SAGE | INVEST WITH WISDOM

ADVISORSHARES®
Actively Managed ETFs

HOLD/NYSE Arca

Manager's Review

May 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.

Performance

- During the month of May, the AdvisorShares Core Reserves (NYSE Arca: HOLD) returned 24 basis-points vs. 15 basis-points on the Bloomberg Barclays US Treasury Bill 1-3 Month Index.
- HOLD paid out income of 15.277 cents per share, indicating a yield of 1.85%.
- The Bloomberg Barclays US Corporate 1-3 Year average option adjusted spread (OAS) was 2 basis-points wider on the month, ending at 0.60%.

Attribution

- The Industrial sector was the best performing subsector within the corporate space and returned 30 basis-points during the month. The best performing positions within Industrials were the Mattel Inc 2019's, and the Midcontinent Express 2019's. The Mattel's return of 1.71% was due to the corporate action on the security, which expect to be taken out at par in the near future. The Midcontinent Express position returned 1.34% on the month, due to spread tightening and carry. Some of the other better performing positions included Abbott Labs 2019's, Express Scripts 2019's, and AT&T 2021's, which returned a more modest 39, 33, and 33 basis-points. Some of the poorer performing positions within the industrial space include Spirit Aerosystems 2021's, Glaxosmithkline 2021's, and Equifax 2021's, all of which had flat performance on the month.
- Financials, which represent 30% of the fund, returned 20 basis-points. Some of the better performing positions were the American Express 2019's, ERP Operating 2019's, and the US Bancorp 2022 floater, returning 44, 40, and 36 basis-points. There were also several positions with flat performance, including the HSBC 2021's, Charles Schwab 2021's, and Sumitomo 2021's, all of which are floating rate securities.
- Asset-backed securities had a solid month, returning 23 basis-points. While the month of May might be characterized as a risk-off environment, ABS benefited, in part due to the high credit quality that much of the sector holds.
- The Agency Collateralized Mortgage Obligations (CMO's) in the portfolio, largely agency risk transfer securities, returned 26 basis-points with no significant outliers.

Looking Ahead:

- The month of May was a bit of a roller coaster ride as rates initially sold off into the middle of the month and then rallied due to the worry around the political turmoil in Italy. There was nearly a 35 basis-point swing in the 10yr treasury yield during the month. While some of the political turmoil has subsided, there is still lingering questions as to their future, and this seems to have put a cap on how high US rates can go, at least in the short term. While the market continues to fully price in a Fed rate hike in June, the path of future 2018 rate hikes is less clear.
- The May jobs report (released in June) was another solid piece of data. There were 223k jobs created in May, significantly more than the 191k expected. While this report showed continuing economic growth, the more global risk-off sentiment is what is driving performance. Positive domestic data points certainly help balance the markets, however, the global nature of the markets is the overriding driver of the financial markets.

HOLD Performance History (%) as of 03.31.2018

	NAV	Market Price Return
1 Month	0.06	0.07
3 Months	0.15	0.15
YTD	0.15	0.15
1 Year	1.08	1.06
3 Years	0.91	0.90
Since Inception (01.14.2014)	0.66	0.65

