ADVISORSHARES®
Actively Managed ETFs

QPX/NYSE Arca

AdvisorShares Q Dynamic Growth ETF

The **AdvisorShares Q Dynamic Growth ETF** (Ticker: **QPX**) is an actively managed ETF seeks long-term growth by targeting equity market upside while tactically managing downside risk during abnormal market volatility. Using ETFs, QPX may invest in a broad variety of equities across market cap, style or sectors and will use various fixed income categories and commodities to manage risk. QPX seeks to optimally allocate the fund's assets against a given level of risk using a proprietary risk management process based on heavy tail analysis – **Q Methodology™**. Normally, QPX seeks to provide broad-market equity like returns and re-optimizes the portfolio monthly. However, during periods of high market volatility, QPX can allocate to a more defensive portfolio and seek short-term fixed income returns.

A Better Risk Model with Better Calculation Methods?

For decades, the finance industry has used a model borrowed from physics to measure the ups and downs of the financial markets. While this "standard model," known as Modern Portfolio Theory (MPT), works reasonably well for everyday normal markets, it fails to account for less frequent but significant market moves. Said differently, the standard model has difficulty accurately measuring risk.

Q Methodology was developed to address this problem. It uses more advanced mathematics and computing power in an effort to better measure, understand, and manage portfolio risk, as well as accounting for market outliers.

Q Methodology in Action

When using standard models, if a sample is far from the average, the results can be unrealistic and highly skewed.

EVENT: Market Volatility | February 6, 2018 | The Dow Jones Industrial Average fell and retraced 7.5% over three days

Modern Portfolio Theory: Once every 4,409 years

Q Methodology: Once every 15 months

Given the extreme volatility in 2008 and 2020, MPT's calculation sure doesn't feel right.

EVENT: Covid-19 Crisis | March 2020 | The S&P 500 Index fell over 30% in just 22 days

Modern Portfolio Theory: Once every 33,956,653 years

Q Methodology: Once every 37 years

If MPT was a good measure of risk, then we would not have to worry about another COVID-type selloff for another 34 million years.

EVENT: Black Monday | October 19, 1987 | The S&P 500 Index fell 20.5% in one day

Modern Portfolio Theory: Once every 10,000,000,000,000,000,000,000,000,000,000,000,000,000,000,000 billion years

Q Methodology: Once every 80 years

MPT's calculation is simply inconceivable. The universe is only 14 billion years old, yet we have already experienced such a market event.

As you can see from the examples above, standard models severely underestimate risk. Q Methodology's use of heavy tail analysis seeks to put the odds in the investor's favor by using a repeatable, dependable process, which may be a better way to account for market risk.

Investment Process - The following process is employed in managing QPX:

Step 1:
Review asset classes for possible inclusion in the portfolio.

Investment Universe

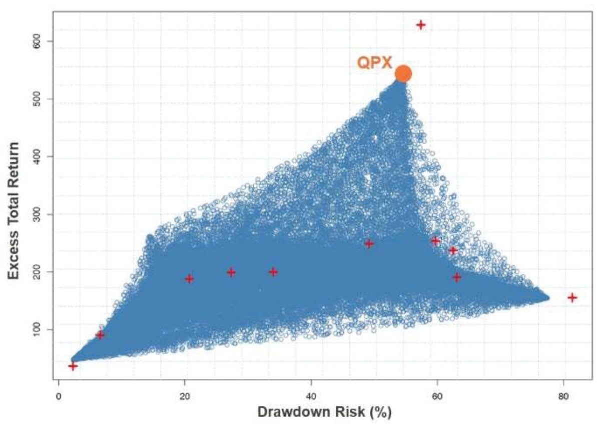
- Equity – foreign or domestic; large-, mid-, or small-cap; sector or broad-based
- Fixed Income – municipal, corporate, or government; any duration, maturity, or quality
- Commodity – gold, real estate

These are examples - sub-asset classes can change periodically

Step 2:
Generate the risk surfaces for desired asset class – 50,000+ computer model simulations – by applying Q Methodology.

Investment Universe

- Apply heavy tail analysis to measure tail risk against excess returns of every possible portfolio combination within the chosen asset classes.
- Map the portfolio combinations against a predetermined drawdown risk.
- Use low cost ETFs to represent the chosen asset classes.

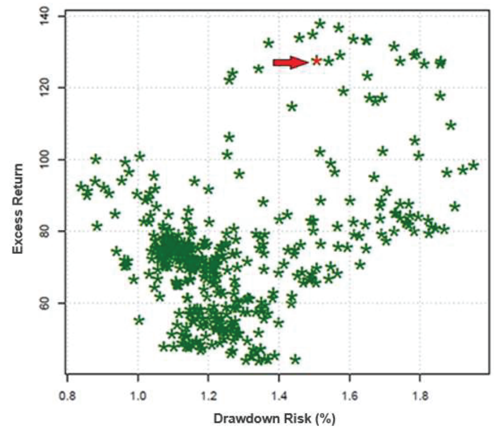


For illustrative purposes only

Step 3:
From the portfolio model simulations, identify the one that bests balances diversification with risk and build the portfolio.

Maximize Diversification

Optimize the portfolio by balancing risk with maximum diversification.



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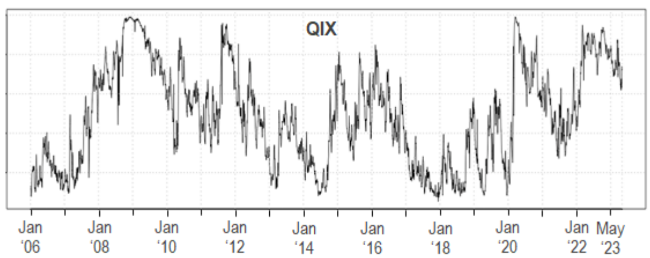
Step 4:
On a daily basis, QPX's market volatility indicator – the QIX™ – is monitored to determine if mid-month allocation changes need to be made.

Maximize Diversification

- During periods of high market volatility, QPX defensively moves to varying levels of fixed income / cash until a move back to equity is signaled.
- The defense trigger occurs when the QIX moves above a pre-determinded level. Once the QIX falls below that level, QPX moves back to normal equity exposure.



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Step 5:
Monitor the holdings & the QIX daily, run the process monthly, and manage the portfolio making any necessary adjustments tax efficiently.

***Tail risk** is the risk that an investment's return will move significantly beyond expectation.*

***Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information are 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.*

***Investing involves risk including possible loss of principal.** There is no guarantee the Advisors investment strategy will be successful. When models and data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the Fund to potential risks. In addition, the use of predictive models has inherent risk. Because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. The Fund's particular allocations may have a significant effect on the Fund's performance. Fixed income investments are subject to interest rate risk; their value will normally decline as interest rates rise. Fixed income investments are also subject to credit risk, the risk that the issuer of a bond will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. For a list of the asset class specific risks, please see the prospectus.* 20230605