



# AdvisorShares STAR<sup>™</sup> Global Buy-Write ETF

Ticker: VEGA

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*A Global Balanced Approach*



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## About AdvisorShares

- AdvisorShares is based in Bethesda, MD and is a leading provider of actively managed exchange-traded funds (ETFs)
  - Offering a diversified suite of varying strategies
  - Featuring multiple, accomplished investment managers
  - Delivering active management in the fully-transparent ETF structure
  - Capturing tax efficiency\*
  - Capturing intraday liquidity

*\* The ETF structure may allow for certain tax benefits over other investment vehicles. Investors seeking tax advice should consult an independent tax advisor.*



# A Brief History of VEGA

## 2012 – Launched VEGA

- Launched 9/17/2012
- Sub-advised by Partnervest Advisory Services, LLC
- Employed the following mandates:
  - 8-10 equally weighted asset classes
  - Volatility Based Reinvestment (VBR) – a systematic reinvestment discipline
  - Varying option strategies to enhance income and risk management
    - » Full coverage on covered calls
    - » Protective puts

## 2014 – Implemented refinements to the original mandates

- Mandated a “global balanced approach” and moved away from 8-10 equally weighted asset classes
- Incorporated a target beta of 0.60 of the S&P 500 Index over a market cycle
- Adjusted from full covered call writing to flexible covered call writing



## Investment Strategy

The **AdvisorShares STAR Global Buy-Write ETF** (Ticker: **VEGA**) is a low volatility, moderate risk, global balanced portfolio strategically allocated to capital markets and tactically weights to specific regions, sectors or securities.

- Seeks to provide consistent and repeatable returns across all market cycles through a proprietary investment strategy
- Employs options strategies to produce income and control risk which also enhances total return.
- Actively managed, targeting a portfolio beta of 0.60 of the S&P 500 over a market cycle
- Subadvised by Partnervest Advisory Services – an independently owned, SEC Registered Investment Adviser, based in Santa Barbara, CA and founded in 2001



## Investment Team



### **Kenneth R. Hyman, President and Chief Executive Officer**

Kenneth R. Hyman founded Partnervest in 2001 and serves as Co-Portfolio Manager and member of the Investment Management Committee overseeing the STAR Asset Management program. Prior to Partnervest, Mr. Hyman was the Senior Executive and Financial Officer for Integral Securities, Inc. and Integral Securities Europe Ltd. Previous, Mr. Hyman was the Managing Principal and Chief Operating Officer of Mercer Global Securities and the Director of Operations for Mercer Global Advisors, one of the nation's largest fee-only financial planning and investment management firms.



### **Rebecca M. Valdez, Director of Investments**

Mrs. Valdez joined Partnervest Advisory Services in 2007 and currently serves as its Director of Investments, portfolio manager and a member of the Investment Management Committee. Mrs. Valdez has 9 years of investment management experience with a specialty in option strategies. Mrs. Valdez is a Level III Chartered Financial Analyst candidate and has a degree in Economics with a concentration in Finance from California Polytechnic University, San Luis Obispo.



### **David Young, CFA, Chief Investment Officer**

Mr. Young joined Partnervest Advisory Services in 2015 and serves as Chief Investment Officer and member of the Investment Management Committee. He is the founder and Chief Executive Officer of Anfield Capital Management, an SEC registered investment advisory firm specializing in risk-based global allocation and fixed income strategies. Prior to founding Anfield, Mr. Young spent 15 years at PIMCO, focusing on investment strategy, portfolio management and asset allocation. While there, he formed and chaired the first multi-asset investment committee and headed the account management group in London. Mr. Young holds the Chartered Financial Analyst designation, an MBA with a concentration in Finance from the Paul Merage School of Business at the University of California, Irvine and degrees in Economics and Political Science from UC, Irvine, where he has also served as an adjunct professor.