***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 0.51%. The net expense ratio is 0.36%.** The Advisor has contractually agreed to keep net expenses from exceeding 0.35% 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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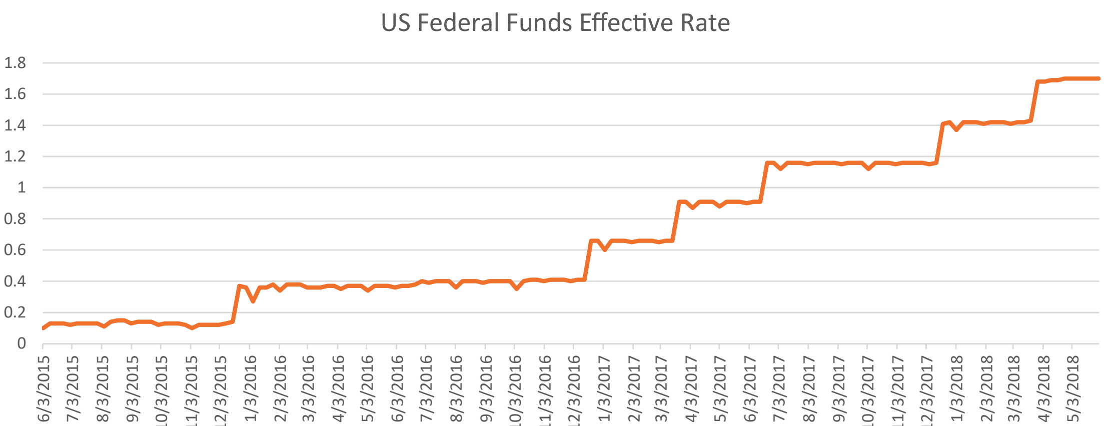
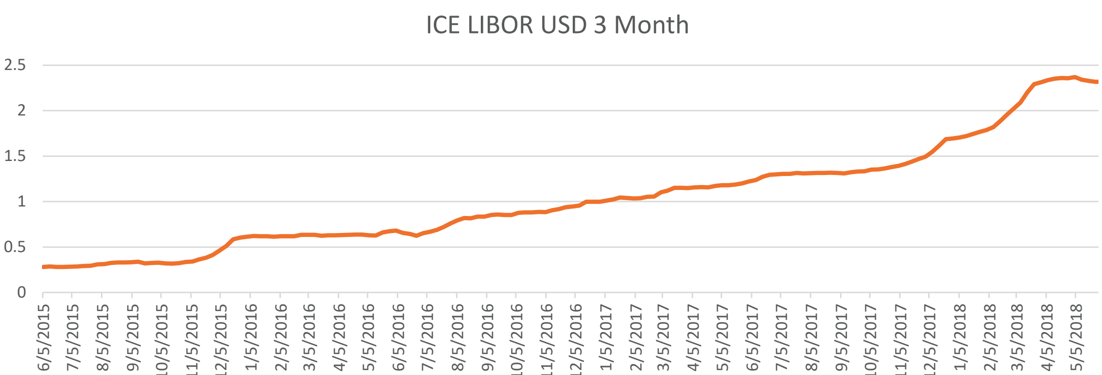


As of 05.31.2018



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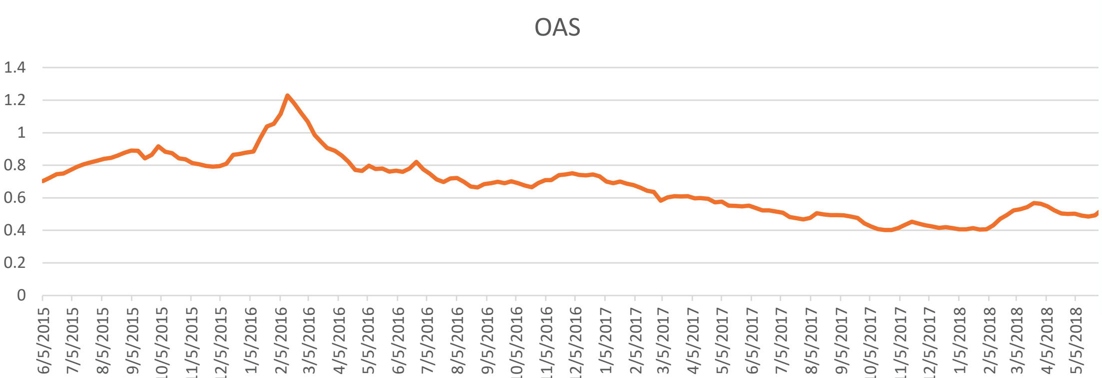

As of 05.31.2018

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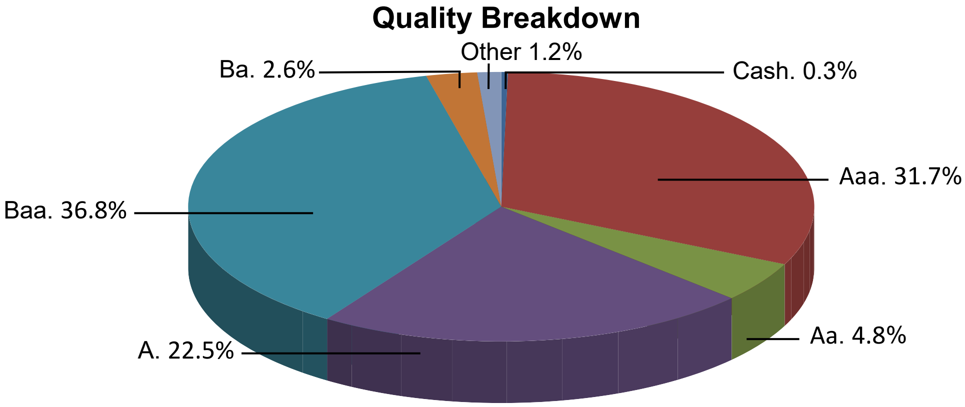
Portfolio Characteristics	Yield to Worst	Coupon	Maturity (Yrs)	Duration (Yrs)	30 Day Unsubsidized SEC Yield	30 Day Subsidized SEC Yield
	2.760	2.707	2.420	0.390	1.76%	1.35%

