



MINC

The AdvisorShares Newfleet Multi-Sector Income ETF





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About Newfleet Asset Management



- Newfleet is a SEC registered investment adviser and wholly-owned affiliate of Virtus Investment Partners (Nasdaq: VRTS), a company with a multi-manager, multi-strategy model and AUM of \$105.0 billion (as of 6/30/19)
- The Virtus/Newfleet Asset Management relationship allows Newfleet to focus on fixed income investing while Virtus provides full business infrastructure resources and management as well as seed capital provider for new initiatives
- Newfleet enjoys investment and operational autonomy
- Fully integrated, dynamic team where all asset classes work together / no silos
- Exceptional team continuity, where the core team has worked together for over 21 years and the multi-sector investment process has been in place for 26 years

Newfleet Asset Management	
Location:	Hartford, CT
AUM:	\$10.6 billion in total assets*
Team Members:	35
Products:	<ul style="list-style-type: none">• Open-End Funds• Closed-End Funds• Actively Managed ETFs• Variable Insurance Trust Funds• Structured Product – CLO & CDO• Institutional Accounts• UCITS

**As of June 30, 2019. Assets are reported gross. GIPS calculated net assets are \$10.5 billion.*



MINC Investment Team

MINC Portfolio Managers:

David Albrycht | CFA, Chief Investment Officer and Senior Portfolio Manager
34 Years Experience (34 with Newfleet)

Benjamin L. Caron | CFA, Senior Managing Director and Portfolio Manager
21 Years Experience (15 with Newfleet)

Multi-Sector Portfolio Managers (5 members)

23 years average investment experience | 19 years average experience with Newfleet

Sector Managers (9 members)

25 years average investment experience | 18 years average experience with Newfleet

High Yield – Loans – Investment Grade – Distressed Credit – Municipals (Taxable & Tax-Exempt) –
Securitized Product (CMBS, ABS, RMBS & MBS) – Emerging Markets (EMHY, YKHQ & Non-Dollar)

Credit Research (9 members)

12 years average investment experience | 8 years average experience with Newfleet

Autos, Banking, Brokerage, Chemicals, Consumer Products, Consumer Services, Electric, Emerging Markets, Energy, Environmental, Finance Companies, Food, Gaming, Generalist, Health Insurance, Healthcare, Insurance, Leisure, Lodging, Media Non-Cable, Media-Cable, Metals/Mining, Municipals, Natural Gas Distributors, Natural Gas Pipeline, Other Industrial, Other Utility, Packaging & Paper, Pharmaceuticals, Railroads, REITs, Retail, Securitized Product, Supermarkets, Technology, Telecom, Textile, Tobacco, Transport Services

Trading (3 members)

15 years average investment experience | 9 years average experience with Newfleet

- Longstanding global multi-sector approach to fixed income investing has offered **access to all available asset classes of the fixed income market** for over two decades.
- **Multi-sector analysts and traders participate** in investment decisions, with final assessment made by portfolio management team.
- **Asset classes are not viewed in a vacuum.** Collaborative style and formal process result in fixed income sector heads sharing information that can be cross-utilized to make better informed investment decisions.



