ProShares

PROSHARES MERGER ETF

Targeting Consistent Positive Returns

The markets' ups and downs have many investors turning toward alternative strategies to find a smoother path to their financial goals.

Merger arbitrage is a popular strategy used by hedge funds to help manage risk and seek consistent, positive returns regardless of market direction.

Merger arbitrage: A portfolio diversifier

- A merger arbitrage strategy's goal is to produce consistent, positive returns under virtually any market conditions.
- The key drivers of merger arbitrage returns are different from equities, so the performance is not expected to be correlated to equity markets over time.

How merger arbitrage generates returns

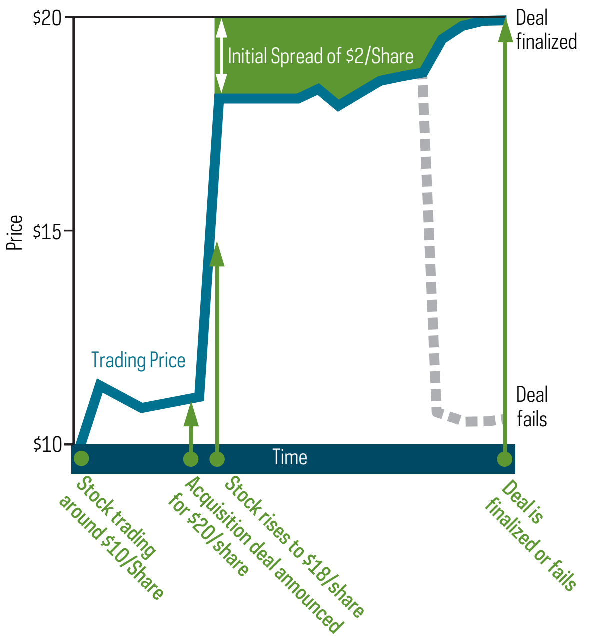
- Merger arbitrage seeks to profit from the price difference, called the "spread," between a target company's stock price after a deal is announced and the price an acquiring company will pay for it.
- Typically, a target's stock price continues to rise toward the deal price until the transaction successfully closes—this increase is the primary source of the strategy's returns.
- Of course, merger arbitrage strategies can lose money, particularly when deals fail to close or the target's stock price declines.

Merger arbitrage in an ETF

ProShares Merger ETF (MRGR), which follows the S&P Merger Arbitrage Index, is the first ETF based on a true merger arbitrage strategy.

How merger arbitrage works

A true merger arbitrage strategy involves both buying the target company's stock and, in certain cases, taking other action to "lock in" the spread.



This illustration is hypothetical and not indicative of any actual investment.

- A target company's stock is bought when a merger is announced, then sold when the deal is finalized—ideally at a higher price. The price difference is the "spread" (see above).
- When an acquiring company includes its own stock as part of the deal, a short position in the acquirer's stock is needed to counter any drops in its price and lock in the spread. Some merger arbitrage funds do not do this and some simply short the broader market, which may not lock in the spread as effectively.
- The size of the spread depends on factors such as the perceived risk of the deal not closing and length of time it will take to close. Riskier or longer-term deals may earn higher spreads, but are more prone to failure as well as losses.
- If a merger fails, the stock price of the target company typically falls to pre-announcement levels or lower, resulting in significant losses.

S&P Merger Arbitrage Index

Long positions

- Maximum of 40 companies from developed markets around the world currently targeted in merger/acquisition deals.

Short positions (if stock is included in the offer)

- Maximum of 40 companies currently acquiring the targeted long position companies.

Uses a rules-based approach

- Companies must be domiciled and listed in developed markets.
- Deals are screened for size and liquidity.
- Target companies are initially included in the index at a 3% weight.
- Short positions in acquirers, if applicable, initially range between zero and 3% weight, depending on what percent of the deal is stock.
- If net exposure from included deals is under 100%, a Treasury bill component will constitute the remaining balance of the index.
- Index additions and deletions occur on a rolling basis, as new deals are added and older or poorly performing deals are removed.
- New deals are added two days after an announcement.

About the ETF

Ticker Symbol: MRGR

Intraday Symbol: MRGR.IV

Bloomberg Index Symbol: SPLSALP

Investment Objective: MRGR seeks investment results (before fees and expenses) that track the performance of the S&P Merger Arbitrage Index.

Inception: 12/12/2012

Advantages of MRGR

Targets consistent positive returns

Can provide a liquid, low volatility component within a portfolio's alternative investment allocation.

Enhances portfolio diversification

Designed to provide an alternative source of return that is not expected to be correlated to equity holdings over time.

Potential risks

Index performance

There are no guarantees that the fund or its index will achieve intended objectives.

Derivative exposure

Derivatives used to seek long and short exposure or to hedge currency may increase volatility and decrease performance under certain market conditions.

Short sales

Short positions lose value as security prices increase.

Foreign investments/foreign currency

The fund is exposed to securities of foreign issuers and foreign currency values that may negatively impact performance.

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 $45 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. 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. Short positions lose value as security prices increase. 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. 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.**

The fund targets the same mergers, acquisitions or other corporate reorganizations ("deals") as the S&P Merger Arbitrage Index (the "index") and is exposed to similar risks. There is no assurance that any targeted deal will be completed, and most or all of the deals could fail under certain market conditions. If a targeted deal fails, spreads in that deal should be expected to widen, typically resulting in losses well in excess of the spread the index and funds were attempting to capture. In addition, deals may be terminated, renegotiated, or subject to a longer time frame than initially contemplated. The index may also delete transactions, thus precluding potential future gains. These events may negatively impact the performance of the index and fund. Foreign companies involved in targeted deals may present risks distinct from comparable transactions completed solely within the United States.

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 by visiting ProShares.com.