### **Peter van de Zilver, CFA Portfolio Manager**

Mr. van de Zilver joined Partnervest Advisory Services in 2015 and serves as portfolio manager and member of the Investment Management Committee. He has over 20 years of investment management experience and served in a senior position at PIMCO in the Portfolio Analytics group, where he was responsible for the architecture, development and implementation of many analytics and risk management systems. Mr. Van De Zilver holds the Chartered Financial Analyst designation and degrees in Physics, Mathematics and Economics from the Universities of Utrecht and Amsterdam, as well as an MA degree in Economics from the University of Southern California.



## Investment Process: Overview

Partnervest's STAR<sup>™</sup> approach to portfolio construction includes:

- ▶ **S**trategically allocates to the global capital markets
  - Driven by macro economic factors and trends identified by its quantitative, proprietary modeling
  - Utilizes broad market ETFs\* as the underlying holdings when allocating to the equity, fixed income and alternatives markets.
- ▶ **T**actically weights to regions, sectors or individual securities identified by the investment team using qualitative methods
- ▶ **A**llocation is set to reflect a balanced portfolio approach with a 0.60 target beta of the S&P 500 Index over a market cycle
- ▶ **R**isk management is enhanced using various options strategies.

*\* Invests primarily in diversified global index or sector exchange traded funds (ETFs) and commodity or currency exchanged traded notes (ETNs), however, VEGA may also invest in U.S.-listed equities.*



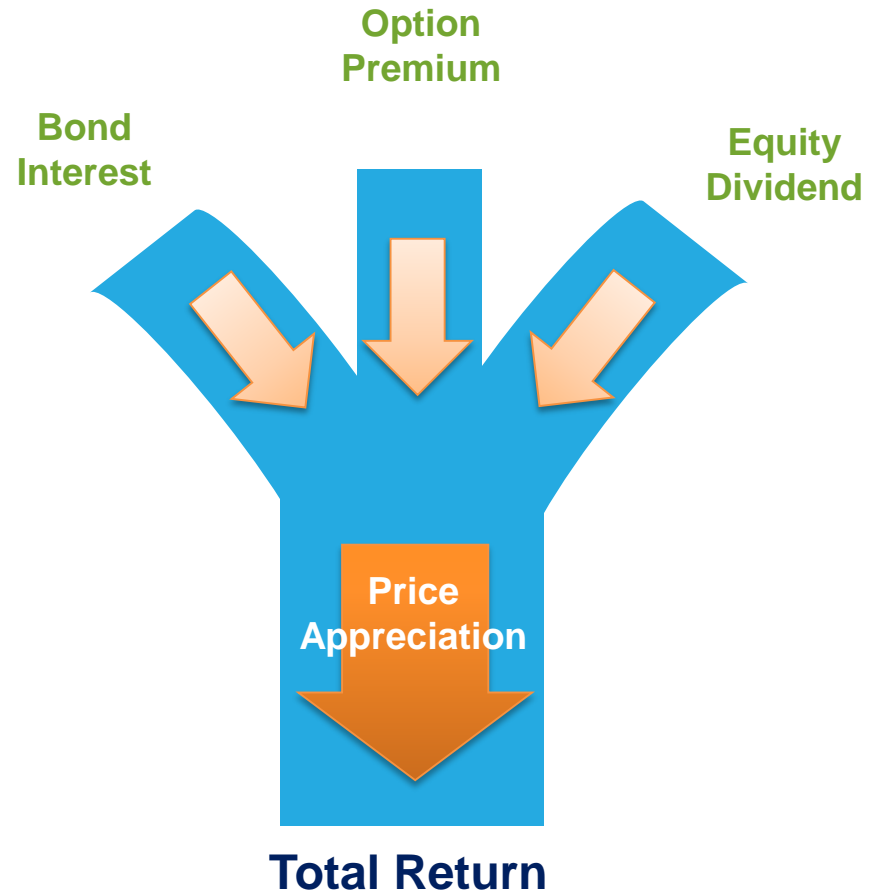
# Investment Process: The VEGA Difference

## Multiple Sources of Income

Selling covered calls creates an additional source of income that collectively, with bond interest and equity dividends, builds a cash position, functioning as a component of risk management. It also funds the strategy's VBR mandate.