Investment Strategy Overview

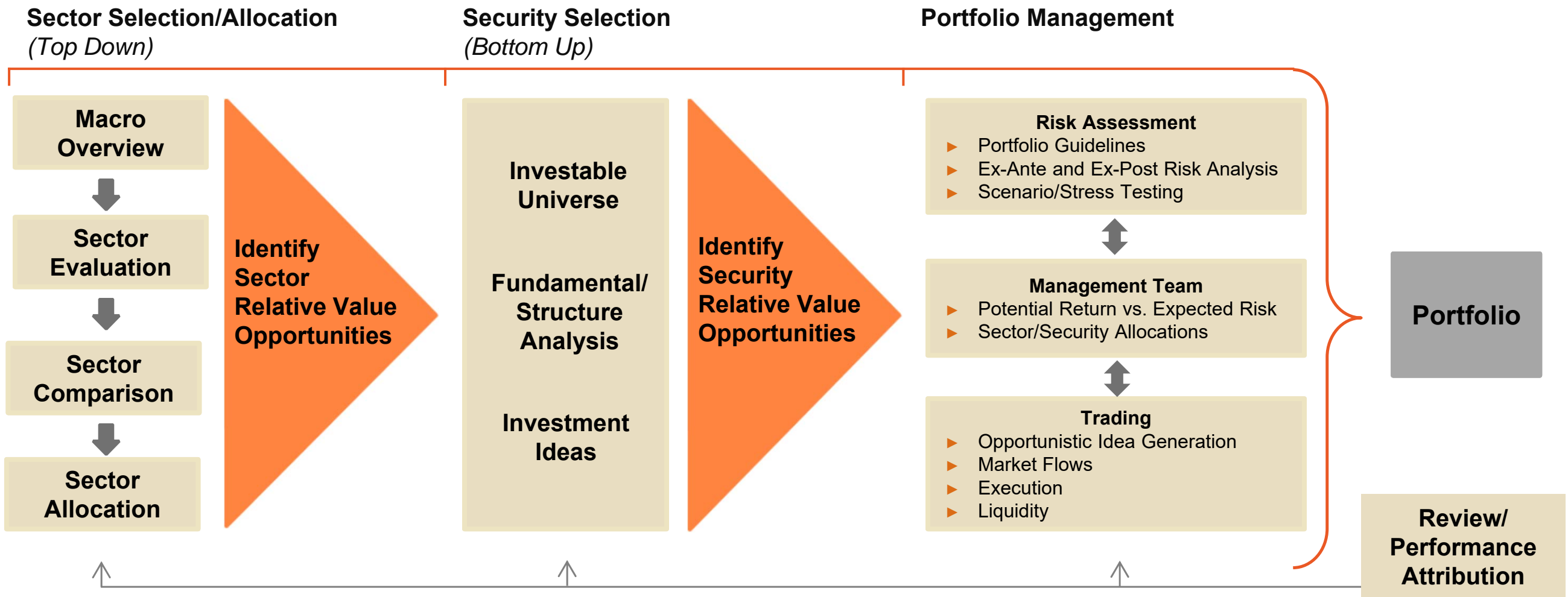
- MINC is a **low-duration, multi-sector bond strategy** that seeks to provide current income consistent with the preservation of capital while limiting fluctuations in net asset value (NAV).
- The actively managed MINC seeks a duration that is significantly shorter than index fund peers, targeted at between one and three years, which may provide **insulation from interest rate hikes**.
- An **opportunistic, value-driven** approach is used by the portfolio manager to overweight and underweight different bond sectors to build a **diversified portfolio** that invests primarily in high quality, investment grade debt securities.
- MINC utilizes **disciplined risk management** controls both to avoid overvalued segments of the bond market and to set parameters from over-allocating to individual industries, below-investment grade, and non-U.S. debt securities.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. In general, the higher the duration, the more a bond's price will drop as interest rates rise (and the greater the interest rate risk).



Investment Process Overview

- ▶ Fixed income sector analysis leads to attractive relative value opportunities





Sector Analysis & Allocation

STEP 1: EVALUATE – RELATIVE VALUE ASSESMENT OF SECTORS

- Relative value determined by fundamentals, technical and valuations

STEP 2: COMPARE – RELATIVE VALUE ACROSS SECTORS BY RISK CATGEGORY

Non-IG Credit Risk	Credit Risk	Securitized Risk	Interest Rate Risk	Currency Risk
Corporate High Yield	Corporate Investment Grade	Mortgage Backed Securities	Agency Debentures	Non-U.S. Dollar
Bank Loans	Residential MBS	↔ Residential MBS	U.S. Treasuries	
Emerging Markets High Yield	Asset-Backed Securities	↔ Asset-Backed Securities	Municipals	
	Commercial MBS	↔ Commercial MBS		
	Yankee High Quality			
	Taxable Municipals			

STEP 3: ALLOCATE – OPTIMIZE INTRA-SECTOR POSITIONING ACROSS PORTFOLIOS

- Credit Quality
- Duration
- Non-U.S. Exposure

FORMAL MONTHLY MEETINGS

Sector Review

Attendees: Sector Heads, Multi-Sector PM Team
Purpose: Sector Heads present their sector assessments on the basis of fundamentals, technicals and valuations.

