

**CWS** / NYSE Arca

*The following commentary provides a monthly review of the ETF's performance and investment approach as well as other timely insights and observations from the portfolio manager.*

## Manager's Review

### May 2018

The month of May was a good one for Wall Street, and it was a nice change of pace compared with the previous few months. The S&P 500 lost ground in February and March, and made a very small gain in April. But in May, the index gained had its second-best showing this year.

The economic news continues to look promising. The U.S. unemployment rate for May has fallen to its lowest level since the 1960s. The unemployment rate for women is now at a 65-year low.

I'm happy to report that the **AdvisorShares Focused Equity ETF** (NYSE Arca: CWS) is sharing in the good news. The fund's Net Asset Value rose by a little over 0.5%, and we're within striking distance of the NAV high of \$32.94 reached in late January.

This was an interesting month for us because our biggest winner in April was also our bigger winner in May. That stock I'm referring to is **Wabtec** (WAB), which gained nearly 9% in April, plus another 10% in May.

So what's driving all the good news for WAB? I think folks had been expecting the worst but in April, the company reported Q1 earnings of 92 cents per share, which beat estimates by two cents per share. Wabtec also reaffirmed its full-year guidance. They now expect revenue of \$4.1 billion and earnings of "about" \$3.80 per share, excluding restructuring costs.

Wabtec's CEO said, "Our first-quarter results exceeded our expectations slightly and represent a solid start to the year. With a record backlog and the positive indicators we're seeing in our core markets, we are well positioned to meet our financial targets in 2018."

Then in May, General Electric said it will merge their rail business with Wabtec. We knew this was coming; we just didn't know when. The problem is that GE is in a very difficult position. Its business is not going well, so the company needs to sell off some businesses to raise cash. This places Wabtec in a good spot.

This is a very big deal. GE will sell its business to WAB for \$11 billion, and GE will stay on as a part owner. GE will get \$2.9 billion in cash and own about 40% of the company. WAB shareholders will own 49.9% of the business. Both companies believe the combined entity will cut costs by \$250 million per year.

All of this has been great news for the stock. From February 8 to the end of May, shares of Wabtec are up 37% for us. I'm always surprised by what will be the big winner in the portfolio each year.

We also had two stocks in our portfolio report earnings on May 24. Let's start with **Hormel Foods** (HRL), the Spam people. For this fiscal Q2, Hormel earned 44 cents per share, which was one penny below expectations.

The business still looks pretty good. Bear in mind that Hormel's profits were up 13% over last year's Q2. They still expect to see full-year earnings between \$1.81 and \$1.95 per share. (Their fiscal year ends in October.) For net sales, Hormel expects \$9.7 to \$10.1 billion. Tax reform was a big help for Hormel last quarter. The effective tax rate was 20% compared with 33.2% a year ago.

Overall, the earnings report was pretty much what I had been expecting. Unfortunately, the stock dropped about 5% on the morning of the earnings report. For the month, the shares lost about 1% but I think Hormel has a very good opportunity to rally this year.

**Ross Stores** (ROST) was our other stock to report. Ross had fiscal Q1 adjusted earnings of \$1.11 per share. Earlier, the company had projected earnings of \$1.03 to \$1.07 per share.

Q1 sales rose 9% to \$3.6 billion, and comparable-stores sales were up 3%. Ross had been expecting 1% to 2%. I knew that forecast was too low. The company said it was hurt by poor weather during the quarter. their operating margin fell to 15.1%, which is still pretty good.

#### CWS Performance History (%) as of 03.31.2018

	NAV	Market Price Return
1 Month	-1.73	-1.72
3 Months	-0.86	-1.34
YTD	-0.86	-1.34
1 Year	12.00	11.71
Since Inception (09.20.2016)	15.24	15.11

*Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. For the fund's most recent month end performance, please visit [www.advisorshares.com](http://www.advisorshares.com).*

*As stated in the Prospectus, the total annual operating expenses are 2.04%. The Fund's net expense ratio and base management fee is 0.75%, which will increase or decrease based on the trailing 12-month net returns of CWS compared to its benchmark. The Advisor has contractually agreed to reduce its fees and/or reimburse expenses to keep net expenses from exceeding a percentage of the Fund's average daily net assets equal to the annual rate of the management fee, which can range from 0.65% to 0.85%, for at least one year from the date of the Prospectus. See the Prospectus for information.*

## Manager's Review

### May 2018

For fiscal Q2, Ross expects earnings of 95 to 99 cents per share. They see same-store sales growth of 1% to 2%. The good news is that Ross raised its full-year guidance. The old range was \$3.86 to \$4.03 per share, and the new range is \$3.92 to \$4.05 per share. Like Hormel, this report looks fine to me. Ross fell 2.4% in May but I think it can rebound later this year.

