COMPONENTS OF GEARED FUNDS

Leveraged and inverse funds, also called "geared" funds, seek to return a multiple or inverse multiple (e.g., 2x, -2x) of the return of a benchmark for a single day, before fees and expenses. There are a number of ways geared funds can be constructed to achieve their objectives, including using combinations of traditional securities, like equities and cash, along with derivative products, such as futures, forwards and swaps.

What Are Derivatives?

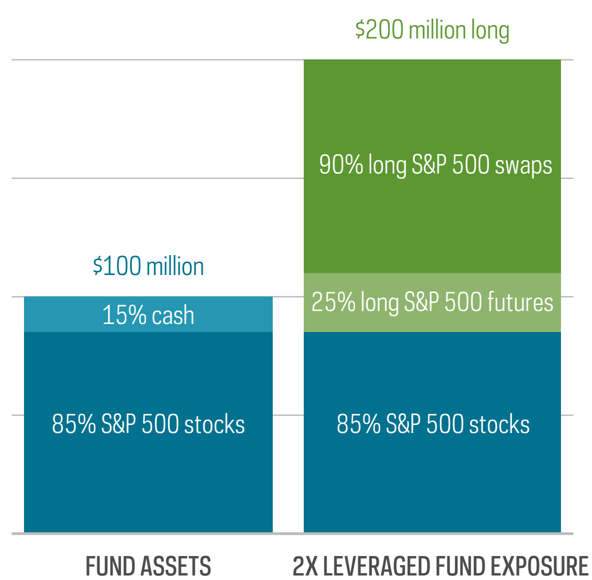
Derivatives are financial instruments that change value in relation to an underlying asset without investing in the asset itself. Futures, forwards and swaps, for example, are investment contracts between parties to buy, sell or exchange assets like equities, commodities, currencies or loan terms at agreed-upon prices. They make or lose money depending on whether market prices are greater or less than the contract prices for the underlying assets. Cash flows are calculated relative to a particular "notional amount," or the face amount of the financial instrument. Some derivatives are subject to counterparty risk—the risk that a counterparty defaults on a payment due—and other risks.

Constructing Sample Leveraged and Inverse S&P 500 Funds

To generate 2x or -2x exposure, in S&P 500 funds for example, each fund must invest in a combination of equities and S&P 500-related derivatives with total exposures of $200 million, long or short.

S&P 500 Long Fund

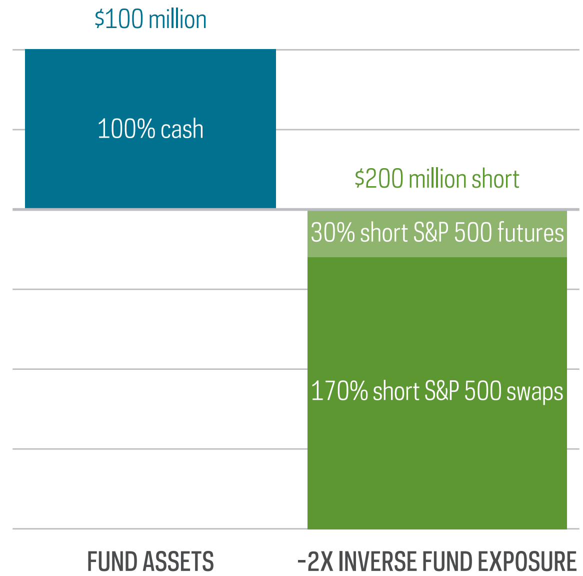
- The long fund might invest 85% of its underlying assets in S&P 500 stocks. The remainder of the assets (15%) would remain in cash.
- The fund might then use a portion of its cash to purchase S&P 500 futures contracts—enough to provide $25 million of index exposure. This would bring the portfolio's index exposure to 110%.
- The fund might also employ long equity index swap agreements tied to the S&P 500, with a notional value of $90 million. The fund would receive the index's total return on the $90 million notional value in return for interest payments on the same amount. The index return (positive or negative) and the interest payments would be accounted for on a daily basis.



For illustrative purposes only. This example shows just one method for creating 2x exposure to an index and does not represent the investment components of an actual fund.

S&P 500 Short Fund

- The short fund might keep nearly all of its assets in cash.
- The fund might then use some of its cash to open short positions on S&P 500 futures contracts—enough to provide about 30% of inverse index exposure.
- The fund might also employ short equity index swap agreements tied to the S&P 500 with a notional value of $170 million. The fund pays the index's total return on the $170 million notional value and receives interest payments on the same amount. The index return (positive or negative) and the interest payments would be accounted for on a daily basis.



For illustrative purposes only. This example shows just one method for creating -2x exposure to an index and does not represent the investment components of an actual fund.

Leveraged and inverse investing is not for everyone. Geared funds are generally riskier than funds without leveraged or inverse exposure. Before investing, read each fund's prospectus to fully understand all the risks and benefits. For a prospectus and other information, visit ProShares.com or ProFunds.com.

Geared ProShares ETFs and ProFunds mutual funds seek returns that are a multiple of (e.g., 2x or -2x) the return of an index or other benchmark (target) ***for a single day***, as measured from one NAV calculation to the next, before fees and expenses. Due to the compounding of daily returns, geared ProShares and ProFunds returns over periods other than one day will likely differ in amount and possibly direction from the target return for the same period. These effects may be more pronounced in funds with larger or inverse multiples and in funds with volatile benchmarks. Investors should monitor their holdings consistent with their strategies, as frequently as daily. For more on correlation, leverage and other risks, please read a ProShares or ProFunds prospectus.

Investing involves risk, including the possible loss of principal. Geared ProShares ETFs and ProFunds mutual funds entail certain risks, which may include risk 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. Short ProShares ETFs and ProFunds mutual funds should lose money when their benchmarks or indexes rise. Geared ProShares ETFs are non-diversified. Please see their summary and full prospectuses for a more complete description of risks. **There is no guarantee any investment will achieve its investment objective. Past performance is no guarantee of future results.**

Carefully consider the investment objectives, risks, charges and expenses of ProShares and ProFunds before investing. This and other information can be found in their summary and full prospectuses. Read them carefully before investing. For a ProShares ETF prospectus, visit ProShares.com or obtain one from your financial advisor or broker-dealer representative. For a ProFunds mutual fund prospectus, visit ProFunds.com.

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