

# ProShares Large Cap Core Plus

## Market overview

Equity volatility increased during the third quarter of 2024, with the VIX spiking and stocks sharply selling off in early August due to concerns over a cooling labor market. Inflation remained subdued, however, suggesting the Federal Reserve's dual mandate is becoming more balanced. In response to these shifting economic conditions, the Federal Reserve lowered the target rate by 50 basis points at the September FOMC meeting, the first decrease in over four years. Bonds rallied in anticipation of the decision, with 10-year U.S. Treasury yields down 62 basis points and 2-year U.S. Treasury yields down by 111 basis points during the quarter. Despite the heightened volatility, equities closed the quarter on a positive note, with the S&P 500® up 5.9%. Additionally, the S&P 500 Equal Weighted Index (9.6%) outperformed the S&P 500, indicating a shift in market leadership. However, the VIX remained elevated compared to levels seen in the first half of the year.

Among the eleven S&P 500 sectors, all except the energy sector posted gains during the third quarter, with utilities (19.4%) and real estate (17.2%) leading the gains. In contrast, communication services and information technology, which had outperformed in the first half of the year, lagged the broader equity market during the third quarter.

## Performance

During the quarter, CSM's benchmark, the Credit Suisse 130/30 Large Cap Index, outperformed the S&P 500 by 0.1% (6.0% vs. 5.9%). Favorable stock screening from the strategy's long portfolio drove the positive excess return. From a factor perspective, the strategy's exposure to traditional value and expected growth added the most to relative performance during the quarter while exposure to relative value hurt relative performance. Overall, the net total factor contribution was negative for the quarter.

Fund performance and index history <sup>1</sup>	3Q 2024	YTD	1-Year	3-Year	5-Year	10-Year	Fund Inception 7/13/09
ProShares Large Cap Core Plus							
CSM NAV Total Return	5.83%	20.37%	35.56%	10.57%	14.43%	12.07%	14.52%
CSM Market Price Total Return	5.65%	20.28%	35.49%	10.62%	14.41%	12.06%	14.52%
Credit Suisse 130/30 Large Cap Index	6.02%	21.04%	36.58%	11.38%	15.22%	12.78%	15.37%
S&P 500	5.89%	22.08%	36.35%	11.91%	15.96%	13.37%	15.16%

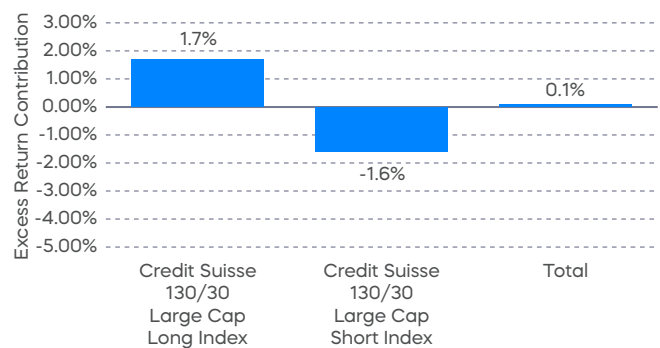
Source: Morningstar, as of September 30, 2024. Returns for periods longer than one year are annualized.

## Attribution

The objective of CSM's index is to boost the returns of large-cap U.S. equities through enhanced portfolio construction and a rules-based, multifactor stock selection methodology. The index's strategy enables the fund to employ leverage by taking long positions in stocks totaling approximately 130% of net assets, and short positions in stocks totaling approximately 30% of net assets. This results in net fund exposure of 100%.

Relative outperformance during the quarter was driven primarily by stocks in the long portion of the portfolio which outperformed the broad market. Performance from the short side of the portfolio hurt excess return. Relative to the S&P 500, the index's long portfolio contributed outperformance of 1.7% [(7.2% vs. 5.9%) X 1.30], while the index's short portfolio negatively contributed 1.6% [(11.2% vs. 5.9%) X -0.30]. Combining these two components, the Credit Suisse 130/30 Large Cap Index outperformed the S&P 500 by 0.1%. (Continued on page 2)

### Contribution to Relative Performance vs. S&P 500



Source: Bloomberg, as of September 30, 2024

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.

Source: FactSet, Bloomberg. CSM's total operating expenses are 0.45%. <sup>1</sup>Market 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.

## Attribution (continued)

Overall, sector allocation effects had a positive impact on relative performance for the quarter. An overweight in real estate, the second-best-performing sector, and an underweight weight in information technology help relative performance the most. Stock screening from CSM's index methodology also had a positive impact on relative outperformance, particularly with respect to selection among health care and consumer services names.

