TOLZ

# INFRASTRUCTURE INVESTING: THE PURE-PLAY ADVANTAGE

- Infrastructure: Distinctive Investment Characteristics And Global Investing
- Not All Listed Infrastructure Is Created Equal
- Pure-Play Infrastructure: Historical Outperformance
- TOLZ: The Only Pure-Play Infrastructure ETF

## THE LONG-TERM POTENTIAL OF INFRASTRUCTURE INVESTING

Infrastructure—transportation, energy, water and communication—is essential to modern society. As an asset class, infrastructure has historically offered growth potential, steady income, and resilience during market downturns. Infrastructure can be attractive in many economic climates and for many investors:

### Inherent distinctive and desirable investment characteristics

Infrastructure, by nature, is defined by qualities that few other asset classes have, and generally include:

- **Limited competition.**
  Infrastructure projects are often capital intensive, and companies tend to have a high barrier to entry, leading to pricing power.
- **Limited sensitivity to economic cycles.**
  Infrastructure is essential and typically always in use—no matter the economic or market conditions.
- **Predictable cash flows and attractive yields.**
  Companies involved in infrastructure typically negotiate very long-term contracts that can be up to 99 years. These contracts often have built-in price escalators that may provide stable income over many years.

### Unmet and emerging needs

Many developed countries lag in repairing or replacing aging infrastructure, whether it's deteriorating bridges and roads, overused transportation hubs or communications systems in need of upgrades. And as developing economies emerge and megacities of more than 10 million inhabitants grow, the need for new infrastructure to deliver clean water, electricity, transportation and communication is likely to escalate. In fact, it's estimated that globally $97 trillion will need to be spent by 2040 to meet these requirements.

By 2040, global economies will need to spend

## NOT ALL LISTED INFRASTRUCTURE IS CREATED EQUAL

Few investors can purchase a bridge or a highway, so they turn to publicly traded or listed infrastructure companies instead. However, because there isn't a universal definition for "infrastructure," various approaches to classifying it have emerged, often with little consistency and relationship to the characteristics of the asset class. With that in mind, it's critical to distinguish between two types of infrastructure: pure-play—those that own and operate infrastructure assets—and non-pure play.

### Non-pure play: Diluted exposure and growth dependent

Non-pure-play companies are those that build or service infrastructure—construction companies, airline manufacturers and the like. While these companies may benefit from increased infrastructure spending or servicing needs, because they do not own or operate infrastructure they are unable to provide all of the ongoing benefits of infrastructure investing, such as predictable cash flows and attractive yields.

Other types of non-pure-play companies have only a segment of their business in infrastructure and derive a significant portfolio of their revenue from other activities. This business mix provides some of the benefits of the asset class and offers industry diversification, yet delivers watered-down exposure to the classic investment characteristics of infrastructure that investors may be seeking.

**Pure-play companies derive more than 70% of cashflows from infrastructure lines of business**

### Pure play: Undiluted exposure, boosted by infrastructure growth

Pure-play infrastructure companies directly own and operate infrastructure assets, including toll-roads, cell-towers, pipelines, and airports, providing a direct way to access the investment characteristics of infrastructure—predictable cash flows, attractive yields, and limited sensitivity to economic cycles.

**Example: Non-Pure Play vs. Pure Play**


Non-pure play benefits from construction and repairs.

Pure play infrastructure benefits from steady use.

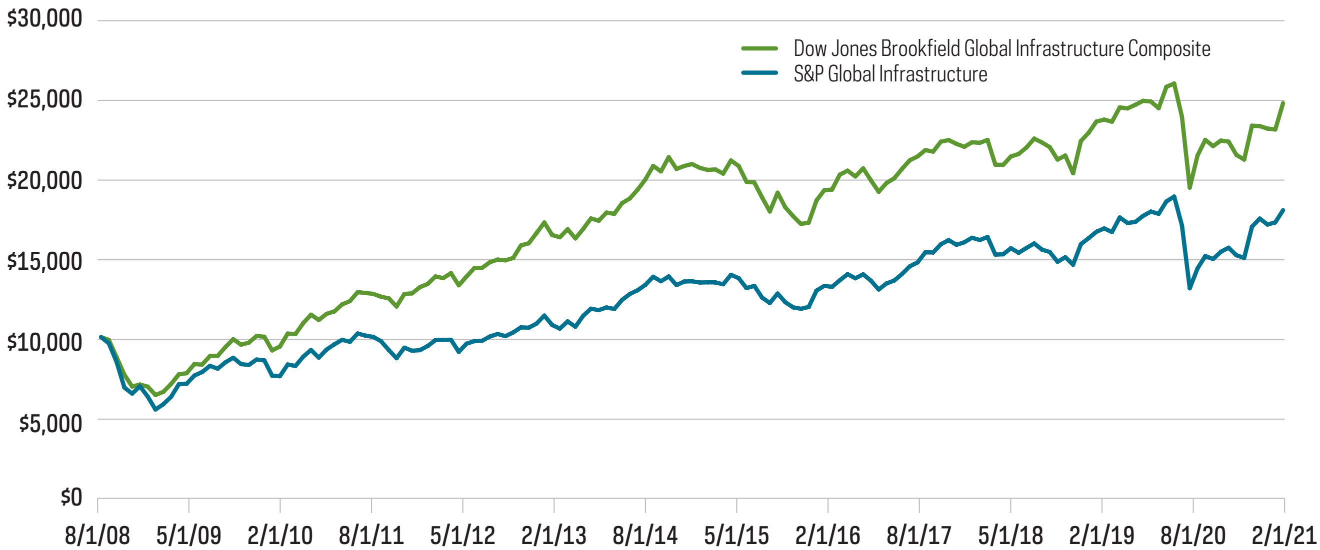
The toll road traffic generates predictable cash flows for pure-play (owner and operator) infrastructure companies—however, there is no guarantee that this will increase dividends.

