

AADR NYSE Arca

Dorsey Wright ADR ETF

The AdvisorShares Dorsey Wright ADR ETF (Ticker: AADR) is an actively managed strategy that seeks long-term capital appreciation using a technical, systematically-driven investment approach that seeks to outperform international benchmarks such as the MSCI EAFE Index and the BNY Mellon Classic ADR Index.

Investment Philosophy

Dorsey, Wright & Associates, LLC serves as the AADR portfolio manager and believes that financial markets continue to provide the best available opportunities for investors to build and preserve long-term wealth. However, to capitalize on the opportunities in the financial markets, an investor should have a systematic investment strategy. AADR's investment strategy follows Dorsey Wright's core philosophy of relative strength investing, using a proprietary systematically-driven methodology that involves buying securities that have appreciated in price more than other equities within its investment universe and holding those securities until they exhibit sell signals.

Why Relative Strength?

The portfolio manager relies on relative strength to manage portfolios because of its adaptive nature and its long-term track record. Relative strength is simple in concept, yet powerful in application. Relative strength is simply the comparison of price performance within a universe of securities. It relates to Newton's Law of Motion, which suggests that objects that are in motion tend to stay in motion until an extended force acts upon them. So, in the financial world this means that stocks with good fundamentals, in a market that in general is supporting higher prices, tend to continue to do well. Analyzing securities by their relative strength provides a way to identify the current leaders. It is those market leaders that AADR seeks to own.

Relative strength also allows the ability to identify the laggards. Successful investing also requires avoiding big losers. One of the characteristics of the investment universe of American depository receipts (ADRs) used for AADR is that there is a significant amount of dispersion, meaning there are a lot of stocks that have tremendous performance and others that have dreadful performance. That is great for any relative strength strategy. The portfolio manager believes that relative strength is equally good at identifying long-term winners and losers.

Investment Process

The portfolio manager employs the following four-step process in managing AADR:

Step 1 - Sector Model

A sector overlay, based on relative strength, proposes the weight in each sector and industry group.

Sector Model

Model proposes the weight of 10 macro sectors and 65 industry groups

Step 2 - Stock Model

A universe of small, mid & large cap stocks with sufficient liquidity is ranked by the proprietary relative strength model.

Stock Model

Universe screened for sufficient liquidity and ranked by relative strength

Portfolio Construction

Rigorous qualitative review of suggested model changes

Step 3 - Portfolio Construction

Current portfolio allocations are compared against model weightings and holdings to identify needed changes.

Sell Discipline

Stops for each position based on relative strength ranking

Step 4 - Sell Discipline

Stops for each position are based on proprietary relative strength rankings.

