Lowering Your Concentration Risk Using Ex-Sector ETFs

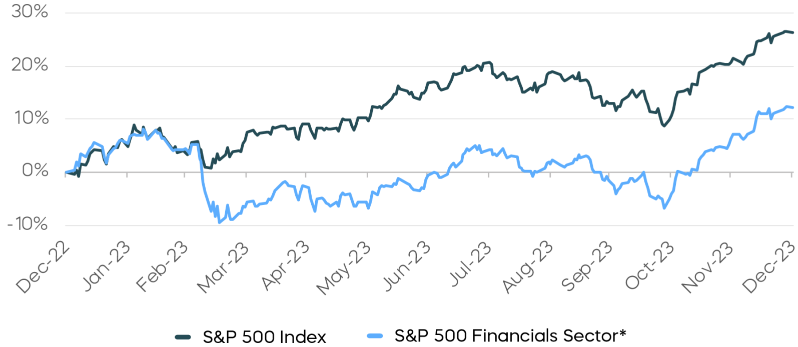
The Risk of a Concentrated Portfolio

Some investors become overly exposed to a single industry, or even a single company over time. This can be viewed as a proverbial "good problem to have," but presents very real questions about how to avoid risk concentration and maintain a properly diversified portfolio.

For high earners in fast-growing fields such as technology or healthcare, successful entrepreneurs, or people inheriting assets, overconcentration in a single sector poses substantial financial risk—which ProShares Ex-Sector ETFs can help offset.

Consider, for example, a tech worker whose current income *and* investments are heavily tied to the sector in which they work. Given that their paycheck (and, possibly, significant stock options) may be connected to a single company, they might want to avoid additional exposure to that sector entirely. Or, consider an executive in an industry like banking, where corporate profits, compensation, and stock performance are often closely tied to fluctuations in interest rates. That executive may seek to have a diversified investment portfolio, but want to avoid adding additional exposure to the financial sector.

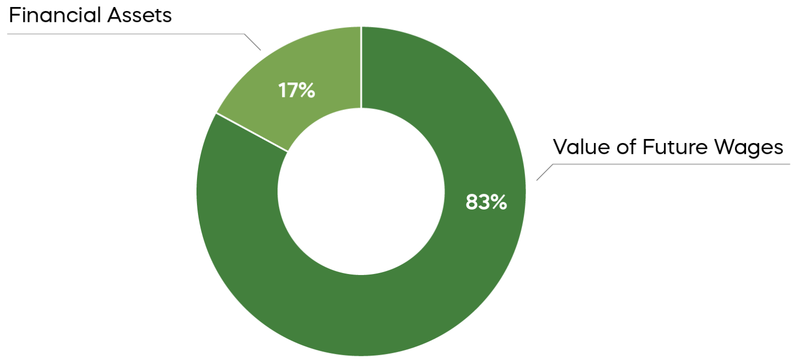
Such examples aren't hypothetical. Consider the turmoil in the banking sector during 2023, which caught many investors off-guard. As interest rates spiked in response to inflation, companies in the Financials sector suffered outsize losses and multiple regional banks failed. By avoiding overconcentration in their investment portfolio, a financial industry professional could have better shielded their finances from both equity market declines and company-specific risk during that time.



*S&P 500 Financials Sector data represented by S&P 500 Financials Sector GICS level 1 Index. Index returns are for illustrative purposes only and do not represent actual fund performance. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Ex-Sectors ETFs can help these investors tailor their core stock exposure by delivering access to the S&P 500, minus the sector in which they have outsized exposure through their chosen career.

As the chart below illustrates, the average American between 45 to 54 years old has a stream of income until retirement from their chosen field that is probably significantly more valuable than the current value of their investment portfolio—and that is worth protecting through greater diversification. This is particularly true for high salary earners, who are potentially even more exposed to the booms and busts of the sector in which they work.



Source: Present value of future wages assuming 5% interest rate: Bureau of Labor Statistics, non-seasonally adjusted median usual weekly earnings as of Q1 2024. Median value of household financial assets: U.S. Census Bureau, 2022 Survey of Income and Program Participation.

The Ex-Sectors ETF Solution

ProShares Ex-Sector ETFs provide a compelling tool designed to strategically exclude a specific sector—technology, health care, financials, or energy—from the S&P 500 portion of an investor's portfolio. While an investor might consider using an Ex-Sector ETF to stake a bearish position, you may seek this type of exposure for the exact opposite reason: To diversify an already concentrated stake in the industry, by virtue of career path, stock options, inheritance—or any combination of the preceding.

Staying invested for the long-term and diversification are commonly accepted portfolio principals. Explore how Ex-Sector ETFs can be applied in a portfolio, tailored to your distinct risks and investing goals.

About Us

ProShares has been at the forefront of the ETF revolution since 2006. ProShares now offers one of the largest lineups of ETFs, with over $75 billion in assets. The company is a leader in strategies such as crypto-linked, 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.

Ex-Sector ETFs

SPXT

S&P 500 Ex-Technology ETF

Excludes information technology companies, including software, technology hardware and equipment, and semiconductor companies.

SPXN

S&P 500 Ex-Financials ETF

Excludes banks, diversified financials, such as consumer finance, asset management, investment banking and brokerage companies, insurance companies and REITs.

SPXV

S&P 500 Ex-Health Care ETF

Excludes pharmaceuticals, biotechnology and life sciences tools and services companies, and health care providers, equipment and services companies.

SPXE

S&P 500 Ex-Energy ETF

Excludes oil, gas and consumable fuels, and energy equipment and services companies.

→ **Interested in learning more?**

Visit ProShares.com to learn more about ProShares Ex-Sector ETFs. Additionally, financial professionals can contact ProShares at 866-776-5125 or email info@proshares.com for additional information about ProShares investment products.