#### Portfolio Attribution

Here's how all 25 positions performed during the month of May:

Table 1

Company	Symbol	30-Apr	31-May	Gain/Loss
Wabtec	WAB	\$88.81	\$97.51	9.80%
Continent Building Pr	CBPX	\$28.10	\$30.25	7.65%
FactSet Research Sys	FDS	\$189.11	\$201.01	6.29%
Moody's	MCO	\$162.20	\$170.57	5.16%
Alliance Data Systems	ADS	\$203.05	\$210.82	3.83%
Sherwin-Williams	SHW	\$367.66	\$379.25	3.15%
Stryker	SYK	\$169.42	\$174.02	2.72%
RPM International	RPM	\$48.30	\$49.50	2.48%
Fiserv	FISV	\$70.86	\$72.60	2.46%
Cerner	CERN	\$58.25	\$59.68	2.45%
Snap-on	SNA	\$145.25	\$147.82	1.77%
Church & Dwight	CHD	\$46.20	\$46.95	1.62%
Check Point Software	CHKP	\$96.51	\$97.36	0.88%
Signature Bank	SBNY	\$127.15	\$127.49	0.27%
Hormel Foods	HRL	\$36.25	\$35.89	-0.99%
Danaher	DHR	\$100.32	\$99.28	-1.04%
AFLAC	AFL	\$45.57	\$45.06	-1.12%
Intercont Exchange	ICE	\$72.46	\$70.89	-2.17%
Torchmark	TMK	\$86.74	\$84.83	-2.20%
Ross Stores	ROST	\$80.85	\$78.88	-2.44%
Carriage	CSV	\$26.03	\$25.15	-3.38%
Becton, Dickinson	BDX	\$231.87	\$221.59	-4.43%
JM Smucker	SJM	\$114.08	\$107.50	-5.77%
Cognizant Technology	CTSH	\$81.82	\$75.35	-7.91%
Ingredion	INGR	\$121.09	\$111.39	-8.01%

Source: Yahoo Finance

#### Portfolio Changes

The philosophy of the AdvisorShares Focused Equity ETF is to make portfolio changes just once a year. At the end of the year, we add five stocks and delete five. We made our changes in December, so there were no changes to make in May.

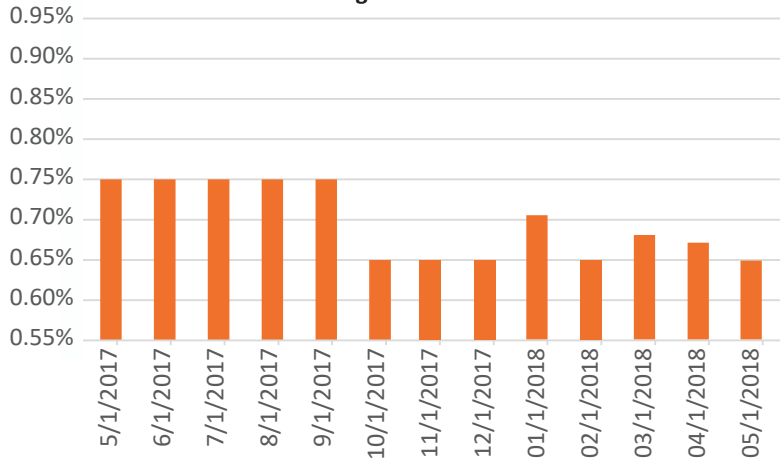
Respectfully,

Eddy Elfenbein

## Manager's Review

### May 2018

**Management Fee**



In a first for the ETF industry, the portfolio manager of CWS has “skin in the game.” The manager’s compensation is directly tied to portfolio’s performance. Stronger outperformance is rewarded with a larger management fee while weaker or underperformance is penalized with a smaller management fee. The CWS fulcrum fee was 0.65% during May 2018. After the Fund’s May performance, the CWS fulcrum fee will remain at 0.65% in June 2018.

**Top 10 Holdings as of 05.31.2018**

Company	Symbol	Weight
Wabtec	WAB	4.80%
Moody's	MCO	4.69%
Stryker	SYK	4.48%
Fiserv	FISV	4.48%
Danaher	DHR	4.31%
Continental Build	CBPX	4.30%
Cognizant Tech Sol	CTSH	4.26%
FactSet	FDS	4.18%
Becton, Dickinson	BDX	4.11%
AFLAC	AFL	4.09%

Holdings are subject to change.

**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 [www.advisorshares.com](http://www.advisorshares.com). Please read the prospectus carefully before you invest.** Foreside Fund Services, LLC, distributor.

There is no guarantee that the Fund will achieve its investment objective. An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual issuers, industries or the stock market as a whole. Shares of the Fund may trade above or below their net asset value (“NAV”). The trading price of the Fund’s shares may deviate significantly from their NAV during periods of market volatility. There can be no assurance that an active trading market for the Fund’s shares will develop or be maintained. In addition, equity markets tend to move in cycles which may cause stock prices to fall over short or extended periods of time. Other Fund risks include market risk, liquidity risk, large cap, mid cap, and small cap risk. Please see prospectus for details regarding risk.

Shares are bought and sold at market price (closing price) not NAV and are not individually redeemed from the Fund. Market price returns are based on the midpoint of the bid/ask spread at 4:00 pm Eastern Time (when NAV is normally determined), and do not represent the return you would receive if you traded at other times. Holdings and allocations are subject to risks and to change. The views in this commentary are those of the portfolio manager and may not reflect his views on the date this material is distributed or anytime thereafter.

The views in this material were those of the Portfolio Manager and may not reflect his views on the date this material is distributed or anytime thereafter. These views are intended to assist shareholders in understanding their investments and do not constitute investment advice.

**Definition:**

The **S&P 500 Index** is a broad-based, unmanaged measurement of changes in stock market conditions based on the average of 500 widely held common stocks. One cannot invest directly in an index.

For more information, call AdvisorShares at 1.877.843.3831 or visit [www.advisorshares.com](http://www.advisorshares.com).