PROSHARES PERSPECTIVES

RINF: A Case for Rising Inflation Expectations

Is there a case for rising inflation in America's future? Several indicators are pointing in that direction.

On August 27, the Federal Reserve announced a major shift in policy, expressly committing to "average inflation targeting." Essentially, the central bank has formally agreed to let inflation run "moderately" above the traditional 2% benchmark following periods in which it has run below it, as it currently is. Though further details should be clarified when the Fed meets in September, it could end up adopting an even more accommodative approach than it did in the aftermath of the Great Recession.

Many investors, for their part, seem to anticipate a rise in inflation—at least if gold and silver are any indication. As of August 31, gold prices have risen nearly 30% year-to-date, even touching record highs this summer, while silver has increased more than 50% this year. The momentum behind gold and silver may be fueled by concerns of rising inflation, as the commodities can often be used to hedge against inflation.

The difference in yield (or spread) between U.S. Treasury bonds and Treasury Inflation-Protected Securities (TIPS) is commonly referred to as a "breakeven rate of inflation (BEI)" and is considered to be a measure of the market's expectations for inflation over the relevant period. Recently, 30-year breakeven inflation has increased meaningfully since plunging to a low level in March.

30-YEAR BREAKEVEN INFLATION RATE

Source: Bloomberg, 12/31/2007-8/31/2020.

Since the 30-Year Breakeven Inflation Rate Index is a yield-based index, the percent change in the index does not reflect how RINF will be expected to perform. The level of RINF will fluctuate based on changes in the value of the underlying bonds. Changes in breakeven rate of inflation are based on the TIPS and U.S. Treasury markets, interest rate and inflation expectations, and fiscal and monetary policy.

Investors have the ability to gain exposure to 30-year breakeven inflation through RINF, the ProShares Inflation Expectations ETF. RINF tracks the performance of the FTSE 30-Year TIPS (Treasury Rate-Hedged) Index, which is designed to be sensitive to changes in breakeven inflation. The index tracks the performance of long positions in the most recently issued 30-year TIPS and duration-adjusted short positions in U.S Treasury bonds of approximate equivalent duration dollars to the TIPS. It is not designed to reflect CPI or other measures of realized inflation.

The bottom line: Investors looking to potentially capitalize on rising inflation expectations, can look to RINF as an investment vehicle to implement this view.

RINF

RINF - PROSHARES INFLATION EXPECTATIONS ETF (RINF)
For investors looking to potentially capitalize on rising inflation expectations.

Any forward-looking statements herein are based on expectations of ProShare Advisors LLC at this time. ProShare Advisors LLC undertakes no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Investing is currently subject to additional risks and uncertainties related to COVID-19, including economic, market and business conditions; changes in laws or regulations or other actions made by governmental authorities or regulatory bodies; and world economic and political developments.

Investing involves risk, including the possible loss of principal. ProShares ETFs are generally non-diversified and each 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. Unlike many traditional bond funds, RINF is not designed to provide steady income. The level of the FTSE 30-Year TIPS (Treasury Rate-Hedged) Index (and RINF) will fluctuate based on changes in the value of the underlying bonds. RINF's returns of will be more directly linked to percentage changes in the index than to percentage changes in breakeven inflation ("BEI"). RINF's index is not designed to measure the realized rate of inflation, nor does it seek to replicate the returns of any index or measure of actual consumer price levels. Additional factors besides inflation expectations, such as liquidity and risk premiums, can materially affect BEI levels. Please see their summary and full prospectuses for a more complete description of risks. **There is no guarantee any ProShares ETF will achieve its investment objective.**

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 by visiting ProShares.com.