



ProShares Autocallable ETFs: Income, Simplified

Key Takeaways

Autocallable strategies, which can provide investors with potentially attractive income through coupon payments not primarily tied to interest rate risk, have grown in popularity. While the appeal of their typically high levels of income is straightforward, there are challenges to consider.

Investing in autocallables usually involves a complicated process of managing individual structured notes. In addition to a wide variety of structures, individual notes face reinvestment risk if the notes are called early, and they can lose principal if the underlying index declines below a predetermined level.

ProShares Autocallable Income ETFs may offer a simpler solution.

- ProShares Autocallables target high income and potentially tax-efficient distributions.
- They employ a laddered strategy that may provide a more reliable return profile and income stream, while also potentially helping to address concentration and timing risks compared to single notes.
- Their ETF structure offers a convenient way to access an autocallable strategy, and provides a liquid, single-ticker solution that removes the burden of managing individual notes.

What is an autocallable note?

Autocallable notes pay coupons periodically and return principal at maturity if the underlying index has not fallen below a certain barrier level at the time of maturity. ProShares research comparing yields and distribution rates (as of 6/30/26) shows that autocallable notes allow investors to target potentially attractive levels of income that may be higher than other income strategies.

The tradeoff in exchange for potentially higher income is the risk that a significant market downturn could result in a loss of principal. As such, it's important to understand how autocallable strategies function in different market scenarios.

While an autocallable's final payout is determined at maturity or an earlier call date, equity markets move every day. The sensitivity of an individual note to market movements in its underlying benchmark can depend on factors like how close it is to maturity, or how close a price movement is to a call price or a barrier (more on these below). As a result, each autocallable note can trade at a premium or discount to its par value at any time before maturity.

Broadly speaking, there are three possible payoff profiles when investing in autocallables:

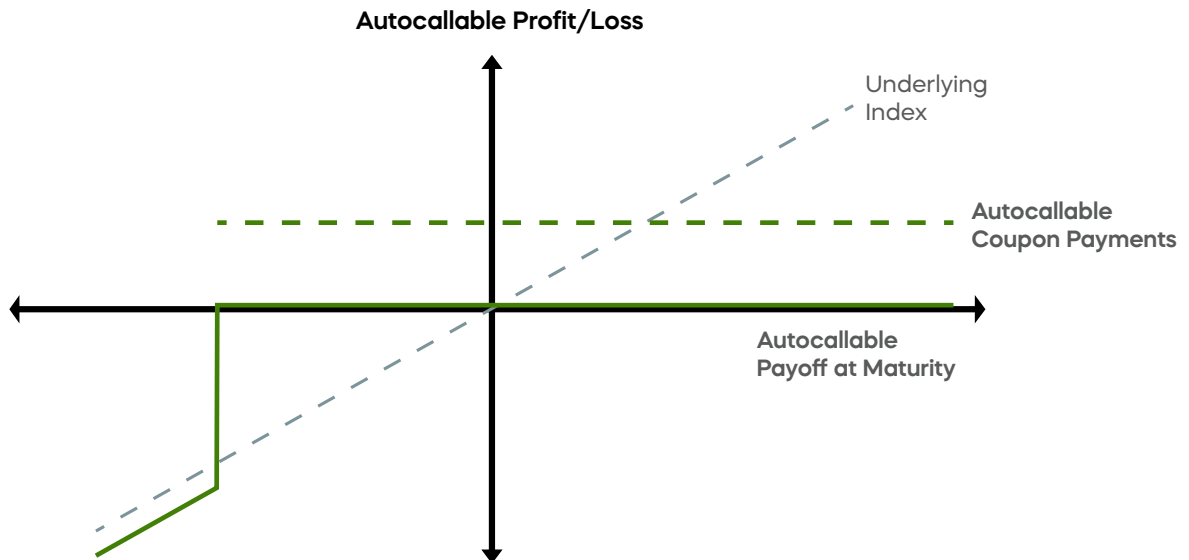
1. The market rises or stays flat: Here, investors receive a periodic coupon payment until maturity. Or, if the market rises to the note's autocall level, the note is called and investors receive their final coupon payment and principal. Otherwise, the note continues to generate coupon payments and remains outstanding until maturity.

2. The market declines, but remains above a note's protective "barrier": Barriers are predetermined price levels above which an investor's principal is protected, even if some price volatility in the underlying index occurs. Investors receive periodic coupons until maturity if the underlying index stays in this range, and at maturity, receive the final coupon and their principal.

3. The market declines below the barrier: If the underlying index has fallen below the barrier at maturity, the investor loses principal value proportionate to the decline.

What does an autocallable note's payment profile look like?

