PARTNERVEST
STAR Asset Management Platform

ADVISORSHARES®
Actively Managed ETFs

VEGA/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.

Portfolio Review

VEGA posted a positive return of 0.46% during April. The indexes that make up the VEGA ETF Policy Benchmark were all up during the month of April except Int. Gov't/Credit Bond. MSCI World Index, BXM Index and were up 1.15%, 1.33% respectively last month.

For the month, VEGA's Policy Benchmark was also up 0.84%.

Winners

April was mixed in terms of performance, but the largest gains came from Non-U.S. Developed with the Xtrackers MSCI Europe Hedged Equity ETF (DBEU) and the iShares MSCI EAFE ETF (EFA) up 4.55% and 1.52%, respectively. Other positive contributors were the iShares Russell 2000 ETF (IWM) and the Vanguard Real Estate ETF (VNQ) up 0.98% and 0.82%. As a point of reference, the SPDR S&P 500 ETF Trust (SPY) was up 0.52% for the month of April.

Laggards

The biggest laggard for the month of April was the iShares MSCI Emerging Markets ETF (EEM), which was down 2.82%. Fixed Income also had a challenging month with both the SPDR Doubleline TR Tactical ETF (TOTL) and the Vangard Intermediate-Term Bond (BIV) down, 0.72% and 1.04%.

Category Review

	April	YTD
VEGA NAV*	0.46%	-1.08%
MSCI World Index	1.15%	-0.15%
BXM Index	1.33%	-0.25%
Int. Gov't/Credit Bond	-0.52%	-1.50%
Policy Benchmark	0.84%	-0.37%

VEGA Policy Benchmark is a blended benchmark of 37.5% MSCI World Index, 37.5% CBOE S&P 500 Buy/Write Index and 25% to the Barclays Intermediate Government Corporate Index. Performance shown is Total Return, including reinvested dividends. All data: Orion and AdvisorShares.

*Performance and pricing data used for VEGA ETF is based on the Indicated Value of the ETF at the close of the day.

VEGA Performance History (%) as of 03.31.2018

	NAV	Market Price Return
1 Month	-1.34	-1.10
3 Months	-1.53	-1.33
YTD	-1.53	-1.33
1 Year	6.53	6.70
3 Years	4.75	4.87
5 Years	4.26	4.25
Since Inception (09.17.2012)	3.88	3.91

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Activity

The VEGA ETF continued writing Out-Of-Money Calls on SPY, EEM and EFA, which continues to provide a buffer to the decline of the underlying securities and the ability to earn higher premiums due to increased volatility. The increased premiums also help when we deem Protective Puts too expensive to purchase.

Outlook

April revealed a host of data that simultaneously confirmed strong US growth and the prospect of higher interest rates. While US GDP slowed moderately in the first quarter, wages rose to their highest levels in four years while spending continued to outstrip savings, factory activity hummed and jobless claims diminished.

The International Monetary Fund moderately increased its forecast for global growth despite a sudden and dramatic slowdown in the Eurozone. It also pointed out that the world's debt obligations as a percentage of global GDP had reach its highest level in a decade.

Markets

The Standard & Poor's 500 gained 0.27% and the Dow Jones Industrial Average climbed 0.24% in April in choppy sessions that have defined the markets since February. Stocks tumbled on April 23rd as the yield on the 10-year Treasury bill reached 2.96%, its highest level since 2014 and a signal, according to some market pundits, of the end of the 35-year bull run on bonds and a new era of inflation. Junk bond spreads also widened and yields rose across the spectrum of high-yield debt to close at two-week highs. In particular, CCC-grade paper outperformed stocks and investment-grade bonds.

