

**Part 2A of Form ADV: Firm Brochure**

**Item 1: Cover Page**



**ENTREPRENEURSHARES<sup>®</sup>**  
LEADERSHIP MATTERS

**DISCLOSURE BROCHURE  
(PART 2A of Form ADV)**

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**March 27, 2020**

This brochure provides information about the qualifications and business practices of EntrepreneurShares LLC. If you have any questions about the contents of this brochure, please contact us at: 617-279-0045, or by email at: [info@ershares.com](mailto:info@ershares.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about EntrepreneurShares LLC, including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2: Material Changes**

There have been material changes to this brochure since its last update on June 10, 2019.

Effective December 04, 2019, The EntrepreneurShares Series Trust board of directors formally designated Mihai Prisacariu as the Chief Compliance Officer (“CCO”) for all entities under the EntrepreneurShares Series Trust. Mihai Prisacariu became interim CCO on May 21, 2019. The EntrepreneurShares Series Trust board of directors formally designated Mihai Prisacariu as the interim CCO at the board of directors meeting on June 10, 2019.

Effective March 25, 2020, the EntrepreneurShares Series Trust, which is made up of the three following entities; Capital Impact Advisors, LLC, Seaport Global Advisors, LLC, and EntrepreneurShares, LLC, approved to move all services from RSM US LLP to BBD, LLP. These services include: auditing the financial statements, preparing or reviewing the Federal and State (if applicable) income tax returns, preparing the annual excise tax returns, issuance a consent for inclusion with the annual N-1A filing, reviewing the calculations of the annual distribution requirements; and informal consultation throughout the year.

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#### **Item 4: Advisory Business**

EntrepreneurShares, LLC (“EntrepreneurShares”) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). EntrepreneurShares, LLC was founded and has been registered as an investment adviser since July 2010. Dr. Joel M. Shulman is the principal owner of EntrepreneurShares.

##### **Investment Management Services**

EntrepreneurShares invests money according to the separate strategies the firm has developed and does not customize investments and portfolios to the needs and desires of an individual client.

It is the view of EntrepreneurShares that organizations that emphasize entrepreneurial culture, organic growth, and shareholder-aligned compensation have the potential to outperform non-entrepreneurial corporations over time. Entrepreneurs tend to keep their organization costs lean, debt levels manageable, and expansion projects within reach. Though they may have much less access to cheap debt or equity, they tend to more than compensate with methods for making their resources go further. Consequently, entrepreneurs generally are less affected than non-entrepreneurs by macro-credit decisions that reduce borrowing capacity in the marketplace, and generally have the balance sheets to withstand difficult capital-market conditions. In addition, they have the management expertise, confidence, and savvy to navigate unexpected disruptions.

Entrepreneurs with vast financial resources are not always successful. In order to grow, entrepreneurial teams need opportunities to match their resources with appropriate projects. Entrepreneurs tend to seek out and deliver projects with high return on invested capital and engage in successful deal brokering. They tend to leverage business relationships to full economic advantage and position their company at the center of industry growth. Their wealth is created, in part, from a unique vision on how to extract value within competitive market environments. Eventually, the outstanding results of entrepreneurial businesses should attract the attention of analysts and the media, and publicly traded stocks of successful entrepreneurial companies are bid higher.

EntrepreneurShares searches for attributes that are markers of entrepreneurial behavior and can be monitored. For example, an organization with an “entrepreneurial culture” is presumed to have a more efficient workforce that will outperform non-entrepreneurial companies. If this is the case, then the portfolio manager expects entrepreneurial companies to have lower “SGA” (selling, general, and administrative) expenses, higher gross margins, and higher “ROA” (return on assets). Company SGA, ROA, net profit, and other margin-related factors are monitored and compared to industry benchmarks.

EntrepreneurShares evaluates “entrepreneurial vision” and presumes that company managers with better entrepreneurial vision will select more efficient and economically effective growth vehicles, without taking on undue risk. This trait might be represented by superior growth characteristics compared to other non-entrepreneurial peer companies in the same industry. These characteristics include: (i) more organic growth; (ii) more

strategic alliances/partnerships/licensing deals; (iii) lower debt levels; (iv) lower or no dividends; and (v) higher sales turnover (sales divided by total assets).

There may be a number of factors that distinguish entrepreneurial companies from non-entrepreneurial companies. According to the portfolio manager, these attributes include:

- (1) organic growth opportunities
- (2) above-average ownership stakes among key stakeholders
- (3) low SGA expense
- (4) above-average ROIC (return on invested capital)
- (5) sustainable growth
- (6) manageable debt
- (7) active strategic alliances/partnerships/licensing deals
- (8) shareholder-aligned executive compensation packages
- (9) low executive turnover
- (10) transparent corporate governance
- (11) long duration of key managers
- (12) low or no dividends
- (13) family involvement
- (14) high EBITDA (earnings before interest, taxes, depreciation, and amortization) margin percentage
- (15) other significant stakeholder relationships (such as key board members, etc.)

