

An Investment Grade Strategy For Rising Rates

Consider Interest Rate Hedged Bond ETFs Rather Than Floating Rate Bond ETFs

Floating Rate Bond ETFs Reduce Interest Rate Risk but May Have Limited Return Potential

Bond prices fall when interest rates rise. As a result, many investors consider making a shift to floating rate bonds when rates increase. Their interest payments should increase (or “float”) to mitigate risk when interest rates rise.

The caveat here is that floating rate bond ETFs involve limited credit exposure because floating rate bonds are often short in maturity. Longer-dated bonds include not only additional interest rate risk, but also additional credit premium. Since credit exposure and interest rate risk are two of the key drivers for bond returns, switching to a floating rate strategy can limit an investor’s potential returns.

Interest Rate Hedged Bond ETFs Target Zero Interest Rate Risk and Keep Full Credit Exposure

Interest rate hedged bond ETFs, on the other hand, are designed to target a duration of zero while maintaining full credit exposure and return potential. Because credit spreads typically tighten as rates rise, interest rate hedged bond ETFs may produce higher returns in a rising rate environment. It is, however, important to consider that this potential excess return includes additional risks, with the strategy potentially underperforming if credit spreads widen.

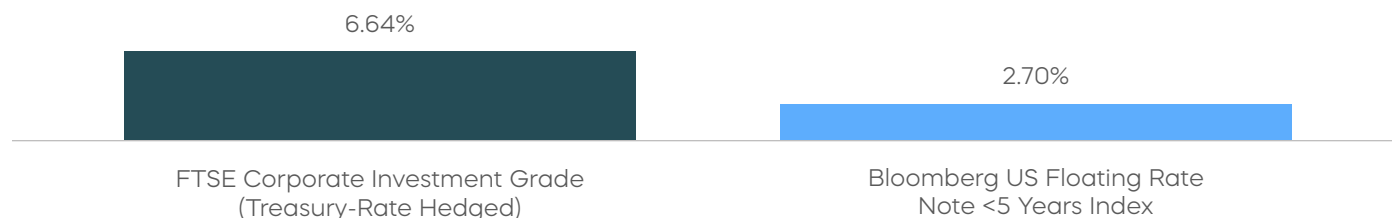
Consider an Investment Grade Bond ETF for Rising Rates

ProShares Investment Grade—Interest Rate Hedged ETF (IGHG) tracks the FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index. The ETF offers a diversified portfolio of investment grade long-term bonds, with a built-in interest rate hedge. IGHG maintains full exposure to credit risk, which helps the fund maintain return potential even as rates rise.

When Rates Rose, IGHG's Index Outperformed Floating Rate Note Index

On Average During Periods of Rising Rates

3/31/14 – 12/31/24



Source: Bloomberg, 3/31/14–12/31/24. Average performance based on quarterly changes in the 10-Year Treasury yield. Rising rate periods are any calendar quarter where the 10-Year Treasury yield increased, which are Q2 2015, Q4 2015, Q3 2016, Q4 2016, Q3 2017, Q4 2017, Q1 2018, Q2 2018, Q3 2018, Q4 2019, Q3 2020, Q4 2020, Q1 2021, Q3 2021, Q4 2021, Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q2 2023, Q3 2023, Q1 2024, Q2 2024 and Q4 2024. 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 in an index. Past performance does not guarantee future results.

Key Takeaways

Floating rate bond ETFs can help investors reduce their interest rate risk, but they have some potential drawbacks. If you are looking to maintain return potential and to take advantage of tightening credit spreads, consider an interest rate hedged bond ETF such as IGHG.

However, please note that since spreads often widen when rates fall, floating rates may outperform interest rate hedged bond ETFs in falling rate environments, but for investors anticipating falling rates, a simple regular duration approach may be appropriate.

Fund Performance and Index History Fund inception (11/5/2013) through 12/31/2024

	1 Year	5 Years	10 Years	Since Inception
ProShares Investment Grade—Interest Rate Hedged NAV Total Return	9.09%	4.16%	3.89%	3.54%
ProShares Investment Grade—Interest Rate Hedged Market Price Total Return	9.20%	4.15%	3.91%	3.56%
FTSE Corporate Investment Grade (Treasury Rate-Hedged) Index	9.12%	4.52%	4.15%	3.88%

Sources: ProShares, Bloomberg

IGHG's total operating expenses are 0.30%. **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. Standardized returns and performance data current to the most recent month end may be obtained by visiting [ProShares.com](https://www.proshares.com).**



Your Bond Portfolio. Prepared.

ProShares Interest Rate Hedged
Bond ETFs.

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Visit [ProShares.com](https://www.proshares.com) or consult your
financial professional.

Average performance based on quarterly changes in the 10-Year Treasury yield. Rising rate periods are any calendar quarter where the 10-Year Treasury yield increased. The Bloomberg US Floating Rate Note <5 Years Index is a focused index that only incorporates notes with maturities of less than five years and does not represent the broader floating rate bond market. 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 in an index.

This information is not meant to be investment advice. Investing involves risk, including the possible loss of principal.

This ProShares ETF is diversified and entails 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. Diversification does not protect against market loss. Bonds will decrease in value as interest rates rise. Short positions in a security lose value as that security's price increases. The fund concentrates its investments in certain sectors. 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 does 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 seeks to hedge investment grade bonds against the negative impact of rising rates by taking short positions in Treasury futures. These positions lose value as Treasury prices increase. 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. Investors may be better off in a long-only investment grade investment than investing in IGHG 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 seeks to achieve an effective duration of zero, the hedge cannot fully account for changes in the shape of the Treasury interest rate (yield) curve. IGHG may be more volatile than long-only investment grade bond investment. Performance of IGHG could be particularly poor if investment grade 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 adviser or broker/dealer representative or visit ProShares.com.

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