PROSHARES HIGH YIELD—INTEREST RATE HEDGED

Keep the Bonds, Lose the Duration

Many investors use high yield corporate bonds as part of their fixed income portfolios. But these bonds, much like Treasurys, carry significant interest rate risk and can lose substantial value as rates rise.

ProShares High Yield—Interest Rate Hedged (HYHG) is a bond ETF with a built-in hedge that targets a duration of zero to eliminate interest rate risk.

High yield bonds and reducing interest rate risk

High yield corporate bonds typically offer better return potential than Treasurys or investment grade bonds as a way of compensating investors for taking on greater risks.

But it's important to keep in mind that rising rates pose a threat to all bonds—generally, bond prices move opposite rates. As rates rise, many investors become concerned about the potential impact on their bond portfolio. They often trade the return potential of long-term high yield bonds by turning to short-term bond funds to control interest rate risk. They may even decide to reduce their bond holdings altogether.

ProShares offers an ETF that combines the return potential of a diversified portfolio of high yield bonds with a built-in hedge designed to alleviate the impact of rising rates.

HYHG: High yield bonds and a built-in interest rate hedge

HYHG is an innovative bond ETF that:

- Offers return potential from a diversified portfolio of high yield corporate bonds.
- Has an interest rate hedge that uses short Treasury futures to target zero interest rate risk.

How HYHG seeks returns while fighting against rising rates

A diversified portfolio of high yield bonds to generate returns

Many investors with a stronger tolerance for risk use high yield corporate bonds as a way of seeking additional returns in their fixed income portfolios.

HYHG seeks to track the FTSE High Yield Grade (Treasury Rate-Hedged) Index:

- A diversified portfolio of dollar-denominated high-yield corporate bonds from both U.S. and foreign issuers.
- Bonds must have at least a $1 billion issue size and at least one year until maturity
- May not allocate more than 2% to any single issuer and cannot exceed two issues from each issuer.
- Bonds rated a maximum of Ba1/BB+ and minimum of Ca/C by either Moody's or S&P.

While the portfolio of high yield bonds may offer additional return potential, high yield bonds are subject to substantial interest rate risk.

Short Treasury futures to hedge against rising interest rates

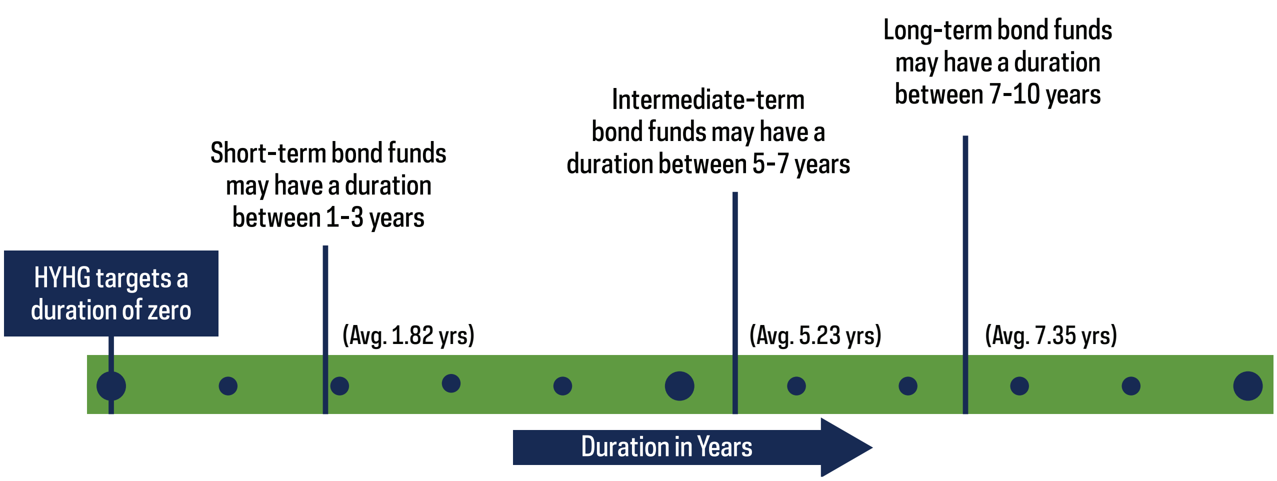
To fight the effects of rising interest rates, HYHG's index shorts U.S. Treasurys as a built-in hedge. The hedge is designed so that the combined portfolios target a duration (a measure of price sensitivity to interest rate changes) of zero. That means HYHG targets zero interest rate risk.

To replicate the index's hedge, ProShares HYHG:

- Blends short positions in 2-year, 5-year, and 10-year Treasury futures, to hedge across a significant portion of the yield curve.
- Rebalances monthly to target zero duration.

Unlike short-term bond funds, HYHG targets a duration of zero

Duration measures a bond portfolio's price sensitivity to interest rate changes. When rates rise, bond prices fall. Many investors turn from long-term toward short-term bond funds to reduce their portfolio's duration. While short-term funds may fare better than long-term, they still have interest rate risk and will be hurt as rates rise.



Source: Barclays Live as of 12/31/2021. For illustrative purposes only.

About the ETF

Ticker Symbol: HYHG

Intraday Symbol: HYHG.IV

Bloomberg Index Symbol: CFIIHYHG

Investment Objective: HYHG seeks investment results, before fees and expenses, that track the performance of the FTSE High Yield (Treasury Rate-Hedged) Index.

Inception: 5/21/2013

Advantages of HYHG

The return potential of high yield bonds

HYHG's returns are generated by exposure to the credit risk of a diversified portfolio of high yield corporate bonds.

A built-in hedge targeting zero interest rate risk

HYHG uses short positions in three different Treasury futures across the yield curve to target zero duration, effectively hedging against interest rate risk. (Note that the cost of this hedge is reflected in the net asset value of the ETF, not in the yield.)

Lower sensitivity to rate changes than short-term bonds

By targeting a duration of zero, HYHG seeks to have almost no sensitivity to rising rates. Unlike short-term bond funds that still have interest rate risk, HYHG should be less sensitive to rate changes.

Potential risks

Performance

There is no guarantee that the fund or its index will achieve intended objectives. Performance of the index could be particularly poor in a risk averse, flight-to-quality environment.

Credit risk

The fund is not designed to mitigate credit risk or other factors, which may have a large impact on high yield bonds.

Hedge risk

The short Treasury exposure may not completely eliminate the interest rate risk of the long high yield bond positions. If rates decline, an unhedged investment in the same high yield bonds will outperform the fund.

Short sales

The short Treasury positions should lose value as Treasury prices increase.

Other risks

For more on risks, obtain a prospectus from your financial professional or visit ProShares.com.

About ProShares

ProShares has been at the forefront of the ETF revolution since 2006. ProShares now offers one of the largest lineups of ETFs, with more than $60 billion in assets. The company is the leader in strategies such as 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.

Find out more

Visit ProShares.com or consult your financial professional.

Investing involves risk, including the possible loss of principal. This ProShares ETF entails certain risks, which include the use of derivatives (futures contracts), imperfect benchmark correlation, leverage and market price variance, all of which can increase volatility and decrease performance. 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. 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.**

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.

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.