

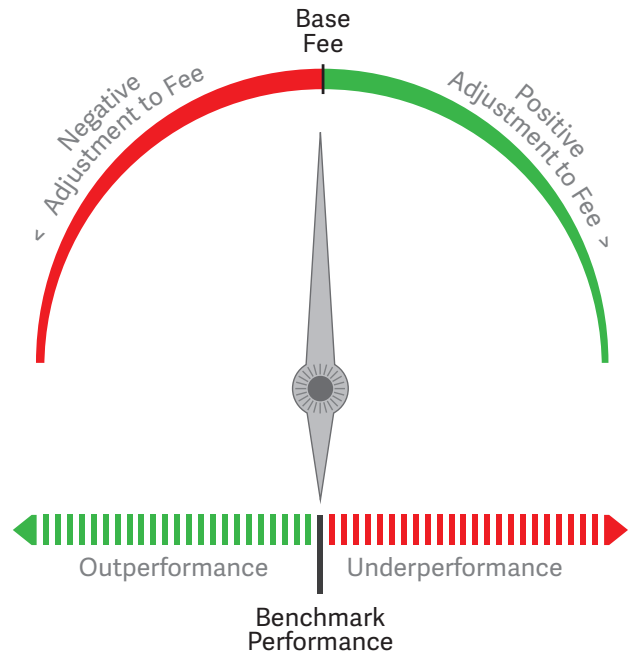


# A Guide to Fulcrum Fees

## What Is a Fulcrum Fee?

A fulcrum fee is a type of management fee that can go up or down based on the performance of the ETF as compared to a similar benchmark index.

- The management fee will adjust up if the ETF outperforms the index and will adjust down if the ETF underperforms the index.
- The benchmark index is required to be similar to the investment strategy. For example, if the ETF has a U.S. Large Cap investment strategy, a good benchmark might be the S&P 500 Index.



<b>ETF Performance</b>	10%	8%	12%
<b>Benchmark Index Performance</b>	10%	10%	10%
<b>Fulcrum Adjustment</b>	No Adjustment 	Lower Management Fee ↓ 	Higher Management Fee ↑ 

## Benefits of a Fulcrum Fee

*It is quite simply a way to align the interests of the portfolio manager with those of the shareholders.*

If the portfolio manager underperforms their index benchmark, the investors pay a lower overall management fee. If the portfolio manager outperforms the index benchmark, then the portfolio manager is compensated for that performance and can earn a higher fee.

## Fulcrum Fee Features

The fulcrum fee has two components: the **base fee** and the **performance adjustment**.

- The **base fee** represents the management fee without a fulcrum adjustment. This is the management fee for the first year of the ETF.
- The **performance adjustment** will either increase or decrease, based on the portfolio manager's performance.

The base fee, plus or minus the performance adjustment will represent the total fulcrum fee.



## The Fulcrum Fee Schedule

Most fulcrum fees are designed to adjust incrementally. A small amount of outperformance would trigger a small increase and a small amount of underperformance would result in a small decrease. If the ETF utilizes a fulcrum fee, the amounts and the schedule will be listed in the management fee section of the ETF's prospectus.

### How a Fulcrum Fee is Implemented

The performance adjustment of the fulcrum fee does not begin to affect the ETF's management fee until the ETF has been trading for a one year period, after which the adjustments begin.

After the first year, the first fulcrum adjustment will be made by looking back over the past year. The ETF will then make adjustments. The time frame for the adjustment will vary by ETF, but typically it will be readjusted monthly, quarterly or annually.

At the next adjustment period, the performance comparison will be based on the prior 12 months and the adjustment will be the new management fee until the next measurement period. It is important to note that each time the ETF reaches the end of its measurement time frame, the fulcrum fee is adjusted from the original base fee and not from the most recent fee.

**Fulcrum Fee Schedule Table**

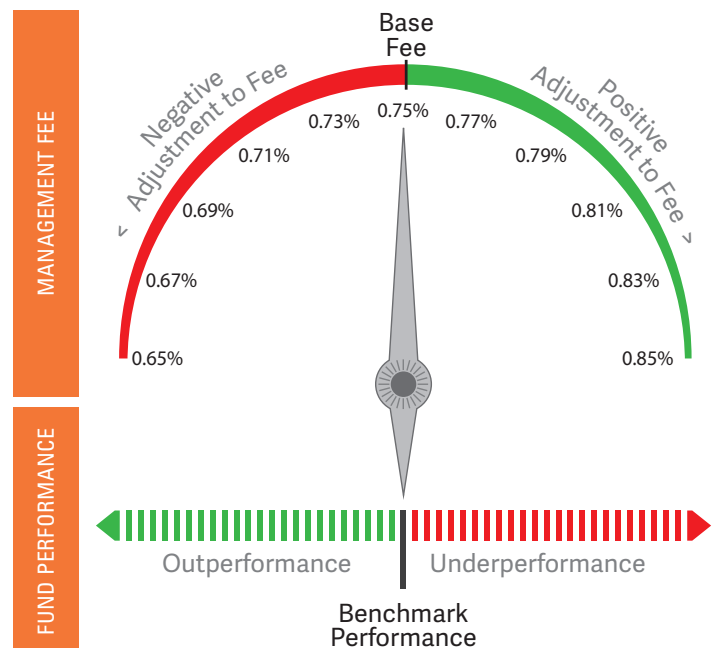
Base Fee = 0.75%	
ETF Performance to Index	Management Fee
2.00%	0.85%
1.50%	0.83%
1.25%	0.81%
1.00%	0.79%
0.50%	0.77%
<b>0.00%</b>	<b>0.75%</b>
-0.50%	0.73%
-1.25%	0.71%
-1.00%	0.69%
-1.50%	0.67%
-2.00%	0.65%

*The amounts of the increase or decrease, and the performance differences to make adjustments can vary by ETF. Typically, the only requirement is that the amount and changes are the same for an increase or a decrease in the fulcrum fee adjustment. The schedule can always be found in the ETF's prospectus.*

## APPLICATION FOR CWS

For the AdvisorShares Focused Equity ETF (Ticker: CWS), the advisor's annual base fee is 0.75% of the fund's average daily net assets. The performance fee adjustment is derived by comparing the fund's performance over a rolling 12 month period to its benchmark index, the S&P 500 Index.

The base fee is adjusted at a rate of 0.02% for every 0.25% to 0.50% of outperformance or underperformance compared to the benchmark index. Any subsequent outperformance or underperformance against the S&P 500 is capped at 2.00%. As a result, the maximum possible performance fee adjustment, up or down, to the base fee is 0.10%. Accordingly, the advisor's annual advisory fee may range from 0.65% to 0.85% of the fund's average daily net assets. The adjacent chart illustrates how the effective annual rate of the advisory fee may vary.



For more information, call AdvisorShares at 1.877.843.3831 or visit [www.advisorshares.com](http://www.advisorshares.com).

*An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual issuers, industries or the stock market as a whole. 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.*