THE RISK OF NORMALIZING INTEREST RATES

You still need to be concerned about rising rates

Time to get ready for rising rates?

Hand wringing over the health of the economy has led to fevered debate over the future path of interest rates. Much of the conversation, however, has been focused on what the Fed might do and when. But even if you believe the Fed will do nothing in the near term, does that mean you don't need to worry about interest rate risk? In a word, no.

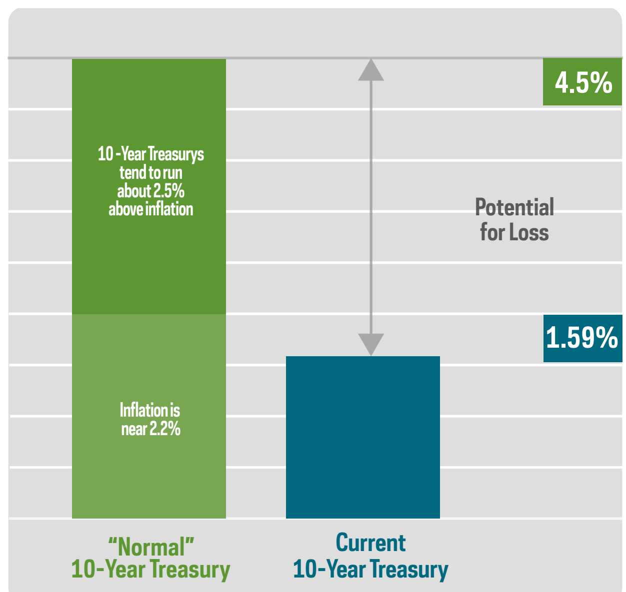
Fed Funds Rate vs. the yield curve

The Fed only controls the Fed Funds Rate, not the rest of the yield curve. Historically, the yield on 10-Year U.S. Treasurys tends to run about 2.5% above inflation. With inflation running right around the Fed's target of 2%, a "normal" 10-year yield should be around 4.5%. Rates could "normalize" without any change in the Fed Funds Rate. And if they did rise to "normal" levels, bond prices could take a big hit.

So don't wait for the Fed before taking action. ProShares offers two interest rate hedged bond ETFs (IGHG and HYHG) that combine portfolios of bonds with built-in hedges against the effects of rising rates. These ETFs enable investors to maintain portfolios of investment grade or high yield bonds, which will still have their own inherent risks. But they target zero interest rate risk by adding a second portfolio that shorts Treasury bonds, so the combined ETF targets a duration—an interest rate risk—of zero.

Consider getting ready now, before it's too late.

Where could yields head if they "normalize"?



Source: Bloomberg, CPI was 2.2% as of 9/30/16.

TAKEAWAY

Don't wait for the Fed to raise rates—they may "normalize" on their own. Get ready now with ProShares interest rate hedged bond ETFs, which combine portfolios of bonds with built-in hedges that target a duration of zero.

Your bond portfolio. Prepared.

ProShares Interest Rate Hedged Bond ETFs

IGHG Investment Grade Interest Rate Hedged

HYHG High Yield Interest Rate Hedged

Find out more

Visit ProShares.com or consult your financial advisor.

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. High yield bonds may involve greater levels of credit, liquidity and valuation risk than for higher-rated instruments. High yield bonds are considered speculative and generally involve greater risk of default or loss. 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 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 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