Investments are not held by EntrepreneurShares. Instead, all investments managed by EntrepreneurShares are held at the custodian or brokerage firms ("Custodian") through which transactions are placed. EntrepreneurShares does not assure or guarantee the results of its investment management services. Thus, losses can occur from following EntrepreneurShares' advice pertaining to any investment or investment approach.

### **Type of Advisory Services**

**EntrepreneurShares Proprietary Strategies:** EntrepreneurShares, LLC manages separate accounts ("SMA") using its proprietary EntrepreneurShares portfolio strategies (the "Strategies" or "EntrepreneurShares Proprietary Strategies"), which seeks capital appreciation. The strategies are identified as followed: the Global Strategy, the U.S. Large Cap Strategy, and the U.S. Small Cap Strategy. The strategies seek investment results that correspond generally to the performance, before fees and expenses, of the corresponding benchmarks; MSCI World Index, S&P 500, and Russell 2000, by actively selecting the securities of the Index to be held by the portfolio. EntrepreneurShares also develops and maintains the Entrepreneur 30 Index and the Entrepreneur Non-US Small Cap Index.

**Mutual Funds:** EntrepreneurShares serves as sub advisor to the ERShares Global Mutual Fund (the "Fund" or the "Global Fund"), which seeks long-term capital appreciation. As sub advisor, EntrepreneurShares is primarily responsible for the day-to-day management of the investment portfolio of the Fund.

The Fund seeks investment results that exceed the performance, before fees and expenses, of the MSCI World Index, through active principles-based securities selection. The Fund mainly invests in equity securities of global companies with market capitalizations that are above \$300 million at the time of initial purchase and possess entrepreneurial characteristics, as determined by the Fund's portfolio manager. In view of this, the Fund may be subject to above-average risk. Clients and prospective clients are encouraged to carefully read the Fund's Prospectus for details about the Fund's objectives and fees.

**Unified Managed Account Services:** EntrepreneurShares participates in Unified Managed Account ("UMA") programs at various organizations. EntrepreneurShares does not manage or have discretionary authority over any UMA assets, nor does it process transactions. Rather, EntrepreneurShares provides the portfolio model to the UMA program sponsor and its managers utilize the model as they deem appropriate for client assets under their supervision and control. EntrepreneurShares also provides updates to the model as part of its service

**Assets under Management:** As of December 31, 2019, EntrepreneurShares' discretionary assets under management were \$61,080,162.93

As of 12/31/2019, EntrepreneurShares had Assets under Advisement of \$10,538.33 in one Unified Management Account.

## **Item 5: Fees and Compensation**

**Investment Management Services Fee:** As compensation for its services, EntrepreneurShares charges a percentage of the market value of the assets it manages. The fees are based on an annual percentage rate applied to the market value of the portfolio on a quarterly basis, and in some cases, monthly. Clients may choose to be invoiced or EntrepreneurShares can direct debit from the client's custodial account, either quarterly or monthly, in advance or in arrears. In most cases the fees are calculated based upon the market value of the portfolio at the end of each quarter/month, although some accounts are billed based upon the market value of the portfolio at the beginning of the quarter. The timing of calculations is determined in the services agreement before services begin. One-fourth in the case of quarterly billing or, in the case of the monthly-billed clients, one-twelfth of the annual fee is then billed to the client for services performed during that quarter or month. For clients billed at the beginning of each quarter, and in the event that a client terminates their investment advisory contract prior to the end of the quarter, the fee will be recalculated from the beginning of the quarter to the termination date; any difference between what was paid and the new fee will be returned to the client. For clients billed at the end of each quarter, and in the event that a client terminates their investment advisory contract prior to the end of the quarter, the fee will be pro-rated for the partial period that the account was under management. The management agreement runs for an initial period of one year, and quarterly thereafter. The agreement generally may be terminated by either party without penalty upon 30 days' written notice. If an account is terminated prior to the end of the quarter, the fee for the remainder of the quarter will be refunded.

**EntrepreneurShares Proprietary Strategies:** Fees for this service are based upon the following fee schedule:

Assets Under Management Per Annum

First \$20 Million: 1.25%

Over \$20 Million: Negotiated

Accounts that are affiliated, whether by family or corporate relationships, are aggregated for purposes of meeting the applicable breakpoints in the above schedules. EntrepreneurShares will negotiate fees for accounts of substantial size, or with platforms with small accounts that in aggregate are of substantial size.

EntrepreneurShares may, under certain circumstances and at its discretion, charge lower fees than the published fee schedule for the first \$100 million committed or deposited in each strategy created by EntrepreneurShares. Typically, these lower fees only apply to large institutional manager-of-manager accounts whose multi-manager investment guidelines and business model require a lower fee be applied.

EntrepreneurShares does not charge a fee on client assets invested in the Fund because it receives a management fee directly from the Fund as set forth below.