With respect to factor contributions, the fund's exposure to traditional value—a value-based pattern where relatively inexpensive stocks tend to outperform relatively expensive stocks—was the largest positive contributor to relative performance. Exposure to expected growth stocks also contributed positively. Offsetting these results was the fund's exposure to relative value and profit trends, which detracted from relative performance.

## Factor Attribution – Credit Suisse 130/30 Large Cap Index vs. S&P 500

Excess Return Contribution	Value		Growth		Profitability		Momentum		Technical	
	Traditional	Relative	Historical	Expected	Profit Trends	Accelerating Sales	Earnings	Price	Price Reversal	Small Size
3-Month	0.56%	-0.35%	0.00%	0.10%	-0.27%	-0.11%	0.01%	0.01%	-0.03%	0.01%

Notes: Uses monthly returns data measured between Credit Suisse 130/30 Index rebalance dates. Index data provided by Bloomberg. Factor data provided by Credit Suisse. Exposure measured as OLS estimated factor coefficient from most recent 60-month sample. Monthly contributions computed as the product of OLS estimated factor coefficient and monthly factor return. Monthly contributions are aggregated into trailing periods using Carino (1999) smoothing. "Other" captures return the model attributes to the risk-free rate and residuals. Period start and end dates reference Credit Suisse 130/30 Index rebalance dates, not calendar quarters. The 3-month period referenced above reflects June 21, 2024 to September 19, 2024.

Looking ahead, we expect CSM to continue to benefit from its disciplined, multifactor approach. One of the longest-running smart beta funds, CSM follows a strategy that combines multiple, well-established factors to achieve performance. The portfolio's design seeks to turn incremental returns over time into consistent outperformance.

**Value** consists of both traditional value and relative value, and aims to capture excess returns from stocks that have low prices relative to their fundamental value, which is constructed using price-to-book, price-to-earnings, price-to-cash-flow, and price-to-sales ratios. The **traditional-value factor** identifies cheap stocks for the long portfolio and the expensive ones for the short portfolio. The **relative-value factor** measures value using such industry-relative price ratios as price-to-earnings, price-to-book, and price-to-sales. **Growth** consists of both historical growth and expected growth. The **historical-growth factor** identifies stocks with strong records of growth for the long portfolio and those with flat or negative growth rates for the short portfolio. Growth is based on earnings growth rates, revenue trends, and changes in cash flows. The **expected-growth factor** identifies stocks with high rates of expected earnings growth for the long portfolio and those with low or negative expected growth rates for the short portfolio. **Profitability** consists of profit trends and accelerating sales. The **profit-trends factor** identifies stocks showing strong bottom-line improvement for the long portfolio and those showing deteriorating profits or increasing losses for the short portfolio. Profit trends are measured by using the following ratios: overhead-to-sales, earnings-to-sales, and sales-to-assets. Trends in the following ratios are also used: (receivables + inventories)/sales, cash-flow-to-sales, and overhead-to-sales. The **accelerating-sales factor** identifies stocks with strong records of sales growth for the long portfolio and those with flat or negative sales growth, measured using the rate of increase in sales growth, i.e., the acceleration of sales for the short portfolio. **Momentum** consists of earnings momentum and price momentum. **Earnings momentum** is defined in terms of earnings estimates, not historical earnings. The **earnings-momentum factor** identifies stocks with positive earnings surprises and upward estimate revisions for the long portfolio and those with negative earnings surprises and downward estimate revisions for the short portfolio. The **price-momentum factor** identifies stocks with high returns over the past 6–12 months for the long portfolio and those with low or negative returns over the past 6–12 months for the short portfolio. **Technical** consists of price reversal and small-size factors. **Price reversal** is the pattern whereby short-term winners often suffer downside reversals and short-term losers tend to bounce back to the upside. These reversal patterns are evident for horizons ranging from one day to four weeks. The **small-size factor** identifies the smallest decile stocks in the index for the long portfolio and the largest decile in the index for the short portfolio. Size is measured using the following metrics: market capitalization, assets, sales, and stock price.

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The Credit Suisse 130/30 Large Cap Index is designed to replicate an investment strategy that establishes either long or short positions in certain of the 500 largest U.S. market cap equities (the "Universe"). Short positions will approximate 30% of the portfolio's value. The model anticipates the purchase of 30% more in long positions using leverage. There is no guarantee this methodology will result in returns exceeding the Universe returns. It is not possible to invest directly in an index.

ProShares may invest in equity securities and/or financial instruments (including derivatives) that, in combination, should have similar daily price return characteristics to the fund's benchmark. Derivative contracts are priced to include the underlying index yield and will not generate dividend income. Because ProShares invest in derivatives and other financial instruments, their dividend distributions may not reflect those of their applicable indexes.

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