

# SCAP

 /NYSE Arca


EQUITY

## How the Cornerstone Small Cap ETF Works

The AdvisorShares Cornerstone Small Cap ETF (NYSE Arca: SCAP) seeks to provide total return through long-term capital appreciation and current income. SCAP is managed by Cornerstone Investment Partners, LLC (“Portfolio Manager”). The Portfolio Manager seeks to achieve SCAP’s investment objective by investing in a diversified group of U.S.-traded equity securities, including common and preferred stock, ADRs, and publicly-traded REITs. Under normal circumstances, SCAP invests at least 80% of its net assets (plus any borrowings for investment purposes) in small cap securities. The Portfolio Manager defines a small cap company as one having a market capitalization less than the market cap of the largest company in the Russell 2000 Index at the time of acquisition. The Portfolio Manager seeks to benefit from the volatility of small cap stocks by participating in upside volatility while reducing exposure to downside volatility.

## 5 Key Attributes

**Disciplined Investment Philosophy** – The Portfolio Manager’s investment philosophy is based on the view that the market often misprices fundamental improvements and is slow to recognize improving fundamentals, particularly in small cap stocks.

**Multi-Factor Security Selection** – In selecting securities for SCAP, the Portfolio Manager considers many factors such as improvements in earnings estimates, positive earnings surprises, tangible book value and financial flexibility measured by a company’s ability to fund operations out of free cash flow.

**Elimination of Unqualified Companies** – While the portfolio is diversified, unlike an index, the Portfolio Manager eliminates those companies with weak fundamentals as part of the security selection process.

**Quarterly Reconstitution** – The portfolio is partly reconstituted each quarter, which ensures it responds to changes in market conditions and targets the most attractive securities, while limiting annual turnover.

**Focused Experience** – The Portfolio Manager is comprised of veteran investors who have worked together for many years, adhering to the same disciplined investment philosophy.

## Fund Basics

Portfolio Cornerstone Investment Partners, LLC
Fund Inception: 07.06.2016
Symbol: SCAP
Exchange: NYSE Arca
Options: No
Dividend Frequency: Annual
Indicative Value: SCAP.IV
Net Asset Value: SCAP.NV
Fund Type: Actively-Managed ETF
CUSIP: 00768Y586

## Where Does SCAP Fit in a Traditional Portfolio?

SCAP offers investors an alternative to small cap exposure through an index fund. Investors who want small cap don’t necessarily want market cap weighted funds which tend to be dominated by one or two sectors.

## Why Invest in SCAP?

**For Income Market Diversification** – Small cap exposure can help diversify an equity portfolio by providing access to companies that are growing at a faster rate than large cap companies. Small cap equities also have had the tendency to make major turns in their respective cycles at different times which can help reduce volatility. Additionally, small cap company businesses tend to be more domestic oriented which insulates them from changes in currency market trends.

**For an Active Management Advantage** – Not all 2000 companies in the popular Russell benchmark index are worthy of buying. An index includes stocks with favorable valuations, favorable earnings trends and favorable free cash flow, but also must include stocks with unfavorable attributes. The Portfolio Manager’s multi-factor approach helps identify attractive companies with improving fundamentals.

**As a Compliment to Index Based Exposure** – SCAP differs from benchmark indexes in terms of sector weightings, market cap statistics, valuation and other traditional measures of equity analysis, which can help reduce correlation.

# Cornerstone Small Cap ETF

## About the Portfolio Managers

### John Campbell, CFA

John serves as Chief Investment Officer and is a Partner for Cornerstone. He is a member of the Board of Directors. John had a 12 year tenure at Invesco Capital Management where he was a Global Partner and Portfolio Manager. In his last five years, John was in charge of managing Invesco Capital US Large Cap Value portfolio. He was also one of five members of the International Investment Committee, which managed over \$15 Billion in assets. John graduated from State University of New York at Fredonia in 1981 with a degree in business finance. In the past he has been a CFA review course instructor, test grader, and exam writer.

### Dean W. Morris, CFA

Dean is a Partner for Cornerstone and is responsible for research and portfolio management. Prior to Cornerstone, Dean was a Partner and Senior Director at Invesco Capital Management for 10 years. Dean co-managed the Invesco Capital Management U.S. Large Cap Value Portfolio with John Campbell for five years, in addition to providing research on U.S. financial stocks. Dean is a graduate of Williams College and holds an MBA from the University of Chicago.

### Rick M. Van Nostrand, CFA

Rick is a Partner for Cornerstone and is responsible for research and portfolio management. He is a member of the Operating Committee. Prior to Cornerstone, Rick was a voting member of the investment committee at EARNEST Partners and served on the Fundamental Value product at Invesco Capital Management. He earned a MBA with a concentration in Finance from the Wharton School at the University of Pennsylvania, and holds a Bachelor of Science in Computer Science Engineering from Southern Methodist University.

## About Cornerstone Investment Partners

Cornerstone Investment Partners, based in Atlanta, Georgia, is a SEC registered investment advisor founded in 2001. Cornerstone was founded on the belief that a small, independent group of experienced investors can provide investment excellence and exceptional client service.  
www.cornerstone-ip.com

**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.

There is no guarantee that the Fund will achieve its investment objective. An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Investing in small capitalization companies may be riskier and more volatile than large cap companies. Security prices of small-cap companies are generally more vulnerable than those of large-cap companies to adverse business and economic developments. Other Fund risks include market risk, equity risk, large cap risk, liquidity risk and trading risk. Please see prospectus for details regarding risk.

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.

## Definitions

An **American Depositary Receipt (ADR)** is a negotiable U.S. Security that generally represents a company's publicly traded equity or debt. Depositary 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 depositary's local custodian bank, and then instructs the depositary bank to issue Depositary Receipts.

A **Real Estate Investment Trust (REIT)** is a security that sells like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, as well as a highly liquid method of investing in real estate.