## Volatility-Based Reinvestment (VBR)

VBR is a systematic buy-low reinvestment mandate of the strategy that uses the VIX's 200-day moving average as a quantitative gauge to redeploy the accumulated cash back into the markets.





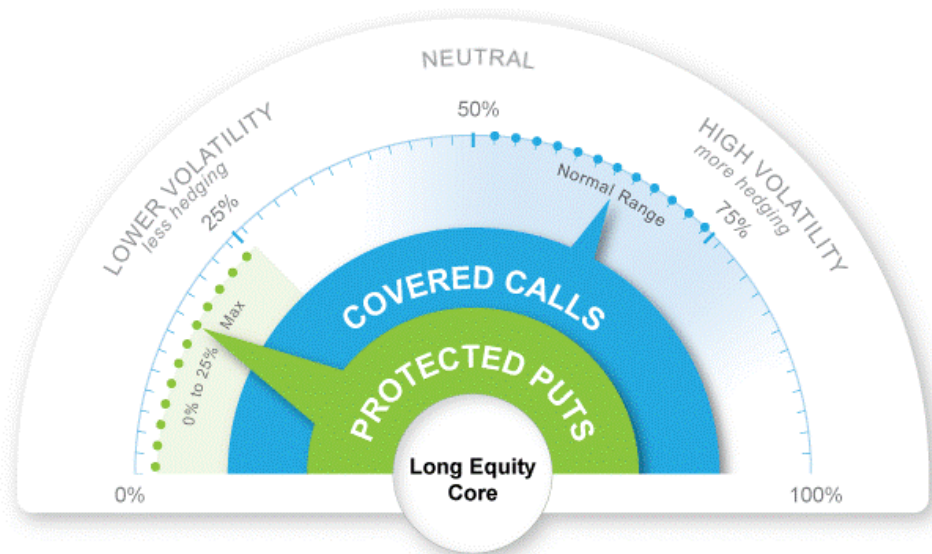
# Investment Process: Options Overlay Strategy

## Covered Call Strategy

- Expected to write covered calls on 50% to 75% of the portfolio's underlying holdings, on a normal basis
- Actively monitored and adjusted based on market conditions
- The higher the volatility (as measured by the VIX), the higher the coverage
- Seeks to generate income, buffer volatility and fund the VBR mandate

## Protective Put Strategy

- Purchased in periods of low volatility when deemed inexpensive
- Written on 0% to 25% of the portfolio's notional value



Flexible Hedging Of Equity Volatility

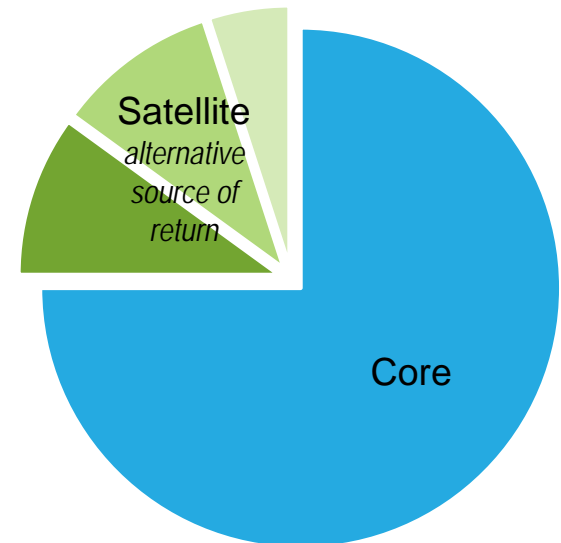


## How Does VEGA Fit within a Portfolio

As a risk-managed solution.