In the illustrated note structure below, investors would receive regular coupon payments and receive their principal back at maturity so long as the autocallable underlying index doesn't fall below the barrier level. If the underlying index increases substantially in value after a typical non-call period, the note's call would be triggered automatically and investors would receive their principal and final coupon payment. If the autocallable underlying index declined beyond the barrier at maturity, investors would lose a portion of their principal proportionate to the underlying index decline.



For illustrative purposes only.

How does market activity affect autocallable returns?

While an autocallable's final payout is event driven, as we discussed above, equity markets move every day and may impact the intraperiod value of an individual note.

The sensitivity of an individual autocallable's price movement relative to changes in the market can depend on factors like how close it is to maturity, how close it is to a call price or a barrier, or whether the note was already below its barrier. As a result, autocallable notes can trade at a premium or discount to their par values throughout their holding period.

How market moves change the intraperiod value of autocallables

	Underlying Rises	Underlying Falls	Underlying Is Flat	Underlying Falls Significantly
Short-Term Performance	Note appreciates modestly until each coupon payment (unless it was already beneath its barrier, in which case it appreciates significantly).	Note falls but typically with less magnitude than underlying.	There is minimal price movement in the note.	Note typically falls in proportion to its underlying.
Long-Term Performance	Note returns to par value, and its total return depends solely on the income component.	If the downside barrier is not breached, the note returns to par, and its total return depends solely on the income component.	Note returns to par value, and its total return depends solely on the income component.	If the downside barrier is breached, the note loses value proportionate to the decline in the underlying, and the principal returned is less than 100% of the initial investment.

What are the challenges of managing individual autocallable notes?

Investors in individual autocallable notes may receive attractive income with an outcome specifically selected to meet their needs. But investing in individual notes can be challenging and requires an investor to have a detailed understanding of note pricing, terms and structures.

Individual notes can also introduce significant risks, including concentration risk, issuer credit risk (which investors must monitor closely), and liquidity risk (where the secondary market for notes may be limited). They also carry reinvestment risk when a note is called early or matures.

To address concentration and other risks, autocallable investors generally need to assemble and manage a whole portfolio of multiple individual notes. In addition to the aforementioned individual note risks, managing a portfolio of autocallable notes introduces significant operational complexity. Each note adds its own terms, performance characteristics and risks to the portfolio.

Even financial advisors can find it challenging to build a highly customized structured-note strategy at an appropriate scale.

Introducing the ProShares Autocallable Income ETFs

ProShares Autocallable Income ETFs are designed to track indexes that replicate the performance of a laddered portfolio of autocallable strategies. Each is designed to target high income and potentially tax-efficient distributions, and their laddered approach may help to address concentration and timing risks. The ETFs also each provide a single-ticker solution with liquidity, removing the burden of managing individual notes.

ProShares offers three distinct ETFs for major U.S. indexes:

- **S&P 500 Autocallable Income ETF (Nasdaq: ACSP)**
Seeks investment results, before fees and expenses, that track the performance of the S&P 500 Futures 35% Volatility Compass Autocall Index.
- **Nasdaq-100 Autocallable Income ETF (Nasdaq: ACQQ)**
Seeks investment results, before fees and expenses, that track the performance of the Nasdaq-100 35% Volatility Compass 6D Autocallable A Index.
- **Russell 2000 Autocallable Income ETF (Nasdaq: ACRT)**
Seeks investment results, before fees and expenses, that track the performance of the Russell 2000 Laddered Autocall Index.

How do ProShares Autocallable Income ETFs work?

Each ETF tracks the performance of an autocallable index. The autocallable indexes provide exposure to a ladder portfolio of a minimum of 52 autocallable notes, each of which references the performance of an autocallable underlying index for its volatility targeting, as described below.

Step-by-Step Construction		
1	Parent Equity Index	The broad-based, market cap-weighted equity index to which the autocallable underlying index is linked.
2	Autocallable Underlying Index	A 35% volatility target index dynamically adjusting leverage on a daily basis to the S&P 500, Nasdaq-100 or Russell 2000 indexes.
3	Synthetic Autocallable Notes	Rules-based autocallable payoff representations.
4	Autocallable Index	A ladder portfolio of 52–156 autocallable payoffs maintained in a single index, with monthly distributions.

The ETFs gain their exposure by investing in derivatives and do not invest directly in individual autocallable notes.

What is volatility targeting and how does it help manage risk?

Each autocallable note followed in the ProShares Autocallable Income ETFs references a volatility targeting index which is referred to as the autocallable underlying index. Volatility targeting systematically adjusts the volatility of the autocallable underlying index to a fixed level.

It does this by increasing exposure to a parent equity index like the S&P 500 when markets are calm and reducing it when markets are turbulent. Volatility targeting typically increases its exposure by deploying leverage and decreases its exposure by moving towards cash on a dynamic basis. ProShares autocallable ETFs are structured around underlying indexes that use volatility targeting strategies (e.g., leverage up to 500%).

