



AADR_{NYSE}



The WCM/BNY Mellon Focused Growth ADR ETF Investment Philosophy

WCM Investment Management is the sub-advisor to AADR and has a four person investment committee and portfolio management team that utilizes a unique investment philosophy to execute its strategy. The investment strategy attempts to provide long-term outperformance relative to traditional International Benchmarks such as the MSCI EAFE Index and the BNY Mellon Classic ADR Index. To achieve this goal, WCM is guided by these six principles:

- I. **Concentration** - WCM believes that concentration (20–30 holdings) is a contributing factor in achieving outperformance relative to a benchmark, that is, WCM believes that you have to be different than the benchmark if you are to outperform it.
- II. **Tailwinds** - WCM invests in businesses that benefit from long-lasting and accelerating global trends.
- III. **Economic Moats** - WCM invests in businesses that have durable and growing competitive advantages.
- IV. **Culture** - WCM believes a company's culture can define success by attracting and keeping the best people. Empowered, engaged and well-incentivized employees are a competitive advantage overlooked by most.
- V. **Valuation** - WCM believes that valuation matters. WCM's process strives to identify great growth companies at fair prices.
- VI. **Temperament** - The foundation for long-term results: patience, discipline and long-term thinking.

The Five Step WCM Investment Process

Step 1 Idea Generation

A multi-disciplinary process combining thematic and company-specific influences with personal experience informed by a well-defined template.

- Live, listen and learn
- Read, study and reflect
- Identify and consider how to catch the dominant tailwinds
- Follow respected thinkers and investment greats

Step 2 Quantitative Analysis

Some basic financial hurdles and growth screens help narrow the non-U.S. universe.

Basic screen examples

- Market cap of \$3.5 billion or greater
- Traditional growth sectors

Quality growth screen examples

- Previous high returns on invested capital
- Low or no debt
- High gross, operating margins
- History of sustainable growth
- **End result:** Only 100–150 names for consideration

Step 3 Fundamental Analysis

Fundamental analysis is analysis on the individual companies themselves. Examples include but are not limited to:

- Looking for companies with a robust culture driven by visionary leadership
- Looking for companies that are attractively valued

Step 4 Portfolio Construction

- Exposure to at least 15 industries
- Initial positions 2-5%
- Maximum position size approximately 10%
- Maximum sector size 45%
- Maximum industry exposure 15%
- Maximum emerging markets exposure 35%

Step 5 Portfolio Monitoring and Sell Discipline

- Sale is required to adhere to portfolio guidelines in Step 4
- More attractive company replaces less attractive
- Moat is breached
- Culture is challenged
- Leadership loses its way
- Valuation is no longer attractive
- Material geopolitical or currency risk



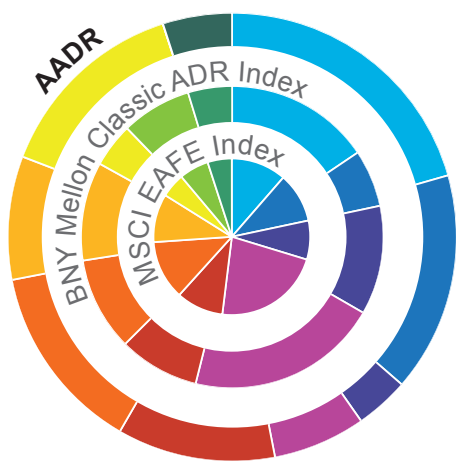
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How is AADR Different?

AADR is purposefully very different from international benchmarks and other international funds with regard to the non-U.S. regions it looks to and the sectors it focuses on. AADR generally puts less focus on businesses in leveraged, slower-growing sectors such as energy, basic materials, utilities or financials, which dominate the international indices. Instead, the focus is on traditional growth sectors like technology, consumer discretionary / staples and healthcare. Similarly, the AADR portfolio managers tend to de-emphasize slower-growing countries such as Japan, a dominant geographical component of widely used benchmarks.

Sector Diversification

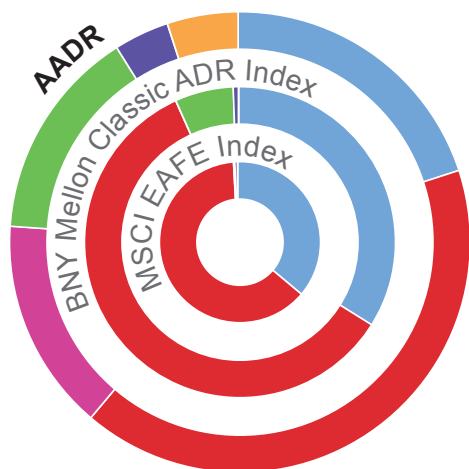
As of 09.30.2011, here is how AADR compares to two international benchmarks with regard to sectors that it invests in:



	AADR	BNY Mellon Classic ADR Index	MSCI EAFE Index
Consumer Staples	21%	15%	11%
Consumer Discretionary	16%	6%	10%
Energy	4%	11%	8%
Financials	7%	21%	22%
Health Care	11%	8%	10%
Industrials	14%	10%	12%
Basic Materials	9%	11%	10%
Technology	14%	5%	5%
Telecommunications	0%	8%	6%
Utilities	0%	5%	5%
Cash	5%	--	--

Region Diversification

As of 09.30.2011, here is how AADR compares to two international benchmarks with regard to sectors that it invests in:



	AADR	BNY Mellon Classic ADR Index	MSCI EAFE Index
ASIA – PACIFIC BASIN	20%	34%	36%
EUROPE	41%	60%	63%
NORTH AMERICA	15%	0%	0%
LATIN AMERICA	15%	6%	0%
MID-EAST	4%	1%	1%
CASH	5%	--	--

Source: WCM Investment Management. Holdings and allocations are subject to risk and to change.