**Core Holding:** **VEGA** is a low volatility, moderate risk, global balance portfolio that strategically allocates to the capital markets, tactically over weights regions, sectors, or securities and then employs option strategies seeking to create additional sources of income and enhancements to risk management. Over a market cycle, the portfolio management team targets a beta of .6 of the S&P 500.

**Satellite Holding:** Highlighting the varying option strategies, **VEGA** can be a sleeve within an alternatives portfolio. Selling covered calls creates an additional source of income and buying protective puts can enhance a portfolio's risk management metrics.





## VEGA Case Study

The following case study illustrates how Partnervest Advisory Service's active management style using its STAR<sup>™</sup> investment process and varying option strategies navigates High, Low, and Extended High volatile market environments.

Periods are determined to be High, Low and Extended High Volatility based on the CBOE Volatility Index (VIX) moving 25%, 50%, or 75% above the 200-day moving average of the S&P 500 Index.

The trades are shown using a Candlestick Chart with SPDR S&P 500 ETF (SPY) as a proxy for the "market." The charts reflect all actual trades placed for **VEGA** within the stated period. Different time periods would yield different trading activity and results.



## VEGA Case Study – June 30, 2018 Portfolio

	Ticker	Weight	Name
<b>Equity</b>		<b>74.43%</b>	
<b>Core Equity</b>			
	US Large Cap Stock	SPY	50.56% SPDR S&P 500
	US Small Cap Stock	IWM	6.47% iShares Russell 2000
	Non-US Dev Stock	EFA	8.84% iShares MSCI EAFE
	US Large Cap Stock	XLF	3.85% Financial Select Sector SPDR
	Non-US Dev Stock	DBEU	4.71% XTrackers MSCI Europe Hedged Equity
<b>Fixed Income</b>		<b>19.08%</b>	
<b>Fixed Income</b>			
	Real Estate	VNQ	2.85% Vanguard REIT Index ETF
	Convertibles	CWB	2.01% SPDR Barclay Convertible Securites
	High Yield	PHB	4.74% PowerShares Fundamental High Yield Corp Bond
	Mortgage Backed	TOTL	4.78% SPDR DoubleLine Total Return
	Intermediate Term	BIV	4.71% Vanguard Intermediate Term B
<b>Options</b>			
	EFA 07/20/2018 C70	EFA	
	SPY US 07/20/2018 C281	SPY	
<b>Cash</b>		<b>6.49%</b>	

# VEGA Case Study – Reading a Candlestick Chart

**Red Candle** – Closing Price in period lower, than previous Closing Price

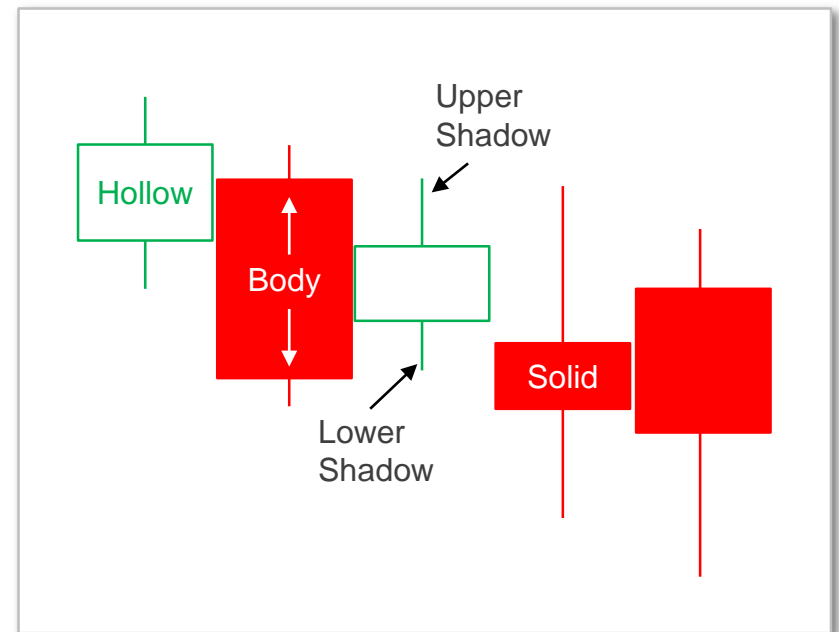
**Green Candle** – Closing Price in period higher, than previous Closing Price