Clients may pay additional charges for their separately managed accounts in addition to the investment advisory fees paid to us. Clients will pay custodial fees and are also likely to incur brokerage transaction fees. Item 12 discusses brokerage transactions in more detail.

**ERShares Global Fund fee schedule:** In return for managing Fund assets, EntrepreneurShares receives a management fee of 1.25% of the value of Fund assets per year. EntrepreneurShares has agreed to lower its fee to ensure a cap on total Fund expenses of 1.57% for the Institutional share class and 1.82% for Retail class and Class A (which are not currently active).

**Other Fees:** Fees paid to EntrepreneurShares are for Investment Management Services only. The fees do not include, for example, fees charged by third parties such as third-party managers, or accountants and attorneys assisting with providing the client with accounting and legal advice. Commissions on transactions and other account fees will also be charged by brokerage firms in accordance with the account's brokerage or custodial firm's normal commission schedule. See Item 12, Brokerage Practices for additional information.

Prospective clients should be aware that in addition to EntrepreneurShares' advisory fees, each exchange traded fund or mutual fund in which a client's assets are invested also pays its own advisory fees and other internal expenses, which already have been deducted from the fund's reported performance.

#### **Item 6: Performance-Based Fees and Side-By-Side Management**

EntrepreneurShares LLC does not use a performance based fee schedule.

## **Item 7: Types of Clients**

### **Description**

EntrepreneurShares, LLC makes its advisory services available to a wide variety of clients including, but not limited to, investment companies, financial institutions, pension and profit sharing plans, corporations and individuals.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

The EntrepreneurShares proprietary strategies seek investment results that correspond generally to the performance, before fees and expenses, of the corresponding index by actively selecting the securities of the Index to be held; the Global Strategy's benchmark is the MSCI World Index, the U.S. Large Cap Strategy's benchmark is the S&P 500 Index, and the U.S. Small Cap Strategy's benchmark is the Russell 2000 Index. The strategies mainly invests in equity securities of global and domestic companies (depending on which strategy) with market capitalizations that are above \$300 million, at the time of initial purchase and possess entrepreneurial characteristics ("entrepreneurial companies"), as determined by the Fund's portfolio manager. Equity securities include common stocks, preferred stocks, convertible preferred stocks, warrants, options and American Depositary Receipts.

Normally, the Global Strategy will invest at least 40% of its assets in equity securities of companies domiciled or headquartered outside of the United States, or whose primary business activities or principal trading markets are located outside of the United States ("foreign companies"), unless market conditions are not deemed favorable by the Fund's portfolio manager, in which case we will invest less than 40% of its assets in securities of foreign companies. EntrepreneurShares Global Strategy invests in a broad range of securities in both developed and emerging markets.

The Global Strategy is unique, in part, due to the portfolio manager's proprietary selection process of identifying companies that the manager believes possess entrepreneurial characteristics. The Strategy utilizes quantitative models to narrow the broad universe of domestic and foreign companies in which it may invest down to a list of several hundred companies. The Strategy then uses fundamental analysis to identify from this list the entrepreneurial companies that it believes have the highest potential for long-term capital appreciation. By way of example, in conducting the fundamental analysis, the Fund looks for companies with a good business, shareholder-oriented management and organic growth. The portfolio manager will generally sell a portfolio security when the portfolio manager believes the security has achieved its value potential; changing fundamentals signal a deteriorating value potential; or other securities with entrepreneurial characteristics have better performance potential.

The U.S. Small Cap Strategy invests at least 80% of its net assets (plus any borrowing for investment purposes) in equity securities of small capitalization companies domiciled or headquartered within the United States, or whose primary business activities or principal trading markets are located within the United States. Small capitalization companies are companies with market capitalizations that are above \$300 million at the time of initial purchase.



The U.S. Large Cap Strategy will invest at least 80% of its net assets (plus any borrowing for investment purposes) in equity securities of U.S. companies with market capitalizations that are above \$5 billion at the time of initial purchase and possess entrepreneurial characteristics (“Entrepreneurial Companies”), as determined by the Fund’s portfolio manager. Equity securities include common stocks, preferred stocks, convertible preferred stocks, rights, warrants, options and ADRs.

The following two strategies differ in that they track the Entrepreneur 30 Index and the Entrepreneur Non-U.S. Small Cap Index, respectively. These indices are constructed using a rules-based methodology which is further elaborated on below.

The Entrepreneur 30 Index comprises 30 United States (“U.S.”) Companies with the highest market capitalizations and composite scores based on six criteria. The Entrepreneur 30 Index is constructed using a rules-based methodology by selecting equity securities from a pool of companies whose securities trade on NASDAQ, the New York Stock Exchange or another major exchange in the U.S., and have a market capitalization that exceeds \$1 billion USD (the “Index Universe”). The Fund invests in domestic U.S. equity securities, but such securities may include domestic equity securities of foreign issuers, including indirect investments such as American Depositary Receipts (“ADRs”) or other types of depositary receipts, which are U.S. dollar-denominated securities of foreign issuers traded on a U.S. exchange.