4/30/2018	Economic and Market Review									
Overall	Indicator Name	Value	1 Mo. Ago			3 Mo. Ago		1 Yr. Ago		
▲	S&P 500 Total Return	5,193	5,173	▲	0.38%	▼	-5.72%	4,585	▲	13.27%
▲	Russell 2000 Total Return Index	7,613	7,548	▲	0.86%	▼	-2.27%	6,826	▲	11.54%
▲	MSCI EAFE Total Return	8,212	8,020	▲	2.39%	▼	-4.09%	7,136	▲	15.07%
▼	MSCI Emerging Markets Total Return	2,548	2,559	▼	-0.42%	▼	-6.22%	2,086	▲	22.14%
▲	10 Year Treasury Rate	2.95%	2.74%	▲	7.66%	▲	2.79%	2.29%	▲	28.82%
▼	Barclays US Aggregate Total Return	2,001	2,016	▼	-0.74%	▼	-0.98%	2,008	▼	-0.32%
▲	AMEX Dollar Index	91.82	90.0	▲	1.99%	▲	2.95%	99.04	▼	-7.29%
▼	Euro to US Dollar Exchange Rate	1.21	1.23	▼	-1.96%	▼	-1.11%	1.09	▲	10.51%
▲	US Dollar to Chinese Yuan Exchange Rate	6.33	6.27	▲	0.95%	▲	0.77%	6.89	▼	-8.09%
▲	US Dollar to Japanese Yen Exchange Rate	109.12	106.20	▲	2.75%	▼	-0.17%	111.44	▼	-2.08%
▼	Gold Price in US Dollars	1,322	1,324	▼	-0.18%	▼	-1.75%	1,266	▲	4.35%
▲	WTI Crude Oil Spot Price	68.56	64.87	▲	5.69%	▲	5.77%	49.3	▲	39.04%
▼	VIX	15.93	19.97	▼	-20.23%	▼	-19.75%	10.82	▲	47.23%

Exhibit 1: Source: yCharts
Table highlights returns for the 1-month, 3-month and 1-year periods as of 4/30/2018. Past performance is not indicative of future results.

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The US Treasury borrowed $488 billion to fund government operations, $47 billion more than it had anticipated three months ago, according to ZeroHedge. It was the single biggest quarterly amount of debt sold by the Treasury since the record $569 billion in debt borrowed in 2008 to prevent the economic collapse. Bloomberg chimed in, noting that America’s debt profile “is on track to resemble Italy’s” as American taxpayers bear the cost of swelling issuances that have helped drive yields on some maturities to their highest in a decade. Government debt sales will more than double this year, according to JPMorgan Chase, to a net $1.44 trillion.

Speaking of commodities, Bank of America released a study that anticipates the return of the close correlation between the US dollar – up 4% since hitting a more than three-year low 10 weeks ago — and the interest-rate differential as represented by the 10-year Treasury bill swap rate. It cited several reasons – from a faltering Eurozone and rising investment levels in the US – as factors behind a dollar surge.

Wall Street anticipated another robust earnings season though the prospects of larger payrolls and yawning bond yields led some analysts to caution dividends may have entered peak territory. Renaissance Macro disagreed, however. According to its analysis, fears of a cyclical peak are overdone thanks to nervous longs exploiting good news as a source of liquidity in which to sell.

U.S. Economy

The US economy grew at an annual rate of 2.3% in the first quarter, short of last year’s fourth quarter performance of 2.9% but respectable given the unruly stock markets and trade-war fears that punctuated the previous three months.

The Bureau of Labor Statistics’ reported that overall compensation climbed 2.7% over the past 12 months, its strongest showing since the third quarter of 2008, while private-sector wages and salaries advanced 2.9% on a year-on-year basis, also the largest since 3Q 2008. Separately, Bank of America announced that, according to its US customer deposit accounts, after-tax wages rose by 7.5% from 5.2%, year-on-year.

4/30/2018	Economic and Market Review						
		Last Reported	1 Mo. Ago		3 Mo. Ago	1 Yr. Ago	
Overall	Indicator Name	Date	1 Mo. Ago	% Change	% Change	1 Yr. Ago	% Change
▲	US Core Inflation Rate	3/31/2018	1.85%	▲ 14.59%	▲ 19.22%	2.00%	▲ 5.75%
▼	ADP Change in Nonfarm Payrolls	4/30/2018	228	▼ -10.46%	▼ -15.44%	155	▲ 31.36%
▼	US Unemployment Rate	4/30/2018	4.10%	▼ -4.88%	▼ -4.88%	4.40%	▼ -11.36%
▲	US Producer Price Index: Savings Institutions	3/31/2018	94	▲ 0.32%	▲ 1.18%	92	▲ 2.73%
▼	ISM Purchasing Managers Index	4/30/2018	59	▼ -3.37%	▼ -3.05%	55	▲ 4.56%
▲	US Housing Starts	3/31/2018	1,295	▲ 1.85%	▲ 9.28%	1,189	▲ 10.93%
▲	US 30 Year Mortgage Rate	4/26/2018	4.44%	▲ 3.15%	▲ 10.36%	4.03%	▲ 13.65%
▼	US Consumer Price Index	3/31/2018	249.6	▼ -0.06%	▲ 0.63%	243.7	▲ 2.36%