**Solid Candle** – Closing Price in period lower, than Opening Price

**Hollow Candle** – Closing Price in period higher, than Opening Price

**Body of Candle** – The area between the Opening and Closing Price of the Period

**Shadows** – Highest and Lowest Prices during the period





## VEGA Case Study – Chart Legend

Star images are used through the case study to draw attention to specific active management decisions and depending on the action taken, the coloration of the star will differ.



Orange stars denote typical portfolio maintenance which can include tactical shift, underlying portfolio rebalancing, selling new covered calls or closing existing contracts



Blue stars represent the use of Protective Puts and will include both the acquisition and disposition of the contracts



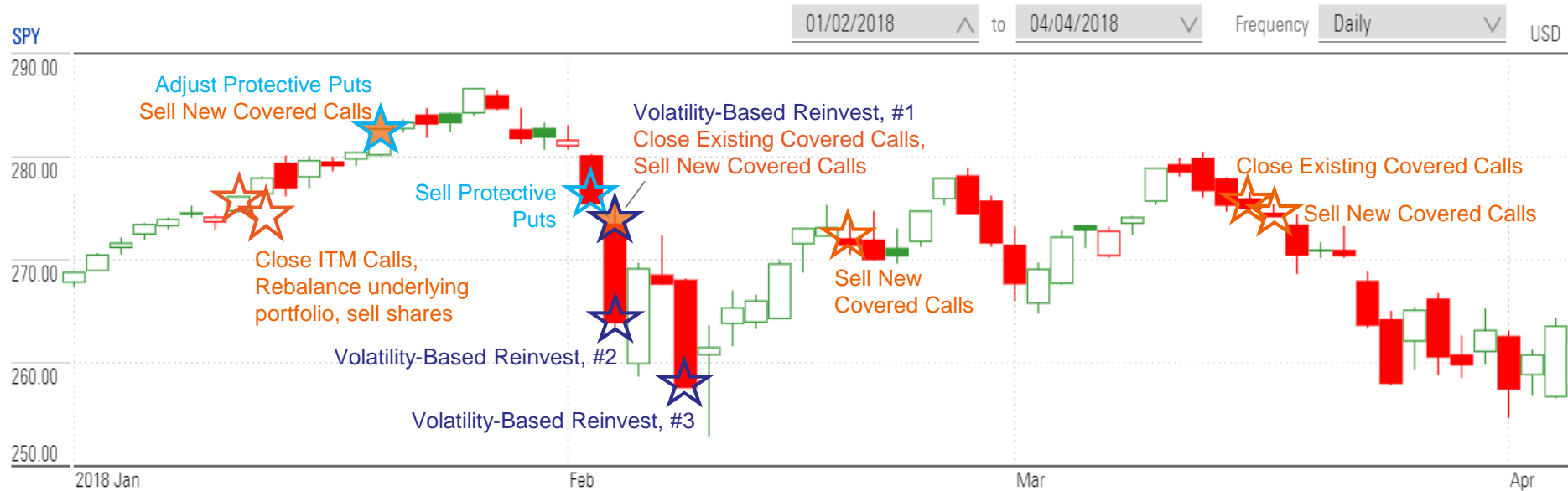
Purple stars introduce STAR Global Buy-Write (VEGA)'s systematic Volatility-Based Reinvestment (VBR) mandate



Multi-color stars denote multiple occurrences in the same day (i.e., purple star filled with orange represents VBR mandate and tactical shift)