The Entrepreneur Non-U.S. Small Cap Index comprises 50 non-U.S. companies from around the world with market capitalizations between \$300 million and \$5 billion USD, that have the highest rank based on the six investment style factors. The Entrepreneur Non-US Small Cap Index is constructed using a rules-based methodology that purchases equity securities of non-U.S. companies, as discussed below, with a market capitalization between \$300 million and \$5 billion USD (the “Index Universe”). Non-U.S. companies are issuers tied economically to countries other than the U.S. The equity securities (including common stocks, preferred stocks, convertible preferred stocks, and warrants) of non-U.S. companies that are part of the Index Universe include equity securities of such companies that trade on major Global exchanges, and indirect investments such as American Depositary Receipts (ADRs) (sponsored only) and Global Depositary Receipts (GDRs) (sponsored only). ADRs are dollar-denominated receipts issued generally by domestic banks and representing the deposit with the bank of a security of a non-U.S. issuer, and are publicly traded on exchanges or over-the-counter in the U.S. GDRs may be offered privately in the U.S. as well as traded in public or private markets in other countries.

### **Risk of Loss**

Investors in the ERShares Global Mutual Fund or any of EntrepreneurShares’ Proprietary Strategies may lose money. The Strategies are intended for investors who are willing to withstand the risk of short-term price fluctuations in exchange for potential long-term capital appreciation. There are risks associated with the types of securities in which the Strategies invests. These risks include:

- **Manager Risk:**

How the portfolio manager manages the Fund will affect the Fund's performance. The Fund may lose money if the portfolio manager's investment strategy does not achieve the Fund's objective or the portfolio manager does not implement the strategy properly. The Strategies are actively managed and its performance therefore will reflect in part the ability of the Strategy's portfolio managers to make investment decisions that are suited to achieving the Strategy's investment objective. The Strategies could underperform other funds with similar investment objectives.

- **Market Risk:**

The prices of the securities, particularly the common stocks in which the Fund or SMA invests, may decline for a number of reasons. The price declines of common stocks, in particular, may be steep, sudden, and/or prolonged.

- **Common Stocks:**

Common stocks represent an ownership interest in a company. They may or may not pay dividends or carry voting rights. Common stock occupies the most junior position in a company's capital structure. Debt securities and preferred stocks have rights senior to a company's common stock. Although common stocks have a history of long-term growth in value, their prices fluctuate based on changes in a company's financial condition and on overall market and economic conditions.

- **Small and Medium Sized Companies Risk:**

Investments in small and medium sized companies may have more limited liquidity and greater price volatility than larger, more established companies. EntrepreneurShares Strategies may invest in small and medium sized companies. Small companies may have limited product lines, markets or financial resources and their management may be dependent on a limited number of key individuals.

- **Foreign Securities Risk:**

The securities of foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers. The costs associated with security transactions are often higher in foreign countries than in the U.S. The U.S. dollar value of foreign securities traded in foreign currencies (and any dividends and interest earned) held by the Fund may be affected favorably or unfavorably by changes in foreign currency exchange rates. An increase in the U.S. dollar relative to these other currencies will adversely affect the Fund. Additionally, investments in foreign securities, even those publicly traded in the United States, involve risks that are in addition to those inherent in domestic investments. Foreign companies are not subject to the same regulatory requirements of U.S. companies, and as a consequence, there is less publicly available information about such companies. Also, foreign companies may not be subject to uniform accounting, auditing, and financial reporting standards and requirements comparable to those applicable to U.S. companies. Foreign governments and foreign economies often are less stable than the U.S. Government and the U.S. economy.

- **Emerging Markets Risk:**

Investments in emerging market countries have more risk because the markets are less developed and less liquid as well as being subject to increased economic, political, regulatory or other uncertainties.

- **Quantitative Investment Approach Risk:**

The Fund and the Strategies utilizes a combined approach of quantitative and qualitative analysis. The Fund and the Strategies employ a number of quantitative filters in identifying a broad array of entrepreneurial companies, and then the Fund and the Strategies performs fundamental analysis in determining its final stock selection. While the portfolio manager continuously reviews and refines, if necessary, his investment approach, there may be market conditions where the quantitative or qualitative investment approaches perform poorly.

- **Index Risk:**

The performance of the Fund may diverge from that of the MSCI World Index. The performance of the Strategies may diverge from that of their corresponding benchmark.

- **Valuation Risk:**

The value of the securities in the Fund's and the Strategies portfolio may change on days when shareholders will not be able to purchase or sell the securities.

### **Item 9: Disciplinary Information**

There have been no disciplinary actions against EntrepreneurShares or any of its employees within the last ten years by:

- Any domestic, foreign, or military court
- The SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority
- Any self-regulatory organization (SRO).

