PACIFIC ASSET MANAGEMENT

ADVISORSHARES®
Actively Managed ETFs

FLRT/NYSE Arca

Manager's Review

April 2018

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.

Fund Performance

In April, the AdvisorShares Pacific Asset Enhanced Floating Rate ETF (NYSE Arca: FLRT) returned 0.29% (NAV), versusthe S&P/LSTA U.S. Leveraged Loan 100 Index ("benchmark") return of 0.40%.

Market Review

In April, the S&P/LSTA U.S. Leveraged Loan 100 Index (which tracks the 100 largest loans in the broader Index) returned 0.40%. The asset class as a whole remained reasonably insulated from volatility derived from a consistent increase in rates and geopolitical instability. The rate support remains in place as demonstrated by the continual increase in LIBOR, which resulted in 3-month LIBOR ending the period at 2.36%. For context, 3- month LIBOR began the year at 1.69%. The supportive technical environment resulted in loans narrowly underperforming the broader high yield asset class. For context, the Bloomberg Barclays US Corporate High Yield Index and Bloomberg Barclays US Aggregate Index returned 0.65% and -0.74%, respectively. From a credit quality perspective, performance was mixed during the month with BB-rated credits returning 0.41%, B-rated credits returning 0.47%, and CCC-rated credits returning -0.04%.

According to JP Morgan, institutional loan volume decreased month over month in April to $68.9 billion (bn). Approximately 76% of loan issuance during the month was attributable to repricing and refinancing. Therefore, $16.1bn of net issuance in April was down from March's net issuance of $29.9bn and represents a nine-month low in net issuance. On a year-to-date basis, net issuance is approximately $92.3bn which is a significant decline year over year due in large part to reduced repricing and refinancing activity. Conversely, according to Thomson Reuters, new-issue CLO activity added $10.9bn of volume in April bringing year-to-date volumes to approximately $42.8bn. This pace is roughly 55% ahead of last year's pace at this time. According to the most recently available data, loan and high yield (HY) fund flows recorded $1.5bn of inflows in April, representing the first asset class monthly inflow in eight months. Loans registered a larger inflow of $2.4bn in April as the increasing rate environment attracted investors into the asset class. The strong results of corporate earnings, global growth, positive downstream effects of tax reform, and consumer sentiment look to paint a favorable view of overall corporate health. This favorable fundamental environment is evidenced through low default expectations despite the activity in retail defaults.

Portfolio Review

Economic growth continues steadily positive, monetary policy remains accommodative (although gradually less so) and overall leverage amongst high yield companies remains reasonable. Corporate-focused tax cuts are providing a tailwind to economic growth and should benefit the majority of high yield companies, despite some new restrictions on the deductibility of interest expense. Despite the tenure of this credit cycle, fundamentals remain notably good as experienced by corporate earnings. With the injection of volatility into the equity markets, high yield spreads have retreated from very tight levels earlier in the year and market opportunities have improved. During April, the high yield bond allocation within the portfolio was quite additive to performance, whereas the loan allocation underperformed on a relative basis. There remains no lack of potential negative market drivers: increasing inflation driving interest rates higher, lack of workers negatively impacting corporate margins, geopolitical and trade-related risks and overall volatility from Washington to mention a few. Balancing risks in the portfolio remains important in looking ahead. We anticipate the portfolio moving on pockets of opportunity as they present themselves within the market.

Respectfully,

Pacific Asset Management

FLRT Performance History (%) as of 03.31.2018

	NAV	Market Price Return
1 Month	0.01	0.04
3 Months	0.88	0.75
YTD	0.88	0.75
1 Year	2.42	2.46
3 Years	2.96	2.95
Since Inception (02.18.2015)	2.85	2.87

***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.*

***As stated in the Prospectus, the total annual operating expenses are 1.41%. The net expense ratio is 1.12%.** The Advisor has contractually agreed to keep net expenses from exceeding 1.10% of the Fund's average daily net assets for at least a year from the date of the Prospectus and for an indefinite period thereafter subject to annual reapproval of the agreement by the Board of Trustees.*

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Top 10 Most Positions	Portfolio Weight
Chesapeake Energy Corporation	1.82%
Caesars Resort Collection, LLC	1.70%
ProAmpac PG Borrower LLC	1.69%
Nexeo Solutions LLC	1.69%
Vistra Operations Company LLC	1.68%
Uber Technologies, Inc.	1.68%
SRS Distribution Inc.	1.67%
DTZ U.S. Borrower, LLC	1.67%
Spin Holdco Inc	1.67%
Quikrete Holdings, Inc	1.67%

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. 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. Investing in derivatives may be riskier than other types of investments because they are more sensitive to change in economic or marketing conditions that could result in losses that significantly exceed the Fund's original investment. The Fund primarily invests in floating rate loans and floating rate debt securities. The market for floating rate loans may be subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods. The floating rate feature of loans means that floating rate loans will not generally experience capital appreciation in a declining interest rate environment. Declines in interest rates may also increase prepayments of debt obligations and require the Fund to invest assets at lower yields. Other Fund risks include market risk, leverage risk, foreign investment risk, liquidity risk, income and interest rate risk, liquidity risk, management risk, high yield securities risk, loan participation risk, prepayment risk, and trading risk. Please see the 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 credit ratings referenced in this commentary are published rankings by Moody's and are based on detailed financial analyses by a credit bureau specifically as it relates the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade.

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.

Definitions:
A basis point (bps) *is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. A* ***collateralized loan obligation (CLO)*** *is a security backed by a pool of debt, often low-rated corporate loans.* ***Downside risk*** *is the likelihood that a security will decline in price, or the amount of loss that could result from that potential decline.* ***Liquidity*** *is the degree to which an asset or security can be bought or sold in the market without affecting the asset's price.* ***Leverage*** *is the amount of debt used to finance a firm's assets.* ***The S&P/LSTA U.S. Leveraged Loan 100 Index*** *is designed to track the market-weighted performance of the largest institutional leveraged loans based on market weightings, spreads and interest payments. One cannot invest directly in an index. The* ***Bloomberg Barclays Capital Aggregate Bond Index*** *measures the performance of the U.S. investment grade bond market. One cannot invest directly in an index.*
LIBOR *stands for London interbank offered rate. The interest rate at which banks offer to lend funds (wholesale money) to one another in the international interbank market. Libor is a key benchmark rate that reflects how much it costs banks to borrow from each other.*