

Market overview

During the fourth quarter, interest rates fell across the yield curve, reversing course from the prior quarter. At the same time, inflation moved further toward the 2% target, and the futures market began to price in several rate cuts expected by the end of first half in 2024. In the December FOMC meeting, the Federal Reserve's median dot plot projected three rate cuts by the end of 2024. The Bloomberg U.S. Aggregate Bond Index posted gains of 6.8% for the quarter, while the Bloomberg U.S. Corporate Bond Index increased by 8.5%. The 2-year Treasury yield decreased by 79 bps during the quarter, and the 10-year yield decreased by 69 bps, reversing most of a 73 bps third-quarter increase. The rally in high-yield corporate bonds continued, with high-yield credit spreads narrowing by 71 bps. However, the U.S. high-yield bond market underperformed higher-quality bonds by 1.3%, returning 7.2%, as measured by the Bloomberg U.S. Corporate High Yield Bond Index.

Performance

HYHG increased by 4.6% during the fourth quarter, based on NAV, underperforming the U.S. high-yield bond market by 2.5%. Credit spread narrowing positively impacted HYHG's performance during the quarter, and the embedded interest rate hedge helped shield the strategy from changes in rates.

Morningstar
Overall Rating



Overall Morningstar Rating out of 286 Nontraditional Bond funds based on risk adjusted returns as of 12/31/23.

Fund performance and index history ¹	4Q 2023	YTD	1-Year	3-Year	5-Year	10-Year	Fund Inception 5/21/13
ProShares High Yield—Interest Rate Hedged							
HYHG NAV Total Return	4.62%	14.60%	14.60%	6.00%	5.98%	3.28%	3.35%
HYHG Market Price Total Return	4.59%	14.69%	14.69%	6.04%	6.00%	3.18%	3.35%
FTSE High Yield (Treasury Rate-Hedged) Index	4.65%	14.97%	14.97%	6.34%	6.39%	4.02%	4.08%
Bloomberg U.S. Corporate High Yield Bond Index	7.16%	13.45%	13.45%	1.99%	5.37%	4.60%	4.52%

Sources: ProShares and Morningstar. Periods greater than one year are annualized.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Shares are bought and sold at market price (not NAV) and are not individually redeemed from the fund. Market price returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. ET (when NAV is normally determined for most funds) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 866.776.5125 or visiting ProShares.com. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in any index.

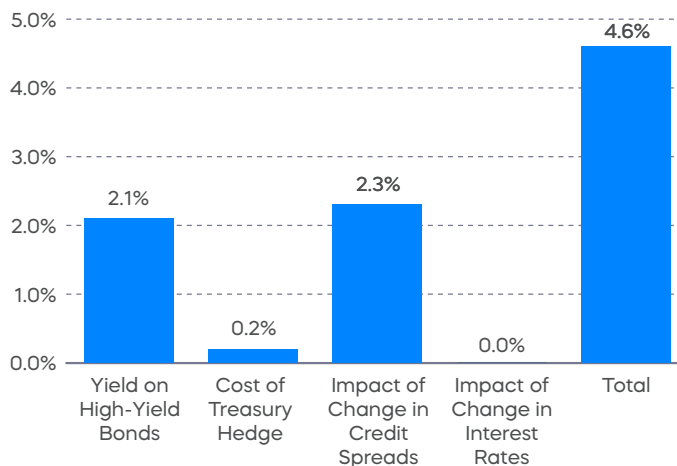
Sources: FactSet, Bloomberg. All attribution numbers above are estimated and are not exact. HYHG's total operating expenses are 0.50%. As of 12/31/23, HYHG's 30-day SEC yield was 7.51%. "30-day SEC yield" is a standard yield calculation developed by the Securities and Exchange Commission that allows investors to more fairly compare funds. ¹Market returns are based on the composite closing price and do not represent the returns you would receive if you traded shares at other times. The first trading date is typically several days after the fund inception date. Therefore, NAV is used to calculate market returns prior to the first trading date.

Performance attribution

The strategy consists of a portfolio of diversified high-yield bonds, combined with short positions in Treasury futures that are designed to offset the interest rate risk inherent in high-yield bonds. The strategy's performance can be broken into these components: 1) high-yield bond yields, 2) the cost of the Treasury hedge, 3) the impact of credit spread changes, and 4) the impact of interest rate changes.

During the quarter, HYHG's bond portfolio yielded approximately 2.1%, while the Treasury hedge gained roughly 0.2%. The strategy had gains of approximately 2.3% from changes in credit spreads. Because of the interest rate hedge constructed within the portfolio, the strategy experienced approximately zero impact from interest rate movements during the quarter.

4th Quarter 2023 HYHG Contribution Analysis



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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 risk of loss (including loss of principal) from missed payments, defaults or downgrades because of their speculative nature.

Short positions in a security lose value as that security's price increases.

The fund concentrates its investments in certain sectors. Narrowly focused investments typically exhibit higher volatility.

The index does not attempt to mitigate factors other than rising 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.

HYHG seeks to hedge high-yield bonds against the potential negative impact of rising Treasury interest rates by taking short positions in U.S. 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. No hedge is perfect, and there is no guarantee the short positions will completely eliminate interest rate risk. Investors may be better off in a long-only high-yield investment when interest rates fall than investing in HYHG, where hedging may limit potential gains or increase losses. Performance could be particularly poor during risk-averse, flight-to-quality environments, when high-yield bonds commonly decline in value. HYHG may be more volatile than long-only high-yield bond investments. HYHG may contain a significant allocation to callable high-yield bonds, which are subject to prepayment and other risks that could result in losses for the fund. There is no guarantee the fund will have positive returns.

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