### **Item 10: Other Financial Industry Activities and Affiliations**

EntrepreneurShares serves as investment sub-advisor to the ERShares Global Fund. EntrepreneurShares' principal executive officer Dr. Joel M. Shulman also serves in the same capacity to Seaport Global Advisors, LLC ("Seaport") an SEC registered investment adviser, and thus controls both the advisor and sub advisor to the ERShares Global Fund. Dr. Joel M. Shulman is also the principal owner of Capital Impact Advisors, LLC ("Capital Impact") another SEC registered investment adviser. Capital Impact serves as advisor to the ERShares U.S. Small Cap Fund, the ERShares U.S. Large Cap Fund, ERShares Entrepreneur 30 ETF and ERShares Non-US Small Cap ETF.

EntrepreneurShares as the sub-advisor for the ERShares Global Fund mitigates any conflict of interest that may exist by aggregating or block trading the Fund trades with the other accounts managed within the same strategy.

Mihai Prisacariu is the CCO of all entities operating under EntrepreneurShares Series Trust, which includes three entities; Capital Impact Advisors, Seaport Global Advisors, and EntrepreneurShares each serving as either advisor or sub-advisor to the EntrepreneurShares Series Trust.

EntrepreneurShares does not have any other financial industry activities or affiliations that are material to its advisory business.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **Code of Ethics**

Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act") requires federally registered investment advisers to establish, maintain and enforce written codes of ethics that include, among other matters, standards of business conduct required of "supervised persons," provisions requiring supervised persons to comply with applicable federal securities laws, provisions requiring "access persons" to report their personal securities transactions and holdings and obtain approval before they acquire beneficial ownership of any security in an initial public offering or private placement. This Code has been adopted by the Firm and is intended to comply with Advisers Act Rule 204A-1 and Investment Company act Rule 17j-1.

EntrepreneurShares has adopted a Code of Ethics pursuant to Rule 204A-1 that sets forth the standards of business conduct required of EntrepreneurShares' Supervised Persons and requires an affirmative commitment that all Supervised Persons will comply with federal securities laws.

EntrepreneurShares will provide a copy of the Firm Code of Ethics to any client or prospect upon request.

#### **Recommend Securities with Material Financial Interest**

EntrepreneurShares receives a fee for its role as sub-advisor to the ERShares Global Fund ("Fund"). EntrepreneurShares does not place the Fund in a client's account when the client's investment objectives seek such an investment opportunity. Yet, direct ownership of the individual securities may not be cost effective due to the size of the client's account. In which case, the client may invest in the Fund outside of their EntrepreneurShares account directly with their broker or custodian. The Fund is not held in a client's account, and its value is not included in the account value when computing EntrepreneurShares' management fee.

#### **Invest in Same Securities Recommended to Clients**

Supervised Persons of EntrepreneurShares may buy or sell securities for themselves that they also recommend to clients. Where a transaction for a Supervised Person, or an account related to a Supervised Person, is contemplated, a client's transaction is given priority. EntrepreneurShares imposes the following guidelines and procedures on securities trading by its employees:

EntrepreneurShares' policy is to consider the effects of various types of trading, including short term trading and trading in new issues as a potential conflict of interest. All purchases and sales of securities require pre-clearance.

Approval may be refused for any proposed trade by an employee that:

1. Involves a security that is being or has been purchased or sold by EntrepreneurShares on behalf of any client/investor account or is being considered for purchase or sale
2. Is otherwise prohibited under any internal policies of EntrepreneurShares (such as EntrepreneurShares Policy and Procedures to Detect and Prevent Insider Trading)
3. Breaches the employee's fiduciary duty to any client/investor
4. Is otherwise inconsistent with applicable law, including the Advisers Act and the Employee Retirement Income Security Act of 1974, as amended
5. Creates an appearance of impropriety

The Code of Ethics section shall address EntrepreneurShares' specific procedures for these types of investments and trading.

From time to time, Supervised Persons of EntrepreneurShares will have interests in securities owned by or recommended to clients. On occasion, EntrepreneurShares purchases or sells for its advisory accounts securities of an issuer in which EntrepreneurShares or its Supervised Persons also have a position or interest. To mitigate this conflict of interest, EntrepreneurShares requires Access Persons to pre-clear certain personal trades as discussed above.

### **Item 12: Brokerage Practices**

EntrepreneurShares has discretion over client accounts and therefore has the authority to determine without consultation with its client on a transaction-by-transaction basis, the securities to be bought or sold, and the amount of securities to be bought or sold, subject to and in accordance with the investment objective and investment restrictions of the client. EntrepreneurShares manages accounts in which EntrepreneurShares is given authority by the client to select brokers and negotiate commissions. EntrepreneurShares may manage accounts in which the client designates the broker-dealer and registered representative to which brokerage should be directed ("directed brokerage"). Under those circumstances, EntrepreneurShares may not be authorized to negotiate commissions and may not be able to obtain volume discounts or best execution. In addition, under those circumstances, a disparity in commission charges may exist between the commissions charged to clients who direct EntrepreneurShares to use a particular broker-dealer and those clients who do not. Finally, under those circumstances, if the client was referred to EntrepreneurShares by the particular broker-dealer, EntrepreneurShares has a potential conflict of interest in receiving future referrals from such broker-dealer. In order to mitigate this conflict,

EntrepreneurShares conducts best execution meetings in which trades and brokers are reviewed.