Using volatility targeting within an autocallable strategy may provide:

- Higher and more stable income.
- Potentially reduced downside risk driven by dynamic exposure.

There is, of course, no guarantee of these results.

What are the volatility reference indexes that ProShares uses?

ProShares' ETFs reference the following autocallable underlying indexes for volatility targeting in their strategies:

ETF Name	Autocallable Underlying Index
S&P 500 Autocallable Income ETF (Nasdaq: ACSP)	S&P 500 Futures 35% Volatility Compass TCA 6% Decrement Index
Nasdaq-100 Autocallable Income ETF (Nasdaq: ACQQ)	Nasdaq-100 Intraday 35% Volatility Compass 6% Decrement Index
Russell 2000 Autocallable Income ETF (Nasdaq: ACRT)	Russell 2000 Futures 35% Volatility Compass 6% Decrement Index

The volatility target index for each of the autocallable underlying indexes targets a consistent 35% volatility level. The 6% decrement represents an annual fixed deduction built into the autocallable underlying index that approximates the implementation cost of the strategy and helps target a high and consistent level of income.

The individual notes followed are structured as follows:

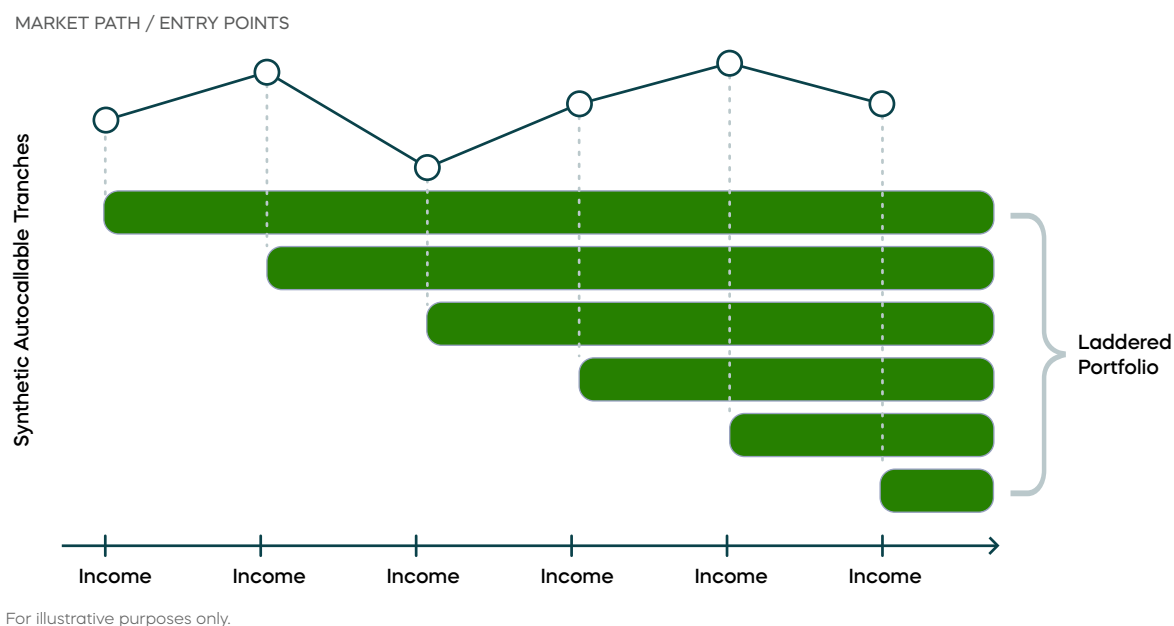
ProShares autocallable income note construction

Feature	Target Level
Maturity	3 Years
Non-Call Period	1 Year
Autocall Level	100% of Par Value
Autocall Barrier Observation	Quarterly, Beginning After 1 Year
Risk Barrier	35% of the Autocallable Underlying Index
Risk Barrier Observation	Final Maturity

How are the autocallable ladders structured?

One of the primary benefits of investing in an autocallable strategy through an ETF is a laddered approach. Laddering is achieved by investing in a portfolio of multiple autocallable notes, each of which has staggered issuance dates and parameters that are linked to the same underlying index. As new autocallable notes are introduced into the portfolio, existing ones either mature or are called away. This approach enables investors to have diversified exposure rather than purchasing a single autocallable note. Diversification does not ensure a profit or guarantee against a loss.

Hypothetical example of a laddered autocallable strategy



The ProShares ETFs follow a weekly ladder structure. Key potential benefits include:

Individual Autocallable Notes	Laddered Autocallable Portfolio
Single maturity risk	Diversification
Ad-hoc reinvestment risk	A systematic approach to reinvestment

Return of capital provides a potential tax advantage

A significant portion of the monthly distributions investors receive from ProShares Autocallable Income ETFs may be characterized as Return of Capital (ROC). ROC is the portion of the fund's distributions representing the return of your investment in the fund. ROC distributions are generally not taxable when received.