# VEGA Case Study – High Volatility Environment

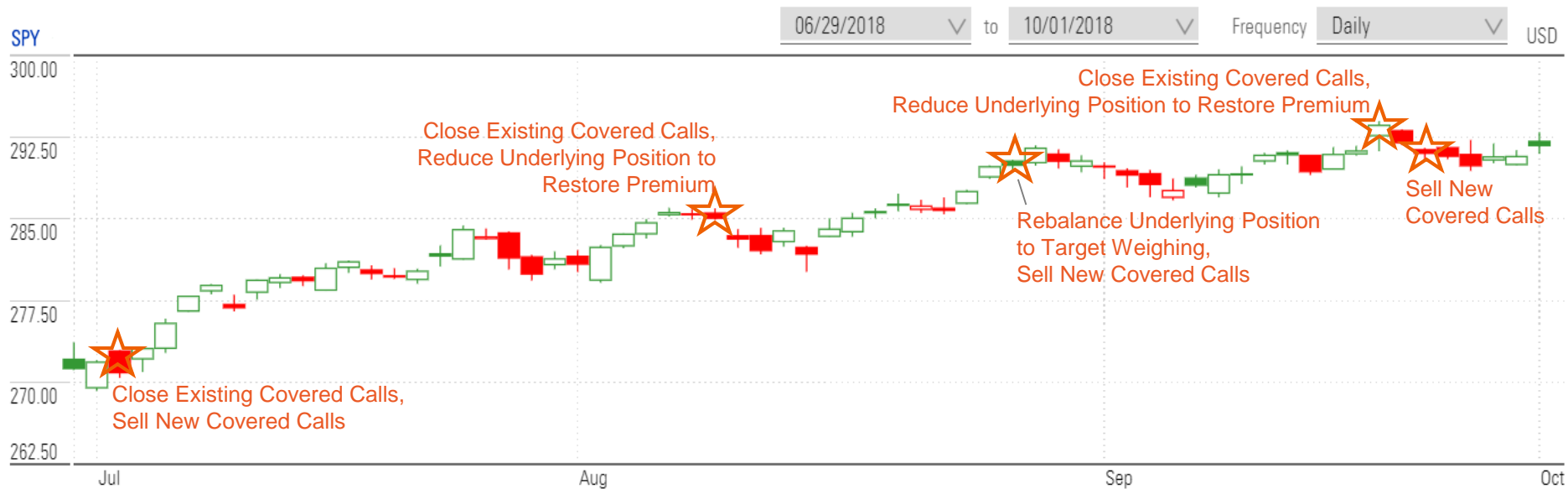


Source: Morningstar. **Past performance is not indicative of future results.**

X Axis – Time: 01/02/2018 – 04/04/2018

Y Axis – Price of SPY

# VEGA Case Study – Low Volatility Environment



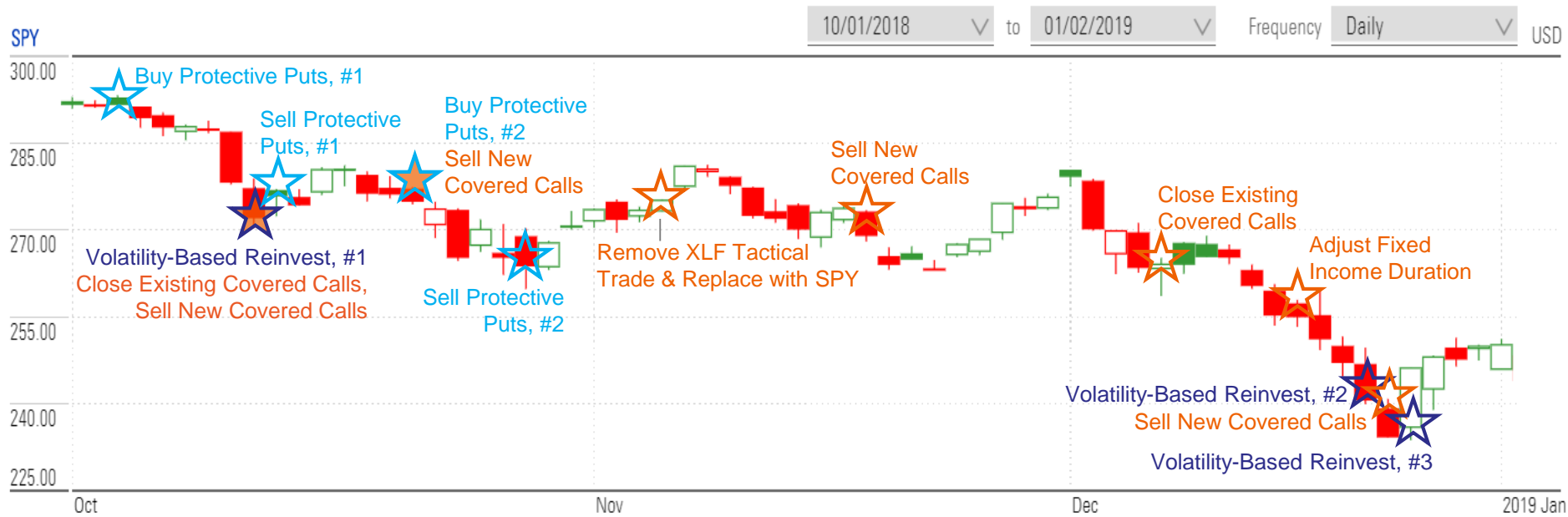
Source: Morningstar. **Past performance is not indicative of future results.**

X Axis – Time: 06/29/2018 – 10/01/2018

Y Axis – Price of SPY



# VEGA Case Study – Extended High Volatility Environment



Source: Morningstar. **Past performance is not indicative of future results.**

X Axis – Time: 10/01/2018 – 01/02/2019

Y Axis – Price of SPY

## VEGA Case Study – Disclaimers

*The Case Study slides depict all actual trades placed for the STAR™ Global Buy-Write ETF (VEGA) within the stated periods, which were selected based on varying periods of volatility. A different time period would yield different trading activity results. No statement is to be construed as investment advice for a particular client, or a recommendation to purchase or sell a security, including, without limitation, VEGA. Any single past transaction presented is not provided for purposes of demonstrating performance, rather it is presented to describe the methodology of the strategy. Thus the results of the single transaction should not be taken as representative of what other transactions produced which could be materially worse than that shown by the single transaction*

*Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. VEGA is a diversified equity and fixed income ETF that utilizes an option overlay with covered calls and protective puts on the equity component.*

