

Market overview

The equity market rallied to start the year amid rising interest rates, as investors digested stronger-than-expected inflation readings. While the year-over-year downward trend in inflation remained in place, the futures market signaled three 2024 rate cuts at the end of the first quarter, down from six rate cuts that were priced in at the beginning of the year. At the March FOMC meeting, the Federal Reserve slightly increased its projections of near-term inflation and longer-run policy rates, recognizing that current economic data may warrant extending restrictive policy. Accordingly, the 10-year Treasury yield increased 0.4%, after a 0.7% fourth-quarter decline. Despite trailing the large-cap market, the Russell 2000® Index posted a gain of 5.2%, as 7 out of 11 sectors advanced during the quarter. Information technology (12.8%) led sector gains, while energy (11.9%) posted the second-highest return as oil prices rose throughout the quarter. Communication services and utilities suffered the worst drawdowns, with losses of 4.8% and 3.6%, respectively.

Performance

During the third quarter, SMDV's benchmark, the Russell 2000® Dividend Growth Index, underperformed the Russell 2000 by 6.0% (-0.8% vs. 5.2%). The underperformance was driven by both security selection and sector allocation effects.

Fund performance and index history ²	1Q 2024	YTD	1-Year	3-Year	5-Year	Fund Inception 2/3/15
ProShares Russell 2000 Dividend Growers ETF						
SMD NAV Total Return	-0.90%	-0.90%	7.92%	1.95%	4.48%	7.58%
SMDV Market Price Total Return	-1.03%	-1.03%	7.93%	1.86%	4.45%	7.57%
Russell 2000 Dividend Growth Index	-0.80%	-0.80%	8.34%	2.34%	4.93%	8.04%
Russell 2000 Index	5.18%	5.18%	19.71%	-0.10%	8.10%	7.94%

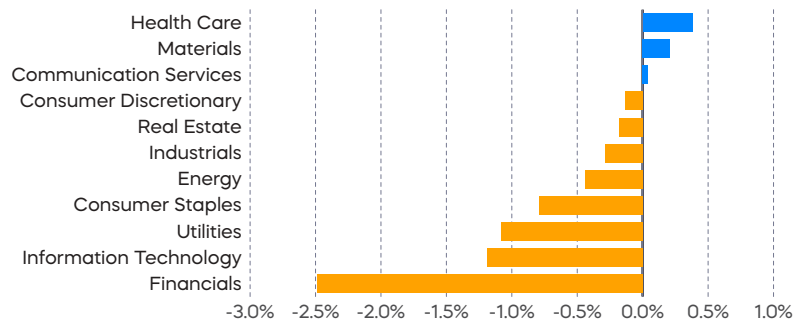
Source: ProShares and Morningstar. Periods greater than one year are annualized.

Attribution

The largest relative contributor at the sector level was financials, as a resurgence in interest rates across the yield curve weighed on small-cap banking stocks. Meanwhile, a higher interest rate environment is potentially less favorable for the commercial real estate industry, to which small and regional banks have outsized exposure. In contrast to the significantly positive contribution to relative performance during the fourth quarter last year, the financials sector contributed a combined allocation and security selection effect of -2.5%, as volatility persists among small and regional banks. In addition, SMDV's overweight in utilities had an allocation effect of -1.2%, as the dividend-focused sector trailed the overall market.

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Contribution to Relative Performance vs. Russell 2000



The 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. ¹Market 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. Performance data current to the most recent month-end may be obtained by calling 866.776.5125 or visiting ProShares.com. Index performance does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in any index.

Attribution (continued)

From a stock perspective, building construction company Comfort Systems USA was the top performer during the quarter. The company's management announced stronger-than-expected earnings and pointed to an increasing backlog amid supportive underlying demand. Other top contributors included industrial metal processors Kaiser Aluminum and Worthington Steel. Both companies exceeded earnings expectations as shares rallied over 20% during the quarter. The individual stock that detracted the most from relative performance was nutritional supplements company Nu Skin Enterprises, which cut dividends during the quarter.

Stock ³	Sector	1Q 2024 Performance	Russell 2000 Weight	SMDV's Index Weight ⁴	Contribution to Relative Performance
Positive Contributors					
Comfort Systems USA, Inc.	Industrials	54.60%	0.36%	1.15%	0.34%
Kaiser Aluminum Corp.	Materials	26.99%	0.04%	1.07%	0.20%
Worthington Steel, Inc.	Materials	28.25%	0.04%	1.23%	0.20%
Negative Contributors					
Nu Skin Enterprises, Inc. Class A	Consumer Staples	-28.45%	0.03%	0.88%	-0.32%
Kennedy-Wilson Holdings, Inc.	Real Estate	-28.70%	0.05%	0.83%	-0.30%
Universal Corp.	Consumer Staples	-22.19%	0.05%	0.92%	-0.28%

Source: FactSet

SMDV's index focuses on companies within the Russell 2000—quality companies that have not just paid dividends but grown them for at least 10 consecutive years. As a group, SMDV's holdings generally have had stable earnings, solid fundamentals, and strong histories of profit and growth. SMDV's strategy has a demonstrated history of weathering market turbulence over time by capturing a significant portion of the gains of rising markets and fewer of the losses in falling markets.

Sources: FactSet, Bloomberg. SMDV's total operating expenses are 0.40%.

¹Source: Blue Chip Economic Indicators and Blue Chip Financial Forecasts.

²Market returns are based on the composite closing price and do not represent the returns you would receive if you traded shares at other times. The first trading date is typically several days after the fund inception date. Therefore, NAV is used to calculate market returns prior to the first trading date.

³Holdings are subject to change.

⁴SMDV's average index weight from 1/01/24–3/31/24.

If fewer than 40 stocks meet criteria, the index may include companies with shorter dividend growth histories.

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Investments in smaller companies typically exhibit higher volatility.

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