### **Research Benefits**

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law.

EntrepreneurShares seeks to obtain quality execution at favorable security prices through responsible broker-dealers, at competitive commission rates. However, higher brokerage commissions may be paid in return for brokerage as well as research and services with soft dollar commitments/arrangements. A soft dollar commitment/arrangement is viewed by EntrepreneurShares as a commitment, understanding or agreement to pay increased commissions, or direct trades to a broker-dealer, in exchange for the receipt of research.

EntrepreneurShares effects transactions for clients with certain broker-dealers who provide EntrepreneurShares with research or brokerage products and services, providing lawful and appropriate assistance to EntrepreneurShares in the performance of its investment decision-making responsibilities, subject to the Firm’s obligation to seek best execution for its client accounts. The Firm will not cause its clients to use trade commissions for purposes other than for eligible brokerage and research services. In determining whether a service or product qualifies as brokerage and research services under Section 28(e), the Firm evaluates whether the service or product provides lawful and appropriate assistance in carrying out its investment decision making responsibilities for the benefit of all client accounts. Research and brokerage products and services received from broker-dealers are supplemental to EntrepreneurShares’ own research efforts and are be used to service all client accounts. Research services furnished by brokers through which EntrepreneurShares effects transactions are used in servicing all of its accounts and not all such services may be used by us in connection with the accounts which paid commission to the broker providing services. EntrepreneurShares believes that the use of research services will benefit the investment decision process and therefore all clients as well.

Research services received from broker-dealers include research tools that provide continuously updated financial news as well as historical information, such as but may not be limited to Capital IQ. The firm also receives access to portfolio management tools that assist EntrepreneurShares in managing portfolio risk and qualified brokerage-related services that we use to facilitate client trading, such as but may not be limited to Bloomberg. EntrepreneurShares can also receive information on securities markets, the economy, individual companies, statistical information, technical market action, pricing and appraisal services, and credit analyses. These arrangements are intended to comply with Section 28(e) and the SEC’s related interpretive guidance.

EntrepreneurShares acquires services which have a mixed use, including but may not be limited to Bloomberg. In the case of mixed-use items, the Firm allocates a percentage of soft and hard dollars to the service acquired. This allocation is based on a good faith determination of the portion of the service that it is considered to be used in the investment decision-making process versus the portion that is not. The portion that is used for investment decision-making is permitted to be paid for using soft dollars, while remaining portion is paid for with hard dollars. In such cases, EntrepreneurShares has an incentive to allocate a higher soft dollar portion of the allocation based on its interest in receiving such products or services; however, the Firm has established policies and procedures to periodically review its allocation process and resulting allocations.

When EntrepreneurShares utilizes client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because it does not have to pay for the research, products or services. As a result, the Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving these products or services rather than on its clients' interest in receiving most favorable execution. The Firm has adopted soft dollar policies and procedures and will only choose such broker-dealers when the execution complies with the principles of best execution.

Additionally, the Firm utilizes soft dollar benefits to service all accounts and does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

For accounts for which EntrepreneurShares is given authority to select brokers and negotiate commission rates, EntrepreneurShares' policy in selecting brokers is to obtain the best combination of price and execution. In determining the best combination of price and execution, EntrepreneurShares considers the full range and quality of a broker-dealer's services including: the value of research provided, execution, clearance and settlement capabilities, commission rates, financial responsibility, length and quality of the business relationship with EntrepreneurShares, trust and confidence in the broker-dealer, and overall responsiveness to EntrepreneurShares.

At the request of a client or prospective client, the firm may occasionally recommend the services of a broker. The primary factors considered when recommending a broker are custodial service capabilities and competitive commission rates. In no instance are commission rates of the recommended broker higher than those obtained from other brokers for similarly traded accounts, nor are clients recommended to a specific broker to pay for research services used by EntrepreneurShares.

Clients should be aware that the receipt of economic benefits by EntrepreneurShares described above, in and of itself creates a potential conflict of interest and may directly or indirectly influence EntrepreneurShares' recommendation of those service providers for custody and brokerage service. In order to mitigate such conflicts of interest, EntrepreneurShares has adopted policies and procedures reasonably designed to ensure that the value, type, and quality of any services it receives from broker-dealers are permissible under applicable law.