*Through its investments in ETFs and mutual funds, VEGA is subject to the risks associated with the underlying investments of the funds. Please refer to the Fund's prospectus for additional information, including the associated risks. VEGA is also subject to options risk. Writing and purchasing call and put options are specialized activities and entail greater than ordinary investment risk. The value of VEGA's positions in options fluctuates in response to the changes in value of the underlying security. VEGA also risks losing all or part of the cash paid for purchasing call and put options.*

### **Past performance is not indicative of future results.**

#### *Definitions:*

- *An **option** is a privilege sold by one party to another that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a stock at an agreed upon price within a certain period or on a specific date.*
- *An **option premium** is income received by an investor who sells or “writes” an option contract to another party.*
- *A **covered call option** involves holding a long position in a particular asset, in this case shares of an ETF, and writing a call option on that same asset with the goal of realizing additional income from the option premium.*
- *A **put option** is a contract that gives the owner of the option the right to sell a specified amount of the asset underlying the option at a specified price within a specified time.*
- *A **protective put** is an option strategy which entails buys shares of a security and, at the same time, enough put options to cover those shares. This can act as a hedge on the invested security, since matching puts with shares of the stock can limit the downside (due to the nature of puts).*
- ***Exercising an option** means to put into effect the right specified in a contract.*
- ***Beta** measures the volatility of a security or a portfolio in comparison to the entire market.*

# VEGA ETF Fund Page

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## (VEGA) STAR GLOBAL BUY-WRITE ETF

NAV as of 9/18/2019: **\$32.77** | 1 Day NAV Change as of 9/18/2019: **\$0.00**

Morningstar Rating: **★★★★**  
Option Writing  
3 year Morningstar rating as of 8/31/2019, based on risk-adjusted returns of % funds.