Sector Allocation

Attendees: Sector Heads, Multi-Sector PM Team
Purpose: Sector Heads recommend weightings, changes to Team/PMs

Issuer Review

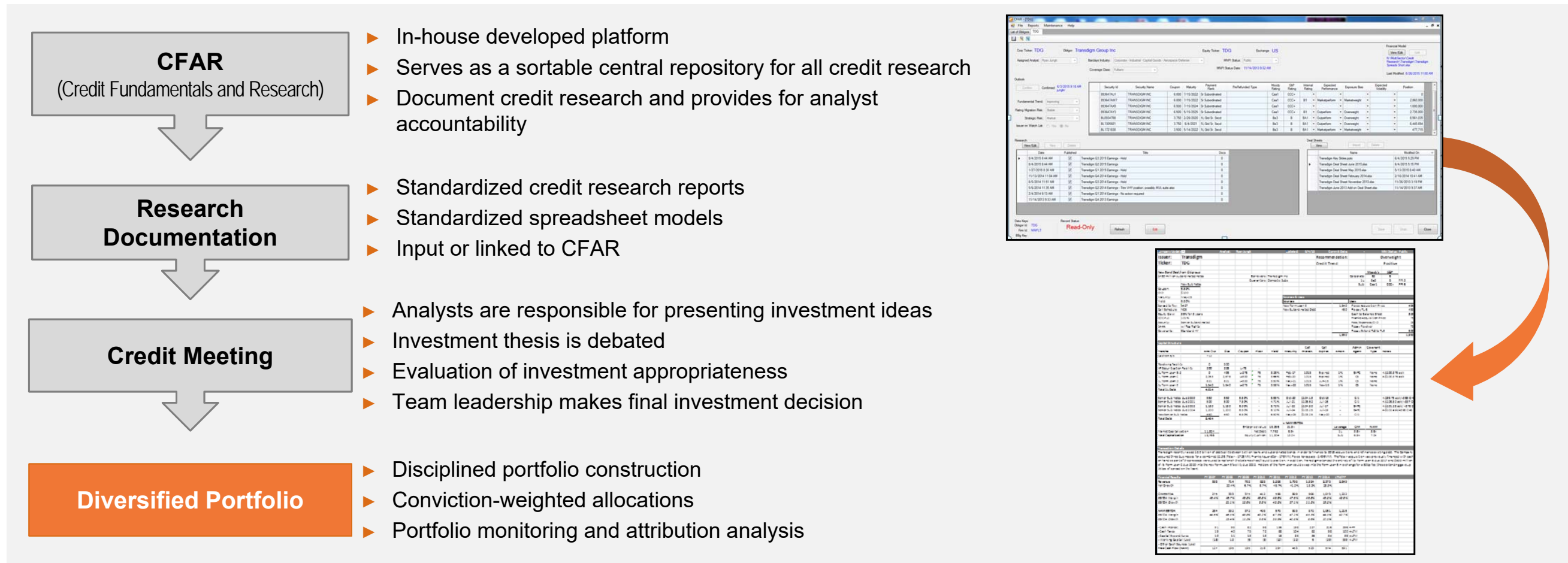
Attendees: Sector Heads, Credit Analysts, Multi-Sector PM Team
Purpose: Credit analysts evaluate potential credit recommendations with the entire analyst team

Portfolio Review

Attendees: Sector Heads, Multi-Sector PM Team
Purpose: PMs review allocation decisions, execution, attribution discussion



