment in investment grade or high yield bonds. Performance of IGHG and HYHG could be particularly poor if investment grade or high yield credit deteriorates at the same time that Treasury interest rates fall. There is no guarantee the fund will have positive returns.*

---

## 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 \$27 billion in assets. The company is the leader in strategies such as dividend growth, interest rate hedged bonds, alternative and geared (leveraged and inverse). ProShares continues to innovate with products that provide strategic and tactical opportunities for investors to manage risk and enhance returns.

### ProShares Interest Rate Hedged Bond ETFs

**HYHG**

High Yield—  
Interest Rate  
Hedged

**IGHG**

Investment Grade—  
Interest Rate  
Hedged

---

ProShares is the leader in dividend growth, alternative and geared (leveraged and inverse) strategies; Source: ProShares, Strategic Insight and Lipper, based on number of funds and/or assets, as of December 31, 2016.

**Investing involves risk, including the possible loss of principal.** These ProShares ETFs entail certain risks, which include the use of derivatives (futures contracts), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. Bonds will generally decrease in value as interest rates rise. High yield bonds may involve greater levels of credit, liquidity and valuation risk than higher-rated instruments. High yield bonds are more volatile than investment grade securities, and they involve a greater risks of loss (including loss of principal) from missed payments, defaults or downgrades because of their speculative nature. Narrowly focused investments typically exhibit higher volatility. Please see summary and full prospectuses for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

**Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing. Obtain them from your financial adviser or broker/dealer representative or visit ProShares.com.**