### **Trade Aggregation**

In the event that EntrepreneurShares determines that a particular security is an appropriate investment for more than one client, a single “bunched” order may be placed for the total number of securities to be purchased. In a bunched order, shares are allocated among the individual accounts prior to being placed with the broker-dealer. Individual client accounts participating in bunched trades are charged average brokerage commission rates and receive the average price on the execution of the trade. In the event that a bunched trade is not completed in one day, the completed amount is allocated as a percentage of each account’s portion of that trade. Smaller or incomplete trades may be allocated first in an attempt to avoid excess trading cost.

### **Trade Errors**

It is EntrepreneurShares’ policy that the utmost care is taken in making and implementing investment decisions on behalf of client accounts. If any errors occur, they are to be:

(a) Corrected as soon as practicable and in such a manner that the Client incurs no loss, (b) reported to the CCO, and (c) scrutinized with a view toward implementing procedures to prevent or reduce future errors, if necessary.

## **Item 13: Review of Accounts**

EntrepreneurShares invests money according to the separate strategies it has developed and does not develop customized portfolios tied to the needs and desires of an individual client. Management reviews the performance of accounts invested within a single strategy on a daily basis.

Client accounts are under continuous review to maintain portfolios in line with EntrepreneurShares Proprietary Strategies.

Separately managed account clients receive from us and the custodian, at minimum, a quarterly portfolio valuation report, position inventory and activity report, and confirmation of each transaction. Separately managed account clients may also receive periodic publications we produce. Other year-to-date performance reports (for example, realized/unrealized gains/losses) are generated per client request.

Mutual fund clients receive quarterly statements of their holdings and activity directly from the administrator of the mutual fund. Mutual fund clients may also receive quarterly updates on the fund’s performance and strategy from EntrepreneurShares. Finally, mutual fund clients receive semi-annual and annual financial statements for the funds.

## **Item 14: Client Referrals and Other Compensation**

### **Incoming Referrals**

EntrepreneurShares maintains written agreements with firms and individuals who, from time to time, will seek new business and introduce prospective clients who may enter into advisory relationships with EntrepreneurShares. These firms and individuals are paid a



percentage of the advisory fees EntrepreneurShares receives from such clients. The details of these fee arrangements are disclosed to the referred client in advance of contract signing.

In some cases, clients introduced to EntrepreneurShares in this fashion pay advisory fees higher than those of EntrepreneurShares' standard fee schedule.

EntrepreneurShares follows closely Rule 206(4)-3 Cash Payment for Client Solicitations.

The ERShares Global Fund purchased through a broker-dealer or other financial institution (such as a bank) may result in a payment to the salesperson or institution for the sale of the funds and related services. These payments may create a conflict of interest by influencing the salesperson or institution to recommend the ERShares Global Fund over another investment.

#### **Item 15: Custody**

EntrepreneurShares does not maintain physical custody of client assets. Clients in mutual funds offered by EntrepreneurShares will receive statements directly from the outside fund administrator, and should review those statements carefully.

Clients in separately managed accounts we offer will receive statements from the custodian, as well as statements from us. Clients should compare the statements they receive from the custodian to the statements received from us.

#### **Item 16: Investment Discretion**

When providing Investment Management Services, EntrepreneurShares Access Persons may exercise discretion when granted authority to do so by clients; and most clients grant such authority to EntrepreneurShares. When doing so, it allows EntrepreneurShares to select the securities to buy and sell, the amount to buy and sell when to buy and sell, and the commission rate paid, without obtaining specific consent from the client for each trade. Clients should be aware that representatives may make different recommendations and effect different trades with respect to the same securities to different advisory clients. New deposits into the ERShares Global Fund (the "Fund") may be invested differently than new deposits in separately managed accounts invested in the same strategy due to the frequency of deposits into the Fund. Commissions and execution of securities transactions implemented through the custodian/broker-dealer recommended by EntrepreneurShares may not be better than the commissions or execution available if the client used another brokerage firm. However, EntrepreneurShares believes that the overall level of services and support provided to the client by custodians and broker-dealers whom EntrepreneurShares recommends outweighs the potentially lower costs that may be available from other brokerage service providers.

EntrepreneurShares uses its best judgment and good faith efforts in rendering services to clients. EntrepreneurShares cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by EntrepreneurShares will be profitable. The client assumes all

market risk involved in the investment of account assets and understands that investment decisions made are subject to various markets, currency, economic, political and business risks.

### **Item 17: Voting Client Securities**

EntrepreneurShares Series Trust is engaged with Broadridge Financial Solutions, Inc (“Broadridge”). Broadridge serves as a proxy voting service for EntrepreneurShares Series Trust. The following information briefly summarizes EntrepreneurShares' policy and procedures regarding how EntrepreneurShares votes proxies when providing advisory services to its clients.

**Guiding Principles:** EntrepreneurShares’ policy and procedures relating to voting proxies are designed to ensure that proxies are voted in the best interests of the clients. The policies and procedures do not apply to those situations where the client has retained voting discretion. In such cases, proxy information can be obtained directly from the broker. Furthermore, EntrepreneurShares will cooperate with the client to ensure proxies are voted as directed by the client.