Security Selection

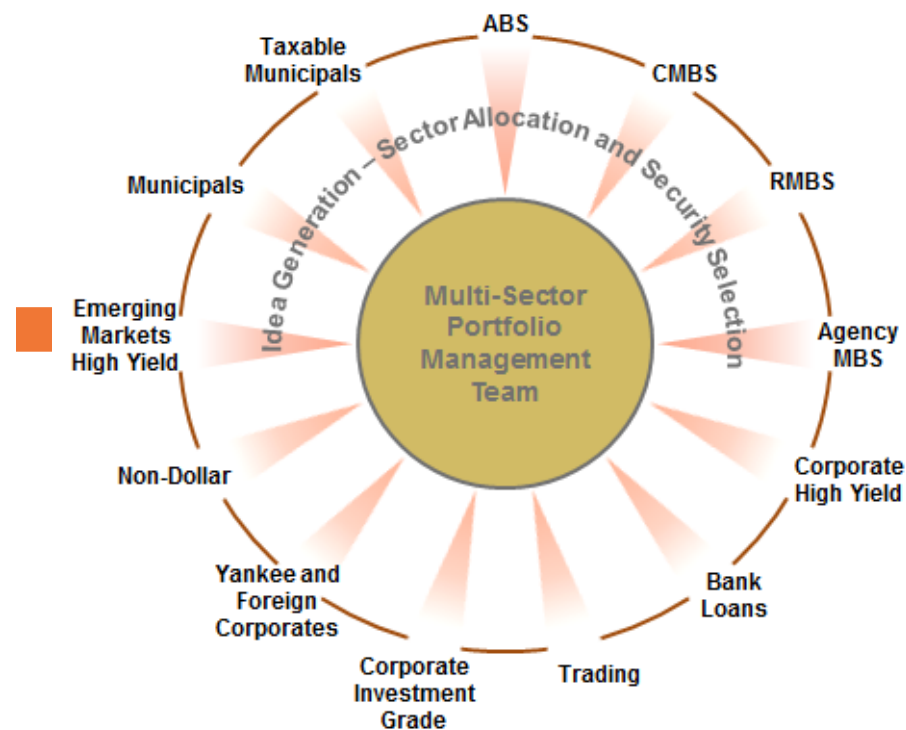


Create rigorous and repeatable investment process



Portfolio Management

Sector/Security Investment Recommendations



Implementation

- ▶ Portfolio-specific Implementation
 - ▶ Day-to-Day Monitoring
 - ▶ Opportunistic Approach
-
- ▶ Security-Level Implementation/ Positioning
 - ▶ Dynamic Team Interactions
-
- ▶ Portfolio Analytics/Monitoring
 - ▶ Trade Allocation

Portfolio

- Experienced investment team debates value across sectors
- Portfolio managers set sector targets based on sector manager recommendations and portfolio-specific guidelines
- Model portfolios provide a road map for security purchases

- Portfolios are constructed of best ideas
- Diversified portfolios reflective of sector views
- Multi-sector accounts and specialty mandates
- Established/repeatable process



Risk Management

MONITOR PORTFOLIO FROM THREE PERSPECTIVES TO UNDERSTAND SOURCES OF RISK AND RETURN

People

- ▶ Portfolio Managers focus on understanding overall portfolio risk
- ▶ Sector Managers/Analysts constantly monitor sectors and positions
- ▶ Sector/industry/geographic diversification
- ▶ Key factor sensitivities – credit, interest rates, currencies, etc.
- ▶ Position sizes generally scaled by default probability and portfolio risk tolerance

Technology

- ▶ Portfolio guidelines and constraints integrated into systems
- ▶ Robust systems allow for ex-ante and ex-post portfolio analysis – stress testing
- ▶ CRD, FactSet (including MAC), Bloomberg, Intex

Independent Oversight

- ▶ Portfolio guidelines and constraints integrated into systems
- ▶ Robust systems allow for ex-ante and ex-post portfolio analysis – stress testing
- ▶ CRD, FactSet (including MAC), Bloomberg, Intex

- ▶ Continual, “live” assessment questions how market dynamics may impact the portfolio
 - Why this investment idea now?
 - What could go wrong?
 - What has the market already discounted?
 - What is the opportunity cost of allocating to this?



