

PROSHARES INVESTMENT GRADE— INTEREST RATE HEDGED

Keep the Bonds, Lose the Duration

Many investors use corporate bonds as part of their fixed income portfolios. But these bonds, even if they're investment grade, carry significant interest rate risk and can lose substantial value as rates rise.

ProShares Investment Grade—Interest Rate Hedged (IGHG) is a bond ETF with a built-in hedge that targets a duration of zero to eliminate interest rate risk.

Investment grade bonds and reducing interest rate risk

Investment grade corporate bonds typically offer better return potential than Treasury bonds, and investment grade debt allows investors to pursue those returns without adding as much risk as high yield bonds.

But it's important to keep in mind that rising rates pose a threat to all bonds—generally, bond prices move opposite rates. As rates rise, many investors become concerned about the potential impact on their bond portfolio. They often trade the return potential of long-term investment grade bonds by turning to short-term bond funds to control interest rate risk. They may even decide to reduce their bond holdings altogether.

ProShares offers an ETF that combines the return potential of a diversified portfolio of long-term investment grade bonds with a built-in hedge designed to alleviate the impact of rising rates.

IGHG: Investment grade bonds and a built-in interest rate hedge

IGHG is an innovative bond ETF that:

- Offers return potential from a diversified portfolio of investment grade corporate bonds.
- Has an interest rate hedge that uses short Treasury futures to target zero interest rate risk.

How IGHG seeks returns while fighting against rising rates

A portfolio of diversified long-term investment grade bonds to generate returns

Many investors use investment grade corporate bonds as a way of seeking additional returns in their fixed income portfolios.

IGHG seeks to track the FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index:

- A diversified portfolio of nearly 200 dollar-denominated investment grade corporate bonds from both U.S. and foreign issuers.
- Bonds must have at least a \$1 billion issue size and at least 5.5 years until maturity.
- May not allocate more than 3% to any single issuer.
- Bonds rated investment grade by both Moody's and S&P (minimum Baa3/BBB-).

While the portfolio of corporate bonds may offer additional return potential, long-term investment grade bonds are subject to substantial interest rate risk.

Short Treasury futures to hedge against rising interest rates

To fight the effects of rising interest rates, IGHG's index shorts U.S. Treasuries as a built-in hedge. The hedge is designed so that the combined portfolios target a duration (a measure of price sensitivity to interest rate changes) of zero.

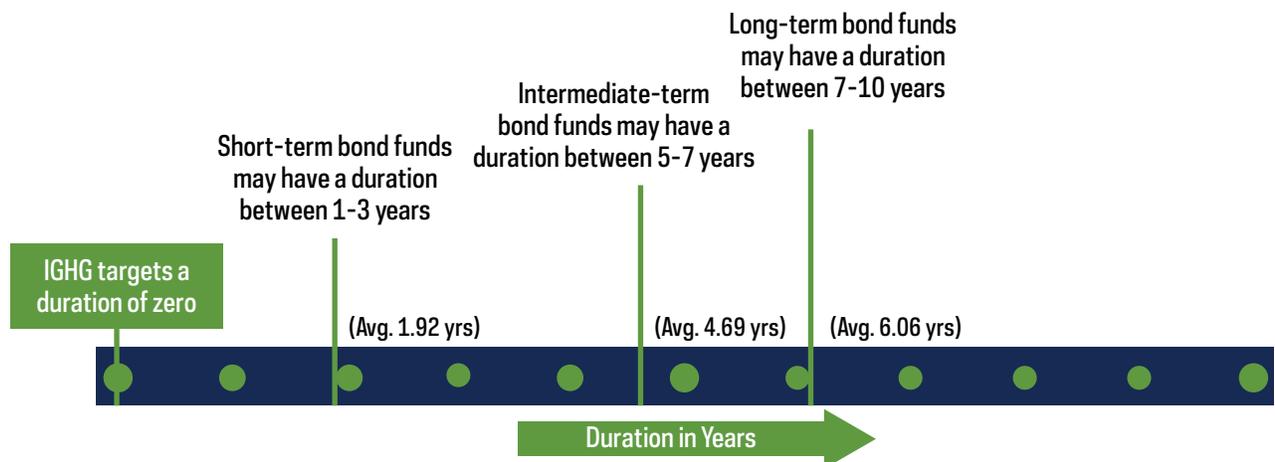
That means IGHG targets zero interest rate risk.

To replicate the index's hedge, ProShares IGHG:

- Blends short positions in 10-year, Long Bond, and Ultra Long Term Treasury futures, to hedge across a significant portion of the yield curve.
- Rebalances monthly to target zero duration.

Unlike short-term bond funds, IGHG targets a duration of zero

Duration measures a bond portfolio's price sensitivity to interest rate changes. When rates rise, bond prices fall. Many investors turn from long-term toward short-term bond funds to reduce their portfolio's duration. While short-term funds may fare better than long-term funds, they still have interest rate risk and will be hurt as rates rise.



Source: Barclays as of 12/30/2017. For illustrative purposes only.

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| <h2>About the ETF</h2> | <h2>Advantages of IGHG</h2> |
| <p>Ticker Symbol: IGHG</p> <p>Intraday Symbol: IGHG.IV</p> <p>Bloomberg Index Symbol: CFIIGHG</p> <p>Investment Objective: IGHG seeks investment results, before fees and expenses, that track the performance of the FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index</p> <p>Inception: 11/5/2013</p> | <p>Lower sensitivity to rate changes than short-term bonds By targeting a duration of zero, IGHG seeks to have almost no sensitivity to rising rates. Unlike short-term bond funds that still have interest rate risk, IGHG should be less sensitive to rate changes.</p> <p>The return potential of long-term investment grade bonds IGHG's returns are generated by exposure to the credit risk of a diversified portfolio of investment grade corporate bonds.</p> <p>A built-in hedge targeting zero interest rate risk IGHG uses short positions in three different Treasury futures across the yield curve to target zero duration, effectively hedging against interest rate risk. (Note that the cost of this hedge is reflected in the net asset value of the ETF, not in the yield.)</p> |
| | <h2>Potential risks</h2> |
| | <p>Performance There is no guarantee that the fund or its index will achieve intended objectives.</p> <p>Credit risk The fund is not designed to mitigate credit risk or other factors, which may have a large impact on investment grade bonds.</p> <p>Hedge risk The short Treasury exposure may not completely eliminate the interest rate risk of the long investment grade bond positions. If rates decline, an unhedged investment in the same investment grade bonds will outperform the fund.</p> <p>Short sales The short Treasury positions should lose value as Treasury prices increase.</p> <p>Other risks For more on risks, obtain a prospectus from your financial advisor or visit ProShares.com.</p> |

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 \$30 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

Find out more

Visit ProShares.com or consult your financial advisor.

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, 2017.

Investing involves risk, including the possible loss of principal. This ProShares ETF is diversified and entails 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. 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. 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. 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 hedge 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 grade bond investment. 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.

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