Exhibit 2: Source: yCharts

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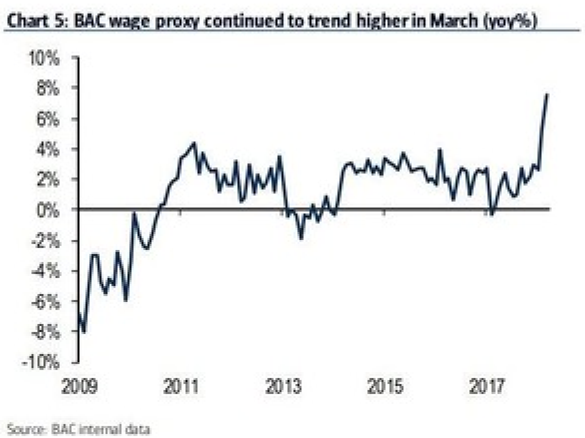
The Department of Labor, meanwhile, reported that first-time jobless claims declined to 209,000, which beat forecasts and was the lowest reading since 1969. At the same time, new home sales rose 4% in March, according to the US Census Bureau, double expectations and boosting the 3-month average to its highest level since November 2007.

Factory production also steamed ahead as survey data signaled a steep improvement in operating conditions across the U.S. manufacturing sector. The latest Purchasing Managers' Index (PMI) reading was the highest since September 2014, according to the survey, supported by stronger expansions in output and new orders. New business rose at the sharpest pace in over nearly four years while rates of input price and output charge inflation accelerated to the fastest since mid-2011.

The U.S. Services PMI registered 54.6 in April, up from 54.0 in March. According to Chris Williamson, Chief Business Economist at IHS Markit, "The improved service sector performance comes on the heels of news of faster manufacturing growth, pointing to a welcome broad-based strengthening of the economy at the start of the second quarter.

The Commerce Department reported that spending growth outpaced income growth for the 26th month in a row in March with the latter rising just 3.7% year-over-year (YoY), the lowest since October 2017, and the former rising 4.6% YoY, slightly faster than in the previous month. Conversely, the savings rate over the last two months was revised downward, with January lowered from 3.2% to 3.0% and February from 3.4% to 3.3%. Wage growth was up a notable 4.4% YoY with private wages dominating government worker gains.



- According to the BAC wage proxy, which is based on anonymized and aggregate payroll direct deposit data from Bank of America customer deposit accounts in the US, after-tax wages grew by 7.5% yoy from 5.2% yoy in the prior month.
- As we noted in last month's publication of BofA on USA, customers are starting to see a bigger paychecks as new tax withholding tables go into effect following the passage of the Tax Cuts and Jobs Act.
- The realization of delayed payout of tax refunds and the increase in after-tax income likely helped boost spending in March and should support consumer demand in coming months.

Exhibit 3: Bank of America Corporation

A cautionary tale was provided by ZeroHedge, which blogged that rising petroleum prices, now at a four-year high, may undercut the impact of the Trump tax cuts. With gas prices approaching the psychological $3 per gallon level, lower-income consumers may be forced to horde for essential and skimp on discretionary items. Citing a *Financial Times* report, ZeroHedge reported that rural and middle-income households would be hit hardest by the gas crunch, which it warned could be serious enough to negate much of the tax relief for the middle class.

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International

The International Monetary Fund (IMF) raised its forecast for world growth this year and next by 0.2% percentage point, despite an unexpected growth slow-down in Europe. Having sustained average growth of 3.5% by late last year, European Central Bank chief Mario Draghi acknowledged that “growth may have peaked” and effectively removed monetary policy normalization from the table. The average annual forecast for Euro-zone growth has been revised to 1.2%, with each of the major economies experiencing a sharp decline in growth. (The Financial Times suggested the contraction was caused by the ECB’s tepid quantitative easing, which evaporated in 2017, or an inability by European infrastructure to sustain extraordinary rates of growth, as supply channels tightened.)

