

# DWMC



EQUITY

## How the Dorsey Wright Micro Cap ETF Works

Micro cap equities, the smallest companies in the marketplace, possess substantial upside potential but can remain subject to several investing inefficiencies – including lack of public research, trading illiquidity, and volatility – which can necessitate the need for an experienced portfolio manager when investing in this compelling area of the equity market. The AdvisorShares Dorsey Wright Micro Cap ETF (Ticker: DWMC) is an actively managed ETF that seeks long-term capital appreciation by investing in exchange-listed, micro cap equities with sufficient liquidity that generally have a market capitalization of less than \$1 billion.

DWMC's investment strategy follows Nasdaq Dorsey Wright's core philosophy of relative strength investing – a proprietary systematically-driven methodology that buys securities that have appreciated in price more than other equities within its investment universe and holding those securities until they exhibit sell signals. No company fundamental data is involved in the analysis and the systematic nature of Dorsey Wright's process removes emotion from the day-to-day decision making. Stock selection is strictly based on the highest ranked securities as measured by the relative strength investment process.

## Key Attributes

**High Conviction Portfolio of Top-Ranked Micro Caps** – DWMC holds a portfolio of approximately 150 exchange-listed, micro cap equities that demonstrate the most favorable relative strength characteristics according to Dorsey Wright's proprietary stock rotation model. If a company's ranking deteriorates, it is replaced in the portfolio with another company with a stronger ranking.

**Tomorrow's Potential Leaders** – Some of the largest companies in the world started out as micro cap companies. DWMC seeks to capitalize on the smallest-sized companies as they are potentially entering their greatest periods of growth. Micro cap companies may also benefit from merger and acquisition activity.

**Systematic Approach** – DWMC's investment process is entirely systematic and designed to remove human emotion from the decision process. This approach allows the portfolio manager to continually execute their proven proprietary investment process through all types of different market conditions. The process also allows the portfolio manager the ability to analyze a large number of securities that may become very different over time.

**Relative Strength Analysis** – DWMC uses relative strength which compares price performance within a universe of stocks. Relative strength investing provides a repeatable process to identify and select the leaders while avoiding the laggards. It is important to be equally good at identifying both long-term winners and losers.

**Disciplined Sell Process** – Securities are automatically sold from the portfolio when they fall below a predetermined rank threshold. The sell rank is determined when the security is purchased and is not adjusted for different market scenarios. The sell process is entirely based on the technical, systematic ranking system and does not allow for any portfolio manager discretion or overrides.

## Why Invest in DWMC?

**Alpha-Seeking Micro Cap Exposure** – Research on micro cap companies is often scarce, which can present an ideal opportunity for alpha generation. DWMC's portfolio manager seeks to add alpha by implementing Dorsey Wright's historically successful relative strength process that seeks to identify the strongest companies while eliminating the weakest performers.

**Historical Upside Potential** – It is often easier for smaller companies to grow than larger companies. The micro cap universe has historically delivered superior long-term performance over larger-cap companies.

**Manager Diversification** – Through an established portfolio manager, spreading your investment risk among equities not correlated to the broader market can help diversify and mitigate your overall portfolio risk.

**Strategy Diversification** – The systematic portfolio management process takes several factors into account to limit unnecessary risk

## Fund Basics

Portfolio Manager: Nasdaq Dorsey Wright
Fund Inception: 07.10.2018
Symbol: DWMC
Exchange: NASDAQ
Options: No
Dividend Frequency: Annual
Indicative Value: DWMC.IV
Net Asset Value: DWMC.NV
Fund Type: Actively-Managed ETF
CUSIP: 00768Y537

## Where Does DWMC Fit in a Traditional Portfolio?

DWMC may provide a high-growth complement or satellite equity holding to a broad-based equity allocation. This ETF can be used to diversify a U.S. stock allocation and to seek long-term growth in your portfolio.

## The AdvisorShares Dorsey Wright Micro Cap ETF

and maximize exposure to the momentum factor. If a security becomes too large as a percentage of the portfolio it is trimmed to bring it back in line with the other security weights. The process seeks to spread out allocations within its stock model. The objective sell discipline represents an important component of the portfolio construction process.

**Active Management Advantage** – Most micro cap ETFs passively invest owning the majority of the stocks represented in their benchmark index, including those with less than attractive investing attributes. DWMC's portfolio manager systematically screens micro cap stocks for inclusion and removal from its highly selective, active portfolio.

### About Nasdaq Dorsey Wright

Nasdaq Dorsey Wright is a registered investment advisory firm based in Richmond, Virginia. Since 1987, Dorsey Wright has been an advisor to financial professionals on Wall Street and investment managers worldwide. Dorsey Wright offers comprehensive investment research and analysis through their Global Technical Research Platform and provides research, modeling and indexes which apply Dorsey Wright's expertise in Relative Strength to various financial products including exchange trade funds, mutual funds, UITs, structured products, and separately managed accounts. Dorsey Wright's expertise is technical analysis. The Company uses Point & Figure Charting, Relative Strength Analysis, and numerous other tools to analyze market data and deliver actionable insights. In 2015, Dorsey Wright was acquired by Nasdaq, Inc. allowing Dorsey Wright to work towards even greater innovative solutions for its clients.

### About the Portfolio Manager

#### John Lewis, CMT, Senior Portfolio Manager

John Lewis is a Senior Portfolio Manager with Nasdaq Dorsey Wright. In this role, Mr. Lewis is responsible for the investment strategies used in various different indices and models.

Since joining the firm in 2002, Mr. Lewis has developed strategies for the firm's Systematic Relative Strength series of separate accounts, the Technical Leaders Index methodology, global asset allocation strategies, and multiple series of UITs. His work is technically driven and focuses on relative strength and momentum as the main factors in the investment process.

One of the foremost experts on relative strength investing, Mr. Lewis has authored several original research papers on the subject. He is a Chartered Market Technician (CMT) and a member of the Market Technician's Association and the American Association of Professional Technical Analysts. Mr. Lewis earned an M.B.A. in Finance from the University of Southern California and a B.A. from the University of San Diego.

**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](http://www.AdvisorShares.com). Please read the prospectus carefully before you invest.** Foreside Fund Services, LLC, Distributor.

The Fund is subject to a number of risks that may affect the value of its shares, including the possible loss of principal. Stock prices of micro cap companies are significantly more volatile, and more vulnerable to adverse business and economic developments, than those of larger companies. Micro cap stocks may also be thinly traded, making it difficult for the Fund to buy and sell them. There is no guarantee that the Fund will achieve its investment objective.

Shares are bought and sold at market price not net asset value (NAV) and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined) and do not represent the return you would receive if you traded at other times.