As of 05.31.2018



Credit quality ratings are primarily sourced from Moody's but in the event that Moody's has not assigned a rating the Fund will use Standard & Poor's (the "S&P"). If these ratings are in conflict the most conservative rating will be used. If none of the major rating agencies have assigned a rating the Fund will assign a rating of NR (nonrated security). The ratings represent their (Moody's and S &P) opinions as to the quality of the securities they rate. Ratings are relative and subjective and are not absolute standards of quality

The credit ratings are published rankings 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.

Sector Allocation as of 05.31.2018	Allocation
Governments	1.5%
Mortgage Backed Securities	0.6%
Asset Backed Securities	24.4%
Credit	73.2%
Cash	0.3%
Total	100.0%

Respectfully,

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Top 10 Holdings as of 05.31.2018

Name	Price	Weight
USB 0 01/24/22	100.93	2.19%
GS 02/25/21	103.38	2.11%
WFC 2 1/8 04/22/19	99.45	2.10%
COMET 2016-A3 A3	98.67	2.07%
AAPL 02/09/22	101.50	1.70%
AGN 03/12/20	101.07	1.67%
F 2.24 06/15/18	99.99	1.64%
NOC 1 3/4 06/01/18	100	1.63%
TAOT 2016-D A3	99.08	1.62%
DCENT 2013-A6 A6	100.15	1.62%

Holdings are subject to change.

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Definitions:

*The **2/10 Yield Curve** measures the difference between the 2-year Treasury and the 10-year Treasury giving an indication of the curve's steepness. The curve's flattening or steepening can be used to predict changes in economic output and growth.*
*A **Yield Curve** is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.*
***Credit Spread** is the spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.*
***Spread** is the difference between the bid and the ask price of a securtiy or asset.*
***Investment Grade** is a rating that indicates that a municipal or corporate bond has a relatively low risk of default. Bond rating firms, such as Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. For example, 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality (speculative), and are commonly referred to as "junk bonds".*
*The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. One cannot invest directly in an index.*
***Treasury Inflation-Protected Securities (TIPS)** are Treasury bonds that are adjusted to eliminate the effects of inflation on interest and principal payments, as measured by the Consumer Price Index (CPI).*
***Duration** is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.*
*The **Fed Funds rate** is the interest rate at which a depository institution lends immediately available funds (balances at the Federal Reserve) to another depository institution overnight. The rate may vary from depository institution to depository institution and from day to day.*
***London Interbank Offered Rate (LIBOR)** is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market. The LIBOR is fixed on a daily basis by the British Bankers' Association. The LIBOR is derived from a filtered average of the world's most creditworthy banks' interbank deposit rates for larger loans with maturities between overnight and one full year.*
*The **Option Adjusted Spread (OAS)** is a measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. Typically, an analyst would use the Treasury securities yield for the risk-free rate. The spread is added to the fixed-income security price to make the risk-free bond price the same as the bond.*
***Coupon** is the interest rate stated on a bond when it's issued. The coupon is typically paid semi-annually.*
***Yield-To-Worst** is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer. This metric is used to evaluate the worst-case scenario for yield to help investors manage risks and ensure that specific income requirements will still be met even in the worst scenarios.*
***30–Day SEC Yield (Standardized Yield)** is an annualized yield that is calculated by dividing the investment income earned by the Fund less expenses over the most recent 30-day period by the current maximum offering price.*
***The Subsidized Yield** reflects fee waivers and/or expense reimbursements recorded by the Fund during the period. Without waivers and/or reimbursements, yields would be reduced.*
***The Unsubsidized Yield** does not adjust for any fee waivers and/ or expense reimbursements in effect. If the Fund does not incur any fee waivers and/or expense reimbursements during the period, the 30-Day Subsidized Yield and 30-Day Unsubsidized Yield will be identical.*
***A Mortgage Backed Security** is a type of asset-backed security that is secured by a mortgage, or more commonly a collection ("pool") of sometimes hundreds of mortgages.*