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The Basics and Benefits of ADRs

What are American Depository Receipts (ADRs)?

An American Depository Receipt is a negotiable U.S. security that generally represents a company's publicly traded equity or debt. Depository Receipts are created when a broker purchases a non-U.S. company's shares on its home stock market and delivers the shares to the depository's local custodian bank, and then instructs the depository bank, such as BNY Mellon, to issue Depository Receipts (DRs). In addition, Depository Receipts may also be purchased in the U.S. secondary trading market. They may trade freely, just like any other security, either on an exchange or in the over-the-counter market and can be used to raise capital.

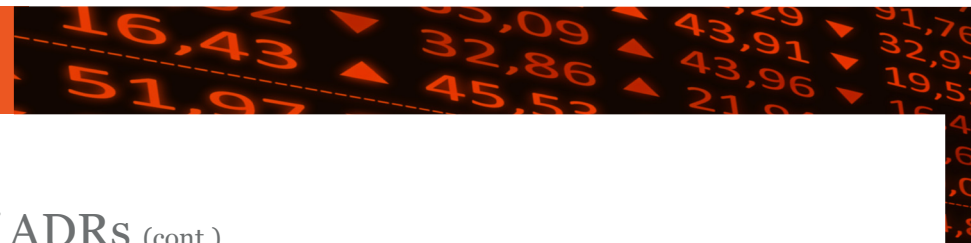
ADR Examples

Non-U.S. companies from many different market sectors list their shares on U.S. markets via ADRs. Here are some well-known consumer brands from non-U.S. companies whose shares trade on U.S. markets via ADRs:

Sample Consumer Brands Represented (as of March 31, 2010)



Source: WCM Investment Management *The firms represented above do not endorse any AdvisorShares ETFs and are subject to change.*



The Basics and Benefits of ADRs (cont.)

BNY Mellon's ADR Expertise

BNY Mellon is the world's largest depository for American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs).

BNY Mellon is a leading source for international ADR and GDR market intelligence and select investor information. DRs, which include ADRs, GDRs, Euro DRs (Euro Depositary Receipts), and NYSSs (New York Shares), allow non-U.S. companies to offer dollar-denominated and euro-denominated securities to investors around the world.

BNY Mellon Family of Depositary Receipt Indices

BNY Mellon created the first ADR index in 1998. Today, the DR Division now publishes the all encompassing BNY Mellon Composite Depositary Receipt Index, BNY Mellon ADR Index, BNY Mellon Classic ADR Index, BNY Mellon GDR Index and the BNY Mellon DR Index. Information for all of their DR Indices can be found on their website for BNY Mellon Depositary Receipts.

Benefits of DRs for Investors

Increasingly, investors aim to diversify their portfolios internationally. However, obstacles such as undependable settlements, costly currency conversions, unreliable custody services, poor information flow, unfamiliar market practices, confusing tax conventions and internal investment policy may discourage institutions and private investors from venturing outside their local market.

Depositary Receipt advantages may include:

- Quotation in U.S. dollars and payment of dividends or interest in U.S. dollars
- Diversification without many of the obstacles that mutual funds, pension funds and other institutions may have in purchasing and holding securities outside of their local market
- Elimination of global custodian safekeeping charges, potentially saving DR investors up to 10 to 40 basis points annually
- Familiar trade, clearance and settlement procedures
- ADRs are as liquid as the underlying shares. Similar to the ETF creation/redemption process, a depository bank, such as BNY Mellon purchases the underlying shares to create new ADRs. When the holder of the ADRs wishes to redeem them, the receipts are transferred to the buyer following normal U.S. securities market clearance procedures

BNY Mellon Classic ADR Index combines the over the counter (OTC) traded ADRs with exchange-listed ADRs bringing transparency to the available universe of American Depositary Receipts, including those issued by many of the world's premier companies. The Index is capitalization-weighted and adjusted for free-float utilizing Dow Jones' current methodology. The MSCI EAFE Index is an unmanaged free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. One cannot invest directly in an index.

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained by visiting the Fund's website at www.AdvisorShares.com. Please read the prospectus carefully before you invest. Foreside Fund Services, LLC, distributor.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Other Fund risks include concentration risk, foreign securities and currency risk, emerging markets risk, large-cap risk, early closing risk, counterparty risk and trading risk, which can increase Fund expenses and may decrease Fund performance. The Fund is, also, subject to the same risks associated with the underlying ETFs, which can result in higher volatility. Newly organized, actively managed Funds have no trading history and there can be no assurance that active trading markets will be developed or maintained.