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# Dorsey Wright ADR ETF

The AdvisorShares Dorsey Wright ADR ETF (Ticker: AADR) is an actively managed strategy that seeks long-term capital appreciation using a technical, systematically-driven investment approach that seeks to outperform international benchmarks such as the MSCI EAFE Index and the BNY Mellon Classic ADR Index.

# **Investment Philosophy**

Dorsey, Wright & Associates, LLC serves as the AADR portfolio manager and believes that financial markets continue to provide the best available opportunities for investors to build and preserve long-term wealth. However, to capitalize on the opportunities in the financial markets, an investor should have a systematic investment strategy. AADR's investment strategy follows Dorsey Wright's core philosophy of relative strength investing, using a proprietary systematically-driven methodology that involves buying securities that have appreciated in price more than other equities within its investment universe and holding those securities until they exhibit sell signals.

#### Why Relative Strength?

The portfolio manager relies on relative strength to manage portfolios because of its adaptive nature and its long-term track record. Relative strength is simple in concept, yet powerful in application. Relative strength is simply the comparison of price performance within a universe of securities. It relates to Newton's Law of Motion, which suggests that objects that are in motion tend to stay in motion until an extended force acts upon them. So, in the financial world this means that stocks with good fundamentals, in a market that in general is supporting higher prices, tend to continue to do well. Analyzing securities by their relative strength provides a way to identify the current leaders. It is those market leaders that AADR seeks to own.

Relative strength also allows the ability to identify the laggards. Successful investina also requires avoiding big losers. One of the characteristics of the investment universe of American depositary receipts (ADRs) used for AADR is that there is a significant amount of dispersion, meaning there are a lot of stocks that have tremendous performance and others that have dreadful performance. That is great for any relative strength strategy. The portfolio manager believes that relative strength is equally good at identifying long-term winners and losers.

# **Investment Process**

The portfolio manager employs the following four-step process in managing AADR:

#### Step 1 - Sector Model

A sector overlay, based on relative strength, proposes the weight in each sector and industry group.

#### **Sector Model**

Model proposes the weight of 10 macro sectors and 65 industry groups

#### Step 2 - Stock Model

A universe of small, mid & large cap stocks with sufficient liquidity is ranked by the proprietary relative strength model.

#### **Stock Model**

Universe screened for sufficient liquidity and ranked by relative strength

### **Portfolio Construction**

Rigorous qualitative review of suggested model changes

## **Step 3 - Portfolio Construction**

Current portfolio allocations are compared against model weightings and holdings to identify needed changes.

#### **Sell Discipline**

Stops for each position based on relative strength ranking

#### Step 4 - Sell Discipline

Stops for each position are based on proprietary relative strength rankings.



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.

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. Emerging Markets, which consist of countries or markets with low to middle income economics can be subject to greater social, economic, regulatory and political uncertainties and can be extremely volatile. Other Fund risks include concentration risk, foreign securities and currency risk, ADRs which may be less liquid, 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. This Fund may not be suitable for all investors. See prospectus for detail regarding risk.