## PURE-PLAY INFRASTRUCTURE: HISTORICAL OUTPERFORMANCE

Pure-play infrastructure—companies that have derived 70% or more of cash flows from infrastructure lines of business—has historically outperformed broad infrastructure (defined by S&P Global Infrastructure Index).

### Growth of $10,000

August 2008 – March 2021




Source: Bloomberg, as of 3/31/2021. Pure-play Infrastructure, as measured by the Dow Jones Brookfield Global Infrastructure Composite Index, compared to broad infrastructure, as measured by the S&P Global Infrastructure Index. Standardized performance data for TOLZ from 3/25/2014 (inception) to 3/31/2021: NAV 27.03% one-year, 6.19% five-year, since inception 4.55%. Market Price 27.37% one-year, 6.29% five-year, since inception 4.57%. TOLZ's operating expense is 0.47%. **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. Performance data current to the most recent month-end may be obtained at ProShares.com. 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.**

## TOLZ: THE ONLY PURE-PLAY INFRASTRUCTURE ETF

ProShares DJ Brookfield Global Infrastructure ETF (TOLZ) is the only ETF to invest exclusively in pure-play infrastructure, giving investors access to the asset class's stable, attractive cash flows, high yield and potential to benefit from global growth.

TOLZ follows the Dow Jones Brookfield Global Infrastructure Composite Index. This index consists of developed and emerging markets companies that qualify as "pure-play" infrastructure companies whose primary business is the ownership and operation of infrastructure assets and derive more than 70% of their cash flows from infrastructure lines of business.

**How to use TOLZ in a portfolio**

TOLZ has the potential to be a defensive investment with growth potential against the volatility of the markets. TOLZ can be a versatile satellite addition to a portfolio and can potentially enhance return and reduce risk across different market environments.

## 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 $50 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.

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Sources: Bloomberg (index data); World Economic Forum (global infrastructure spending need), August 2019.

Any forward-looking statements herein are based on expectations of ProShares at this time. Whether or not actual results and developments will conform to ProShares' expectations and predictions, however, is subject to a number of risks and uncertainties, including general economic, market and business conditions, changes in laws or regulations or other actions made by governmental authorities or regulatory bodies, and other world economic and political developments. ProShares undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Investing involves risk, including the possible loss of principal.** This ProShares ETF is diversified and entails certain risks, including imperfect benchmark correlation and market price variance, that may decrease performance. This ETF is subject to risks faced by companies in the infrastructure, energy and utilities industries to the same extent as the Dow Jones Brookfield Global Infrastructure Composite Index is so concentrated. This ETF invests in master limited partnerships (MLPs). Investments in MLPs expose the ETF to certain tax risks associated with investing in partnerships. Changes in U.S. tax laws could revoke the pass-through attributes that provide the tax efficiencies that make MLPs attractive investment structures. MLPs may also have limited financial resources, may be relatively illiquid, and may be subject to more erratic price movements because of the underlying assets they hold. In addition, a portion of the ETF's distributions may be a return of capital, which constitutes the return of a portion of a shareholder's original investment. Under tax rules, returns of capital are generally not currently taxable, but lower a shareholder's tax basis in their shares. Such a reduction in tax basis will result in larger taxable gains and/or lower tax losses on a subsequent sale of shares. International investments may involve risks from: geographic concentration, differences in valuation and valuation times, unfavorable fluctuations in currency, differences in generally accepted accounting principles, and from economic or political instability. In emerging markets, many risks are heightened, and lower trading volumes may occur. For more on these and other risks, please read the prospectus. **There is no guarantee any ProShares ETF will achieve its investment objective.**

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