

# MINC /NYSE Arca

## Investment Objective

The AdvisorShares Newfleet Multi-Sector Income ETF (NYSE Arca: MINC) seeks to provide current income consistent with preservation of capital, while limiting fluctuations in net asset value (“NAV”) due to changes in interest rates. MINC is managed by Newfleet Asset Management (“Newfleet”), an investment subsidiary of Virtus Investment Partners. Newfleet believes that active fixed income sector rotation and superior security selection, combined with disciplined risk management, is the most effective means of achieving the goal of providing a competitive level of current income, while preserving capital.

## Investment Philosophy

In seeking to achieve the Fund’s investment objective, Newfleet applies a time-tested approach and extensive credit research to capitalize on opportunities across undervalued areas of the bond markets. MINC principally invests in investment-grade securities, which are securities with credit ratings within the four highest rating categories of a nationally recognized rating organization or, if unrated, those securities that Newfleet determines to be of comparable quality.

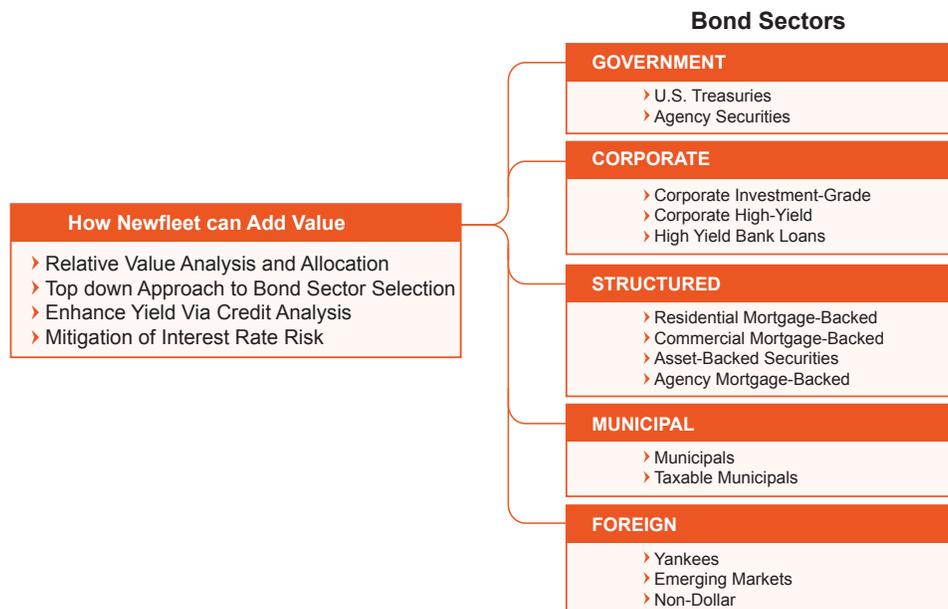
Newfleet seeks to provide diversification by allocating MINC’s investments among the various sectors of the fixed income markets.

## Investment Process

Newfleet utilizes the following 3-step process to implement MINC’s investment strategy:

### Step 1: Sector Analysis and Allocation

Newfleet first conducts an active fixed income sector analysis, overweighting and underweighting the 14 bond sectors relative to the benchmark in an attempt to add value to MINC.



- **Relative Value Analysis and Allocation** – Constant assessment and comparison of sectors/securities to determine the best opportunities.
- **Top down Approach to Bond Sector Selection** – Sector selection is evaluated based on factors such as yield and spreads, supply and demand.
- **Enhance Yield Via Credit Analysis** – Credit analysis is the lynchpin of the entire process – Analysts look at each credit for its idiosyncratic fundamental trends, while also keeping an eye on valuations, to see if there is a mismatch that would trigger some form of trading action (buy/sell).
- **Mitigation of Interest Rate Risk** – By having the capability of investing in 14 different sectors of the bond market, along with keeping the duration on the shorter side, the portfolio may be able to mitigate some, but not all of the negative effects of rising interest rates.

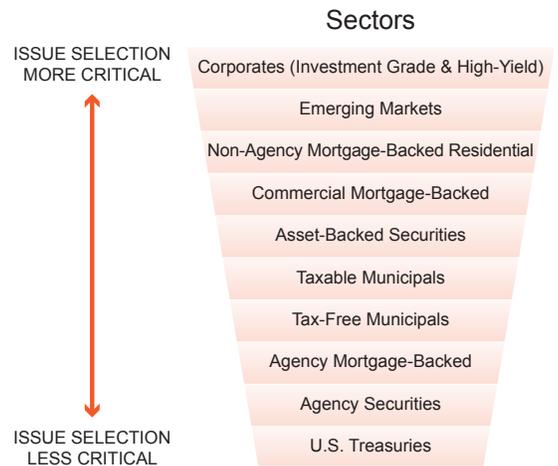
## Step 2: Issue Selection

Once the fixed income sector analysis is complete, Newfleet selects issues for MINC based on their sector analysis, as shown below:

### The Importance of Issue Selection

Issue selection for the bottom sectors (US Treasuries, Agencies and agency Mortgage-Backed securities) consists of picking what parts of the curve are more important as compared to picking the correct issue. An investor is really buying the creditworthiness of the US Government or some Agency of the Government when looking to add exposure in the bottom sectors.

As you move up the chart, issue selection becomes much more important since a company's or issuer's idiosyncratic risk tends to play a large role in the performance of the particular security. In other words, there is much more time spent analyzing individual issues in the top tier of the chart as compared to the bottom tier.



## Step 3: Portfolio Management

Newfleet constructs and manages the MINC portfolio utilizing the following guidelines:

- A Duration range between 1 and 3 years
- A below investment grade maximum allocation of 20%
  - If certain of MINC's holdings experience a decline in their credit quality and fall below investment grade, MINC may continue to hold the securities and they will not count toward MINC's 20% investment limit.
- No investments in: Equities, Derivatives, Convertible Securities or Mutual Funds
- Generally MINC limits its investments in corporate high yield securities to 10% of its assets and limits its investments in non-U.S. issuers to 30% of its assets.



By diversifying MINC's portfolio amongst 14 fixed income sectors, along with setting guidelines for how much of the MINC portfolio can be exposed to below-investment grade and foreign issues, along with its built-in periodic reviews of the portfolio's issues, Newfleet strives to minimize risk exposure by investing no more than 5% of the Fund's total assets in securities of any single issuers, (excluding the U.S. government).

**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. Diversification and sector asset allocation do not guarantee a profit, nor do they eliminate the risk of loss of principal. An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The Fund's investment in fixed income securities will change in value in response to interest rate changes and other factors, such as the perception of the issuer's creditworthiness. Fixed income securities with longer maturities are subject to greater price shifts as a result of interest rate changes than fixed income securities with shorter maturities. The Fund's investments in high-yield securities or "junk bonds" are subject to a greater risk of loss of income and principal than higher grade debt securities. See prospectus for details regarding specific risks.