ProShares®

The Current Case for a Rate Hedged Bond Strategy

Key Observations

Sticky inflation concerns have pushed up bond yields. Even a minor rate increase could be a significant drag on corporate bond returns. Short-term bond strategies can reduce rate risk, but interest rate hedged bond strategies aim to virtually eliminate risks from rising rates—while maintaining return potential.

- If 10-year U.S. Treasury yields rise another one-half percent, returns on a typical investment-grade bond portfolio with a duration of eight years could decline by four percent, wiping out nearly a year of income.
- Short-term bond funds are an option to help reduce rate risk, but they cannot eliminate it, and they reduce credit exposure, limiting potential returns.

Two Interest Rate Hedged Bond ETFs for a Rising Rate Environment

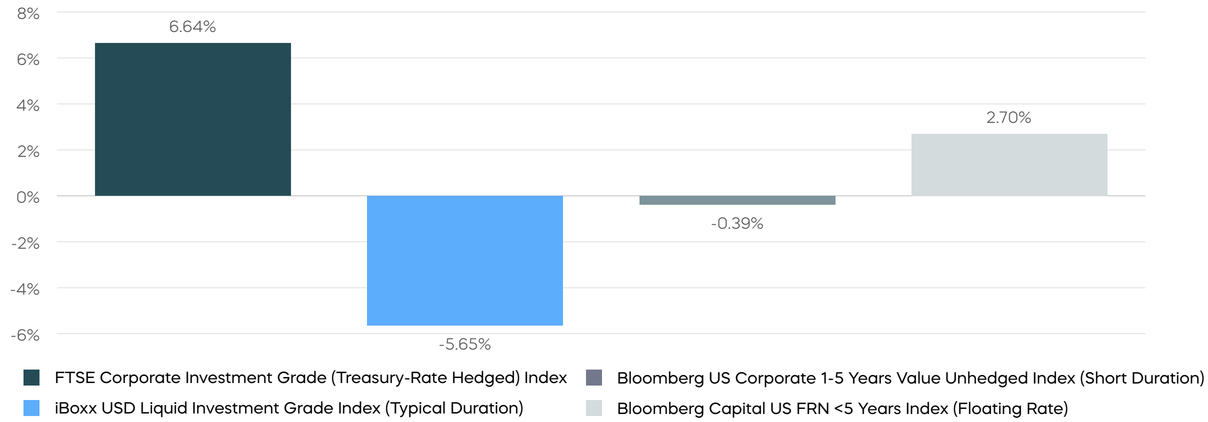
ProShares Investment Grade—Interest Rate Hedged (**IGHG**) and ProShares High Yield—Interest Rate Hedged (**HYHG**) combine portfolios of diversified corporate bonds, either investment grade or high yield, with built-in hedges that target a duration of zero. The unique structure of these ETFs attempts to virtually eliminate rising interest rate risk, while still retaining full exposure to credit risk and its potential for return.

ProShares Investment Grade—Interest Rate Hedged (IGHG)

IGHG's interest-rate hedged investment grade strategy has outperformed not only typical duration investment grade bonds, but also short-duration and floating-rate strategies.

IGHG's Index Has Outperformed During Periods of Rising Rates

From 11/5/2013 to 12/31/2024



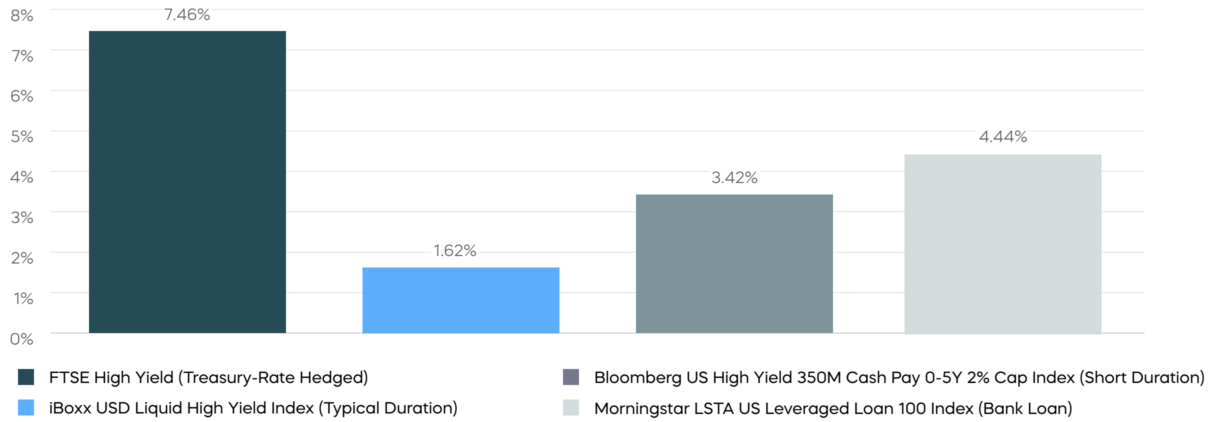
Source: Bloomberg, based on average performance data (quarterly changes in the 10-Year Treasury yield) from IGHG's inception on 11/5/2013 to 12/31/2024. Rising rate periods are any calendar quarters in which the 10-Year Treasury yield increased. As of 12/31/2024, the duration of the FTSE Corporate Investment Grade (Treasury-Rate Hedged) Index was 0.02 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 Markit iBoxx USD Liquid Investment Grade Index is designed to provide a balanced representation of the USD investment grade corporate market and to meet the investor's demand for a USD denominated, highly liquid and representative investment grade corporate index. The index represents typical duration for the broad investment grade bond market. 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 one and five years. Index returns are for illustrative purposes only and do not represent fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index.