ROC distributions typically reduce an investor's cost basis. When shares are sold, that reduced basis may result in the realization of a larger capital gain (or a smaller loss) for tax purposes. Then, as with most investments, if shares are held more than one year, such gains may be eligible for long-term capital gains treatment. While ROC distributions may offer potential tax benefits, they also return a portion of an investor's own capital, thereby reducing the amount of the investor's principal that remains invested in the fund.

Why ProShares Autocallable Income ETFs

ProShares Autocallable Income ETFs may offer a potentially simpler solution for autocallable investors built to help address many of the risks and complications of investing in autocallable notes. The ETFs are designed to target high income and potentially tax-efficient distributions. They employ a laddered approach that may provide a more reliable return profile and income stream, while also potentially helping to address concentration and timing risks compared to single notes. Each fund also provides a liquid, single-ticker solution that removes the burden of managing individual notes.

About Us

ProShares has been at the forefront of the ETF revolution since 2006, offering one of the industry's largest ETF lineups. ProShares, together with its mutual fund affiliate, ProFunds, manages more than \$112 billion in assets.* The company is a leader in strategies such as dividend growth, high income, interest rate hedged bond, crypto 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.

*Includes assets of both ProShares ETFs and its mutual fund affiliate, ProFunds, as of 06/30/26.

Learn More

ACSP

S&P 500 Autocallable Income ETF

Provides simplified access to a laddered portfolio strategy of S&P 500 based autocallable notes designed to target high income and potentially tax-efficient distributions.

ACQQ

Nasdaq-100 Autocallable Income ETF

Provides simplified access to a laddered portfolio strategy of Nasdaq-100 based autocallable notes designed to target high income and potentially tax-efficient distributions.

ACRT

Russell 2000 Autocallable Income ETF

Provides simplified access to a laddered portfolio strategy of Russell 2000 based autocallable notes designed to target high income and potentially tax-efficient distributions.

→ Interested in learning more?

Visit ProShares.com to learn more about ProShares Autocallable Income ETFs. Additionally, financial professionals can contact ProShares at 866-776-5125 or email info@proshares.com for additional information about ProShares investment products.

Important Information

Investing involves risk, including the possible loss of principal. ProShares Autocallable Income ETFs (the "Funds") should not be expected to perform like an investment in the S&P 500, Nasdaq-100, or Russell 2000 Indexes. There is no guarantee each Fund will achieve its investment objective or make monthly distributions.

Each Fund seeks to track an index designed to replicate a ladderized autocallable note strategy. An autocallable note is a structured debt instrument that pays regular income and returns principal at maturity unless the underlying equity instrument declines beyond a specified barrier. The Funds do not invest directly in autocallable notes. Instead, each Fund obtains exposure primarily through swap agreements that track an index of equivalent autocallable notes. In exchange for the potential to generate high income, investors retain downside market risk, and the Funds may lose money even if the S&P 500, Nasdaq-100, or Russell 2000 Indexes rise. In addition, the embedded features of autocallable notes (e.g., barrier, non-call period, and autocall level) limit their potential to appreciate in value. If an autocall feature is triggered, the applicable note is redeemed early and the strategy will forego any future coupon payments and appreciation associated with that note.

If a Fund's underlying index closes below its 35% barrier at an autocallable's maturity, its principal is fully exposed to the underlying index's losses. For example, if the underlying index has declined 45% at maturity, the autocallable would lose 45% of its value. Each Fund may experience substantial losses even if none of the underlying autocallable notes have breached their barriers. Each Fund's underlying index targets an annualized volatility level of 35% and may obtain leveraged exposure of up to 500% to the S&P 500, Nasdaq-100, or Russell 2000 when volatility is low. Leverage increases volatility and the risk of substantial loss, and the costs of obtaining leverage will reduce returns.

Each Fund intends to make monthly distributions that generally reflect the income generated by the index, net of expenses. Distributions are not guaranteed, may vary significantly and may consist of ordinary income, return of capital or both. Because distributions reduce the Fund's NAV, repeated distributions, particularly when they exceed the Fund's gains, may materially erode the Fund's NAV, trading price and an investor's principal over time. A return of capital generally reduces a shareholder's tax basis and may result in a higher taxable gain or lower taxable loss when shares are sold.

These ProShares ETFs are non-diversified and subject to risks associated with autocallable strategies, derivatives (including swap agreements), barrier risk, counterparty risk, investments in information technology companies, investments in small companies, imperfect benchmark correlation, leverage, market price variance, and new fund risk. Please see the summary and full prospectuses for a more complete description of risks.

Shares of any ETF are generally bought and sold at market price (not NAV) and are not individually redeemed from the fund. Your brokerage commissions will reduce 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 professional or visit ProShares.com.

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