


QUARTERLY PERFORMANCE REVIEW As of 12/31/21

PROSHARES ONLINE RETAIL ETF

Market overview

U.S. equity markets rallied sharply in the fourth quarter to close another year of strong performance, with the S&P 500® advancing about 11%. Investors largely shrugged off concerns of the latest COVID-19 variant and increasing inflation readings, instead focusing on corporate earnings that continued to beat expectations and resilient economic indicators. With respect to the retail industry, the segment underperformed the broader market, up nearly 1.1% as tracked by the S&P Retail Select Industry Index. Top-performing sub-industries included food retail and department stores, while the worst-performing sub-industry was internet and direct marketing retail.

Performance

During the fourth quarter, ONLN's benchmark, the ProShares Online Retail Index, fell about 13.5% and underperformed the S&P Retail Select Industry Index.

Fund performance and index history¹

	4Q 2021	Year to Date	1-Year	3-Year	5-Year	Fund Inception 7/13/18
ProShares Online Retail ETF						
ONLN NAV	-13.61%	-25.13%	-25.13%	23.87%	—	11.03%
ONLN Market Price	-13.59%	-25.22%	-25.22%	23.86%	—	11.02%
ProShares Online Retail Index	-13.50%	-24.80%	-24.80%	24.48%	—	11.59%
S&P Retail Select Industry Index	1.11%	42.97%	42.97%	32.15%	—	21.92%
S&P 500	11.03%	28.71%	28.71%	26.07%	—	16.46%

Sources: ProShares, Morningstar and Bloomberg. Periods greater than one year are annualized.

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. 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. 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.

Sources: FactSet, Bloomberg. ONLN's total operating expenses are 0.58%. ¹Market 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. ²Holdings are subject to change. ³ONLN's average index weight from 10/1/21 to 12/31/21.

Contribution

ONLN's strategy is constructed to provide the opportunity to profit from the potential growth of retailers that sell primarily online or through other non-store channels. Alibaba was the largest detractor from the strategy's performance in the fourth quarter. The company's stock fell alongside other U.S.-listed Chinese stocks after DiDi Global indicated that it would delist from the New York Stock Exchange following pressure from Chinese regulators. Another top detractor from performance included online apparel and accessory company Stitch Fix. Despite delivering a beat on both earnings and revenue expectations, investors seemed disappointed to hear from the CEO that the company has entered a learning phase as it builds out a portion of its online apparel and accessory business. Their legacy business entails the use of stylists to customize shipments, while its new "Freestyle" service allows customers to select their own purchases. Sea Ltd. was another top detractor upon delivering disappointing earnings results during the period. Quotient Technology Incorporated, which owns Coupons.com, was a top contributor to performance, rallying following the company's earnings call during which the CEO reiterated the company's focus on growing its network of retailers and shoppers and exiting lower-margin portions of its business. Other top contributors during the period included Coupon, Inc. and Groupon, Inc.

Stock ²	4Q 2021 Performance	ONLN's Index Weight ³	Contribution to Performance
Top Contributors			
Quotient Technology Inc.	27.49%	2.08%	0.41%
Coupang, Inc. Class A	5.49%	1.13%	0.11%
Groupon, Inc.	1.53%	2.03%	0.05%
Top Detractors			
Alibaba Group Holding Ltd. Sponsored ADR	-19.76%	11.62%	-1.70%
Stitch Fix, Inc. Class A	-52.64%	1.72%	-1.11%
Sea Ltd. (Singapore) Sponsored ADR Class A	-29.81%	3.63%	-1.00%

Outlook

The growth of e-commerce and struggle of some legacy bricks-and-mortar retailers is a trend that was in place long before the pandemic and may be poised to continue long after. While Chinese regulatory pressure has taken its toll on Chinese e-commerce stocks, current valuations may be compelling given their pull-back in 2021. Moving forward, we expect the online segment of the retail industry to expand its still relatively small share of total domestic retail sales, standing at just 13% as of the latest e-commerce report.

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