ProShares High Yield—Interest Rate Hedged (HYHG)

HYHG aims to virtually eliminate interest rate risk from high yield bonds. Like its investment-grade counterpart, HYHG's interest-rate hedged high yield strategy also outperformed typical duration high yield and short duration bonds, and bank loans as well.

HYHG's Index Has Outperformed During Periods of Rising Rates

From 5/21/2013 to 12/31/2024



Source: Bloomberg, based on average performance data (quarterly changes in the 5-Year Treasury yield) from HYHG's inception on 5/21/2013 to 12/31/2024. Rising rate periods are any calendar quarters in which the 5-Year Treasury yield increased. As of 12/31/2024, the duration of the FTSE High Yield (Treasury-Rate Hedged) Index was 0.01 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 Markit iBoxx USD Liquid High Yield Index consists of liquid USD high yield bonds, selected to provide a balanced representation of the broad USD high yield corporate bond universe. The index represents typical duration for the broad high yield bond market. Bloomberg Barclays Short Term High Yield Bond (Short Duration) Index is designed to measure the performance of short-term publicly issued U.S. dollar-denominated high yield corporate bonds. Index returns are for illustrative purposes only and do not represent fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index.

Standardized Performance

As of 12/31/24

	1M	3M	6M	YTD	1YR	3 YR	5 YR	10 YR	SINCE INCEPTION	INCEPTION DATE
IGHG NAV	1.09%	2.83%	5.41%	9.09%	9.09%	6.36%	4.16%	3.89%	3.54%	11/5/2013
IGHG Market Price	1.42%	3.22%	5.57%	9.20%	9.20%	6.49%	4.15%	3.91%	3.56%	11/5/2013
FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index	0.97%	2.84%	5.25%	9.12%	9.12%	6.91%	4.52%	4.15%	3.88%	–
HYHG NAV	0.50%	2.96%	5.83%	10.84%	10.84%	7.75%	5.82%	4.61%	3.97%	05/21/2013
HYHG Market Price	0.68%	3.40%	6.29%	11.42%	11.42%	7.90%	5.88%	4.74%	4.02%	05/21/2013
FTSE High Yield (Treasury Rate Hedged) Index	0.44%	2.94%	5.78%	11.26%	11.26%	8.06%	6.19%	5.25%	4.68%	–

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. Your brokerage commissions will reduce returns. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, visit ProShares.com.

About Us

ProShares has been at the forefront of the ETF revolution since 2006. ProShares now offers one of the largest lineups of ETFs, with over $75 billion in assets. The company is a leader in strategies such as crypto-linked, dividend growth, interest rate hedged bond and geared (leveraged and inverse) ETF investing. ProShares continues to innovate with products that provide strategic and tactical opportunities for investors to manage risk and enhance returns.

Interest Rate Hedged Bonds ETFs

IGHG

Investment Grade – Interest Rate Hedged

ProShares Investment Grade – Interest Rate Hedged seeks investment results, before fees and expenses, that track the performance of the FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index.

HYHG

High Yield – Interest Rate Hedged

ProShares High Yield – Interest Rate Hedged seeks investment results, before fees and expenses, that track the performance of the FTSE High Yield (Treasury Rate-Hedged) Index.

→ Interested in learning more?

Visit ProShares.com to learn more about ProShares High Income ETFs. Additionally, financial professionals can contact ProShares at 866-776-5125 or email info@proshares.com for additional information about ProShares investment products.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. For standardized returns and performance data current to the most recent month end, see performance on ProShares.com.

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. Please see summary and full prospectuses on ProShares.com for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

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. 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 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 funds will have positive returns.**

Bonds will 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.

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

Narrowly focused investments typically exhibit higher volatility.

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