The IMF did however sound the alarm over the global debt burden, which at 225 percent of global GDP exceeds the ratio that prevailed on the eve of the financial crisis, and urged public and private lenders to cut borrowings. Half of that red ink is concentrated among three countries: the US – which the IMF rebuked for its unfunded tax cuts - China, and Japan. Speaking on CNN, hedge fund investor Kyle Bass said China’s debt obligations are estimated to be so great he called them “the real risk to the world.”

Japan Manufacturing PMI remained steady and rebounded to a reading of 53.8, up from the March report of 53.1. Joe Hayes, Economist at IHS Markit, said the April data “pointed to a renewed acceleration in Japanese manufacturing sector growth. New order inflows rose at a solid and faster clip, prompting firms to recruit new staff and expand production.”
Reuters reported that Sub-Saharan Africa is falling into a new debt crisis, with 40% of the region now at high risk of debt distress - double the proportion of five years ago. Officials at the IMF are now urging all African countries to raise taxes to provide more scope for paying interest, which has increased to levels last experienced at the start of the century.

Very Truly Yours,

David Young, CIO
Partnervest Advisory Services

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Top 10 Holdings

Stock Ticker	Security Description	Portfolio Weight
SPY	SPDR S&P 500 ETF TRUST	50.39%
EFA	ISHARES MSCI EAFE ETF	9.53%
IWM	ISHARES RUSSELL 2000 ETF	6.14%
DBEU	XTRACKERS MSCI EUROPE HEDGED EQUITY ETF	4.90%
TOTL	SPDR DOUBLELINE TR TACT ETF	4.81%
PHB	POWERSHARES FDMNL H/Y CORP B	4.81%
BIV	VANGUARD INTERMEDIATE-TERM B	4.75%
EEM	ISHARES MSCI EMERGING MARKETS ETF	4.44%
XLF	FINANCIAL SELECT SECTOR SPDR FUND	4.05%
VNQ	VANGUARD REAL ESTATE ETF	2.72%

Holdings are subject to change.

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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. Other Fund risks included: allocation risk; derivative risk; early closing risk; Exchange Traded Note risk; liquidity risk, market risk; trading risk; commodity risk; concentration risk; counterparty risk; credit risk; emerging markets and foreign securities risk; foreign currency risk; large-, mid- and small- cap stock risk. Please see the prospectus for detailed information regarding risk.

The Fund is also subject to options risk. Writing and purchasing call and put options are specialized activities and entail greater than ordinary investment risk. The value of the Fund's positions in options fluctuates in response to the changes in value of the underlying security. The Fund also risks losing all or part of the cash paid for purchasing call and put options. ***The Fund may not be suitable for all investors.***

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 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:

The ***Cboe S&P 500 BuyWrite Index (BXM)*** *is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.*

The ***MSCI World Index*** *is a market cap weighted index which captures large and mid cap representation across 23 Developed Markets countries.*

The ***Barclays Capital U.S. Intermediate Government Bond Index*** *measures the performance of U.S. Dollar denominated investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.*

The ***Purchasing Managers' Index (PMI)*** *is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.*

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.*

The Dow Jones Industrial Average is the average performance of certain blue chip stocks, generally regarded as an indication of how the market at large is performing.

An ***option*** *is a privilege, sold by one party to another that gives the buyer the right, but not the obligation, to buy (call) or sell (put) a stock at an agreed upon price within a certain period or on a specific date. An* ***option premium*** *is income received by an investor who sells or "writes" an option contract to another party. A* ***covered call option*** *involves holding a long position in a particular asset, in this case shares of an ETP, and writing a call option on that same asset with the goal of realizing additional income from the option premium. A* ***put option*** *is a contract that gives the owner of the option the right to sell a specified amount of the asset underlying the option at a specified price within a specified time. A* ***protective put*** *is an option strategy which entails buys shares of a security and, at the same time, enough put options to cover those shares. This can act as a hedge on the invested security, since matching puts with shares of the stock can limit the downside (due to the nature of puts).* ***Exercising an option*** *means to put into effect the right specified in a contract.*