

THE SHORTCOMINGS OF SHORT-TERM BOND FUNDS

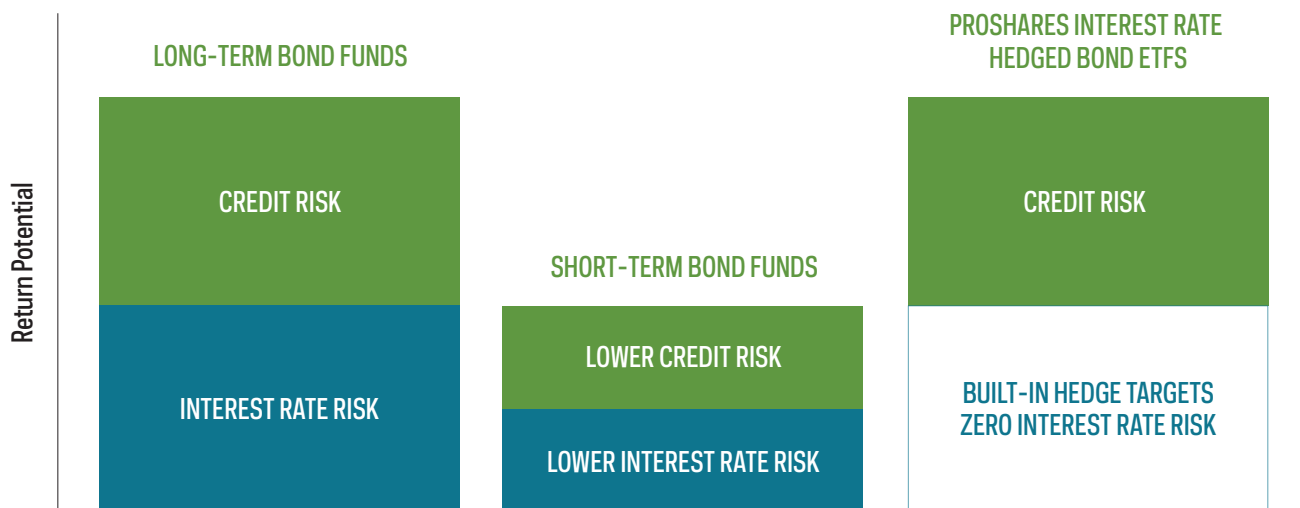
Limited Potential Returns

Bond prices fall when interest rates rise. So when interest rates are trending up, many investors shift their fixed income holdings to short-term bonds in order to reduce interest rate risk. What they may not realize is that by doing so, they shortchange their potential returns in two ways:

- First, moving to short-term bonds reduces interest rate risk but it doesn't eliminate it. Short-term bonds still have rate risk.
- Second, short-term bonds have less exposure to credit opportunities (and of course, risk), a key driver of bond returns.

An alternative approach is to seek to eliminate interest rate risk while maintaining full exposure to credit opportunities. This is what an interest rate hedged strategy aims to do. **It's important because, when rates rise, credit spreads have typically tightened and boosted returns.**

An Interest Rate Hedged Strategy Maintains Full Exposure to Credit Risk/Opportunity



For illustrative purposes only.

A Better Way to Prepare?

ProShares Investment Grade—Interest Rate Hedged (IGHG) tracks the Citi Corporate Investment Grade (Treasury Rate-Hedged) Index, which offers a diversified portfolio of investment grade long-term bonds with a built-in interest rate hedge. IGHG maintains full exposure to credit risk as a primary source of return, while the hedge is designed to alleviate the impact of rising rates.

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THE TAKEAWAY

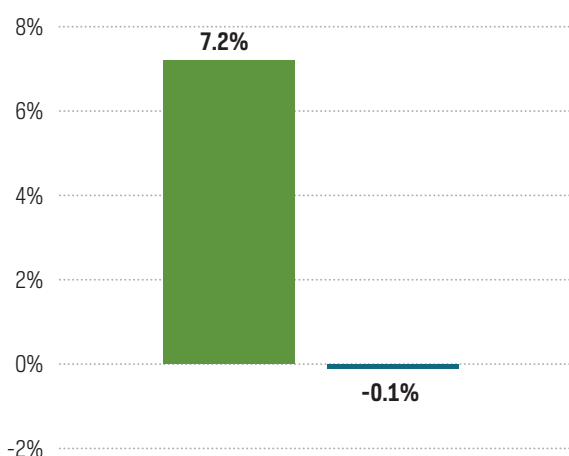
Short-term bond funds help investors reduce their interest rate risk, but they have shortcomings. If you're looking for a potentially better solution to rising rates, consider an interest rate hedged bond ETF like IGHG.

Your Bond Portfolio. Prepared.

ProShares Interest Rate Hedged Bond ETFs



When Rates Rose, IGHG's Index Outperformed Short-term Bond Funds



- Interest Rate Hedged (Citi Investment Grade (Treasury-Rate Hedged))
- Short Duration (Bloomberg Barclays U.S. 1-5 Year Corp Bond)

| As of 12/31/17 | | | |
|---|--------|--------|-----------------|
| Fund Inception 11/5/13 | 1-Year | 3-Year | Since Inception |
| ProShares Investment Grade—Interest Rate Hedged (IGHG)—NAV | 5.64% | 3.50% | 2.66% |
| ProShares Investment Grade—Interest Rate Hedged (IGHG)—Market Price | 4.50% | 3.40% | 2.61% |

Source: Bloomberg, December 2013 – December 2017. Average performance based on quarterly changes in the 10-Year Treasury yield. Rising rate periods are any calendar quarter where the 10-Year Treasury yield increased. As of 12/31/17, the duration of the Citi Corporate Investment Grade (Treasury-Rate Hedged) Index was 10.70 years. Duration is a measure of a fund's sensitivity to interest rate changes, reflecting the likely change in bond prices given a small change in yields. Higher duration generally means greater sensitivity. The Bloomberg Barclays U.S. 1-5 Year Corporate Bond Index measures the investment return of U.S. dollar denominated, investment-grade, fixed rate, taxable securities issued by industrial, utility, and financial companies with maturities between 1 and 5 years.

IGHG's expense ratio is 0.30%.

Investing involves risk, including the possible loss of principal. These ProShares ETFs are diversified and entail certain risks, including risks associated with the use of derivatives (swap agreements, futures contracts and similar instruments), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. Bonds will decrease in value as interest rates rise. Short positions in a security lose value as that security's price increases. 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.**

IGHG does 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 seeks to hedge investment grade bonds 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 investment than investing in IGHG when interest rates remain unchanged or fall, as hedging may limit potential gains or increase losses. The short positions are not intended to mitigate credit risk or other factors influencing the price of the bonds, which may have a greater impact than rising or falling interest rates. 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 seeks 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 may be more volatile than a long-only investment in investment grade bonds. Performance of IGHG could be particularly poor if investment grade credit deteriorates at the same time that Treasury interest rates fall. There is no guarantee the fund will have positive returns.

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 advisor or broker/dealer representative or visit ProShares.com.