**Primary Objective:** In general, proxies are voted in a manner designed to maximize the value of client investments. In evaluating a particular proxy proposal, EntrepreneurShares will take into consideration, among other things: the period of time over which the voting shares of the company are expected to be held, the size of the position, the costs involved in the proxy proposal and the existing governance documents of the affected company, as well as its management and operations. Proxy proposals that change the existing status of a company will be reviewed to evaluate the desirability of the change, and to determine the benefits to the company and its shareholders. However, EntrepreneurShares' primary objective is always to protect and enhance the economic interests of its clients.

Generally, it is EntrepreneurShares’ policy to vote in accordance with management’s recommendations.

**Exceptions:** When EntrepreneurShares believes management is acting on its own behalf, instead of on behalf of the well-being of the company and its shareholders, or when EntrepreneurShares believes that management is acting in a manner that is adverse to the rights of the company’s shareholders. EntrepreneurShares will take steps to represent the interests of its clients and, as a result may elect to vote against management’s recommendations.

In situations where EntrepreneurShares is extremely displeased with management’s performance, it may withhold votes or vote against management’s slate of directors and other management proposals as a means of communicating its dissatisfaction.

**Other Factors EntrepreneurShares Considers:** EntrepreneurShares recognizes that the activity or inactivity of a company with respect to matters of social, political or environmental concern may have an effect upon the economic success of the company and the value of its securities. However, EntrepreneurShares does not consider it appropriate, or in the interests of its clients, to impose its own moral standards on others. Therefore, it normally supports management’s position on matters of social, political or environmental

concern, except where it believes that a different position would be in the economic interests of company shareholders.

**Conflicts:** In evaluating a proxy proposal, there may be instances where the interests of EntrepreneurShares may conflict or appear to conflict with the interests of its clients. For example, EntrepreneurShares may manage a pension plan of a company whose management is soliciting proxies and there may be a concern that EntrepreneurShares would vote in favor of management because of its relationship with the Firm. In such situations, EntrepreneurShares will, consistent with its duty of care and duty of loyalty, vote the securities in accordance with its pre-determined voting policy but only after the disclosing the conflict to clients and affording the clients the opportunity to direct EntrepreneurShares in the voting of such securities

**Voting Procedures:** All proxy proposals are voted on an individual basis. In general, when a conflict exists, Broadridge will notify EntrepreneurShares and EntrepreneurShares will determine whether the proxy may be voted or whether it should be referred to the client (or another fiduciary of the client) for voting purposes. Alternatively, EntrepreneurShares may consult directly with a client to obtain the client's consent before voting the proxies. EntrepreneurShares will not refrain from voting proxies just because a conflict exists because EntrepreneurShares has a fiduciary duty to take action on all proxies.

**How to Obtain More Information:** For additional information regarding the Firm's proxy voting policies and procedures, or to obtain a proxy voting report detailing how a proxy was voted, clients should contact us at 617-279-0045, or by email at [info@ershares.com](mailto:info@ershares.com).

## **Item 18: Financial Information**

### **Financial Condition**

EntrepreneurShares does not receive fees of more than \$1,200 six months or more in advance, thus, no financial statement for EntrepreneurShares is attached. There are no financial issues that are likely to impair EntrepreneurShares ability to meet its contractual commitment to any client.

### **Business Continuity Plan**

#### **General**

EntrepreneurShares has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

#### **Disasters**

The Business Continuity Plan covers natural and man-made disasters. EntrepreneurShares has taken reasonable precautions with respect to electronic data survival.

#### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## **Information Security Program**

### **Information Security**

To protect your personal information from unauthorized access and use, we use security measures that are designed to comply with federal laws. These measures include, but are not limited to, computer safeguards and secured files and buildings.

### **Privacy Notice**

The Firm and its employees will not disclose or share any nonpublic personal information relating to any of the Firm's current or former individual consumers or customers (as such terms are defined below) except as permitted by law and as set forth below:

1. upon the prior consent of the consumer or customer;
2. with the regulatory authorities and law enforcement officials who have jurisdiction over the Firm or if the Firm is required to do so by U.S. or other applicable law;
3. to protect against fraud;
4. with service providers that perform administrative or marketing services on behalf of the Firm or to the Firm's accountants, attorneys and auditors; or
5. with affiliates, provided this information does not include "creditworthiness information" which includes information on a consumer's eligibility for credit (i.e., income) and information received from consumer reporting agencies (i.e., credit history).

Customer information received by the Firm from another institution can only be used for the purpose for which it was shared and cannot be re-disclosed or re-used beyond such purpose. In addition, the Firm will not disclose to third parties' consumer account number information for any marketing purpose unless the third parties are marketing the Firm's own products or services.

All consumers and customers will be provided with a clear and conspicuous notice that sets forth the Firm's privacy policy and practices. However, as the Firm may only disclose information to affiliates and nonaffiliated third parties as permitted by law (see above), consumers are not permitted to "opt out" of these information-sharing arrangements.