Manager Commentary | Fact Sheet | Social Conversation

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Overview | Pricing | Performance | Holdings | Portfolio | Documents | Distributions

### VEGA Overview

The AdvisorShares STAR Global Buy-Write ETF (NYSE Arca: VEGA) seeks consistent repeatable returns across all market cycles. VEGA is sub-advised by Partnervest Advisory Services, LLC ("Portfolio Manager"). The Portfolio Manager seeks to achieve the investment objective by using a proprietary strategy known as Volatility Enhanced Global Appreciation ("VEGA"). VEGA is primarily a "fund of funds" and employs a "Buy-Write" or "Covered Call" overlay for its global allocation strategy using Exchange Traded Products (ETPs).

According to the internal benchmark policy, the Portfolio Manager will use both ETFs and individual equities to implement its tactical allocation strategy in which the volatility of each of the underlying positions determines the amount of option hedging. During periods of high volatility, the Portfolio Manager will write (or sell) a call option against some of its positions in order to hedge downside risk, while generating an income stream from the sale of options. At any given time, approximately 60% to 85% of VEGA's positions will have covered options. Additionally when volatility is low, the portfolio manager buys protective put options to manage downside risk.

Symbol	Exchange	Inception Date	CUSIP	Indicative Value
VEGA	NYSE Arca	9/17/2012	00768Y768	VEGA.IV

Why Invest in VEGA? ●

Key Attributes ●

About the Portfolio Managers ●

**VEGA July 2019 Portfolio Manager Review**

Portfolio Review

Metric	Value	Unit
Assets	1,000,000,000	USD
Liabilities	100,000,000	USD
Net Assets	900,000,000	USD
NAV	32.77	USD
1 Day NAV Change	0.00	USD
3 Year NAV Change	100.00	%

Top Holdings

Symbol	Weight	Value
SPDR S&P 500	10.00%	90,000,000
SPDR EURO STOXX 50	10.00%	90,000,000
SPDR EURO STOXX 50	10.00%	90,000,000

Portfolio Manager Commentary

**VEGA** | ADVISORSHARES<sup>®</sup>  
Actively Managed ETFs

Assets Under Management: \$1.00B

Net Assets: \$900M

NAV: \$32.77

1 Day NAV Change: \$0.00

3 Year NAV Change: 100.00%

Assets Under Management: \$1.00B

Net Assets: \$900M

NAV: \$32.77

1 Day NAV Change: \$0.00

3 Year NAV Change: 100.00%

Fact Sheet

[www.advisorshares.com/fund/vega](http://www.advisorshares.com/fund/vega)



## Disclosures

***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. Other Fund risks included: allocation risk; derivative risk; early closing risk; Exchange Traded Note risk; liquidity risk, market risk; trading risk; commodity risk; concentration risk; counterparty risk; credit risk; emerging markets and foreign securities risk; foreign currency risk; large-, mid- and small- cap stock risk. Please see the prospectus for detailed information regarding risk. The Fund is also subject to options risk. Writing and purchasing call and put options are specialized activities and entail greater than ordinary investment risk. The value of the Fund's positions in options fluctuates in response to the changes in value of the underlying security. The Fund also risks losing all or part of the cash paid for purchasing call and put options. The Fund may not be suitable for all investors.

Shares are bought and sold at market price (closing 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.

Investments are Not FDIC insured – May Lose Value – and Have No Financial Institutional Guarantee. This material is not intended as tax, legal or accounting advice. These materials do not constitute a solicitation for the purchase or sale of securities.

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