The Case for MINC

Provides fixed income **portfolio diversification** that seeks to mitigate risk by investing among all material bond sectors with issues of different maturities and credit qualities

Employs an **opportunistic, value-driven** approach that utilizes time-tested active bond sector rotation and high quality security selection process

MINC's security selection combined with its **disciplined risk management** can provide an effective means of achieving **total returns** in the fixed income market

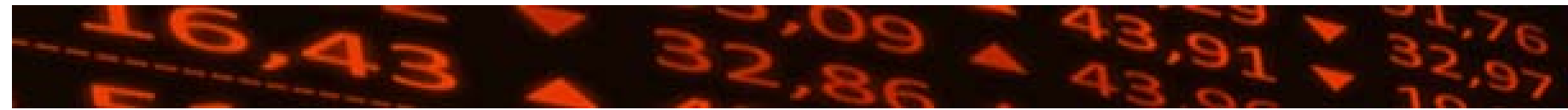
MINC allows a **simplified approach to bond investing**, and is designed for any investor seeking a **single strategy** that invests across all major bond sectors



How MINC Fits Within a Portfolio

- MINC can serve as a core, standalone investment strategy for a fixed income allocation – delivering an alpha-seeking strategy that can provide more diversification than funds that track popular benchmarks such as the Bloomberg Barclays Capital U.S. Aggregate Bond Index, which over 60% of its constituents comprise of U.S. Treasuries and U.S. government agency debt securities.





Strategy Summary - MINC

- Actively managed ETF sub-advised by an industry-leading fixed income portfolio manager who employs a **low-duration, multi-sector bond strategy** designed to provide current income with the preservation of capital with limiting fluctuations in NAV.
- MINC's **opportunistic, value-oriented approach** utilizes top-down active bond sector rotation and bottom-up high quality issue selection, combined with **disciplined risk management**, which can provide an efficient and effective means of achieving total returns in the fixed income market.
- MINC's impressive **portfolio diversification** seeks to mitigate its risk by investing primarily in investment grade securities across **14 different bond sectors** with different maturities and credit qualities – unlike other fixed income ETFs that may track popular bond indexes which significantly skew towards U.S. Treasuries and U.S. government agency debt securities.
- The **distinguished portfolio management and professional experience** provided by the Newfleet team spans across multiple decades working together – an expertise that actively manages MINC.



Benefits of the Active ETF Structure

- **Full Transparency** – Investors can view all the underlying holdings of this active ETF on a daily basis.
- **Intraday Liquidity** – This active ETF can be bought and sold like a stock during the market trading day. Also, volume does not equal liquidity. This ETF's liquidity is driven by the constituents of its underlying portfolio.
- **Operational & Tax Efficiency** – Unlike mutual funds where investors are responsible for taxes on capital gains, the active ETF structure provides the potential to not pay any taxable capital gain distributions.



About AdvisorShares

- AdvisorShares is a **leading provider** of actively managed exchange-traded funds (ETFs).
- AdvisorShares became **among the first firms to bring actively managed ETFs to market**, delivering numerous “industry firsts,” and remains a leading and innovative provider in the rapidly expanding actively managed ETF space.
- Our diversified suite of investment strategies features accomplished investment managers making active decisions, similar to traditional mutual funds, except our fund portfolios are **delivered in a fully-transparent ETF structure**.



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Disclosure

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. Emerging and foreign market investments can be more volatile than U.S. securities and will expose the Fund to adverse changes in foreign economic, political, regulatory and currency exchange rates. See prospectus for details regarding specific risks.

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 CALLING 1.877.843.3831. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE YOU INVEST.

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