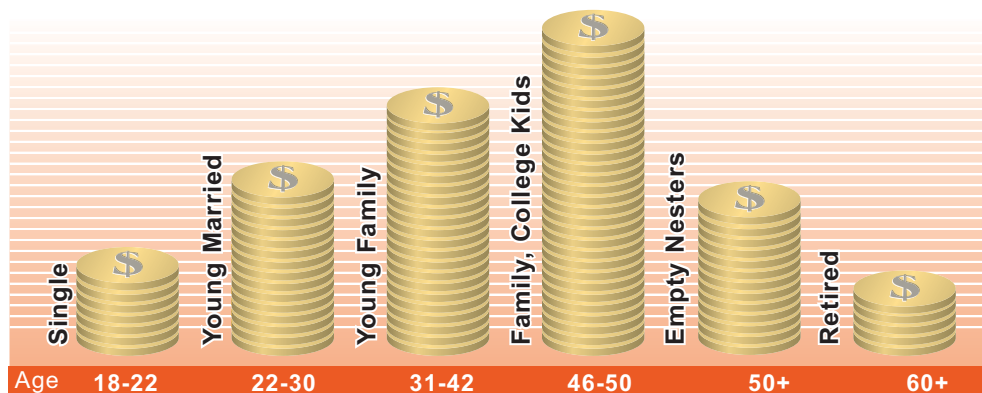


# DENT /NYSE

## The DENT Demographic Story

For more than 20 years Harry S. Dent, Jr. has studied demographics, consumer spending patterns, technology lifecycles, commodity cycles and geopolitical cycles. Using his work, Mr. Dent has been able to develop a method of forecasting when he believes economies will grow and when they will most likely contract.

The Dent Method is a long term economic forecasting technique based on the study of and changes in demographic trends and their impact on our economy. The Dent demographic story is based on the premise that consumers as a group are predictable in how they will spend money as they age. For example, the chart below demonstrates that we tend to increase our spending over time until our children leave home and then we usually become net savers. The economic life cycle goes through seasons of young adulthood, young marriage, older with children, midlife crisis, late adulthood and retirement.



Source: HS Dent Foundation

The Consumer Expenditure Survey is one of the main sources of raw data used in Dent research and forecasts. The survey has been conducted annually by the US government since 1984, and asks thousands of respondents over a period of weeks to list all income and expenditures out of their personal budgets - everything from sodas, movies, and mortgage payments to car payments, pizza, and insurance - literally anything paid out of the household is recorded. Respondents are then asked demographic questions such as age, education, number of children, and where they live. From this body of research Dent learns a tremendous amount about average spenders and identifies patterns of how consumers spend money at different ages, including what products and services are purchased at what age.

As consumers move through predictable stages of life which tend to correspond with the different stages of family development and growth, they change their spending in very predictable ways. When combined with an estimate of how many consumers are at each age and stage of life, this information can be used to forecast how spending will change in the years and decades to come. In fact, the most important demographic trends from inflation to economic growth can largely be forecasted two to five decades in advance. The Dent demographic method may help investors and business owners by identifying long-term trends that could profoundly affect our economy for years to come.

One of the most important principles to understand is that the economy has its own life cycle which will dramatically impact your investments.

Demographic trends may be the most critical driver of our economy in modern times, as they forecast not only peak spending and productivity, but also innovation and inflationary trends.

H.S. Dent Investment Management, LLC's is the Fund's Sub-Advisor. Its team of economic researchers utilizes true independent research on demographics studies to give investors a better understanding of the forecast for current and future business trends and developments in technology, as well as trends in careers, finance and real estate.

## The Investment Process

### The Four Step Process

The investment objective of the Dent Tactical ETF (NYSE Ticker: DENT) is long term growth of capital. DENT seeks to achieve its investment objective by identifying, through proprietary economic and demographic analysis, the overall trend of the U.S. and global economies and how consumer spending patterns may change based on this analysis. Then, the portfolio manager implements an investment strategy using ETFs (exchange traded funds) across several asset classes such as domestic and foreign equities, domestic or foreign fixed income or commodities. The portfolio manager systematically selects some of the strongest performing asset classes and invests in the specific ETFs that gains exposure to the target allocation. The portfolio is monitored daily given market changes and the portfolio can be reallocated at any time using a sell discipline designed to mitigate risk.

#### Step 1 Identify Investment Universe of ETFs

The portfolio manager identifies sectors, industries, styles and/or geographic regions believed to be demographically favored based on demographic analysis and economic research. Using a proprietary selection process, the portfolio manager identifies a target group of ETFs that correspond to the selected sectors, styles and/or geographic regions poised to benefit from demographic trends and anticipated consumer spending.

#### Step 2 Determine Relative Strength, Rank Using Proprietary Ranking Process

Using a proprietary ranking process and objective third party research, selected ETFs are ranked according to their relative strength. The relative strength is gauged by an unaffiliated third party research firm that measures price momentum, risk, and similar characteristics.

#### Step 3 Portfolio Construction

The portfolio manager then constructs the portfolio using the highest ranking ETFs that meet a minimum relative strength requirement according to the proprietary ranking process. The Fund is managed as a “fund of funds” made up of these highly ranked ETFs. When there are not sufficient sectors and/or ETFs that meet the minimum relative strength requirement of the model, the balance of the Portfolio’s assets will be allocated to defensive investments such as high quality debt or cash.

#### Step 4 Construct Portfolio, Rebalance

The portfolio manager may consider selling an underlying ETF based upon the proprietary model for one or more of the following reasons:

- the underlying ETF’s price has reached its target
- the underlying ETF’s price or fundamentals appear to be deteriorating
- better underlying ETF selections have been identified
- the underlying ETF’s price fell to a point where it triggered the portfolio manager’s sell discipline.

**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.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Other Fund risks include asset allocation risk, trading risk, early closing risk, turnover risk, and temporary defensive positions risk. The Fund is, also, subject to the risks associated with the underlying ETFs that comprise this “fund of funds”. The underlying ETFs’ risks, as detailed in the prospectus, include small and large cap company risk, real estate investment trusts (REITs) risk, interest rate risk, credit risk, fixed income risk, foreign securities and currency risks, emerging markets risk, derivative risk, and commodity-linked derivative investment risk. Newly organized, actively managed Funds have no trading history and there can be no assurance that active trading markets will be developed or maintained.