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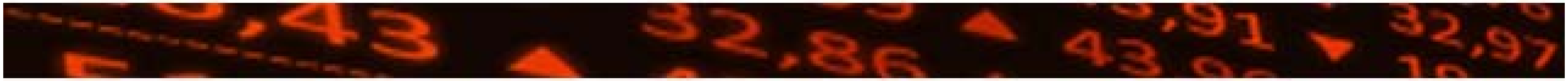

Seeking to Profit from Rising Interest Rates while producing attractive Returns in a Stable Rate Environment

# HDGB

AdvisorShares Treesdale Rising Rates ETF

TREESDALE
Partners, LLC

Sub-Advised by Treesdale Partners, LLC

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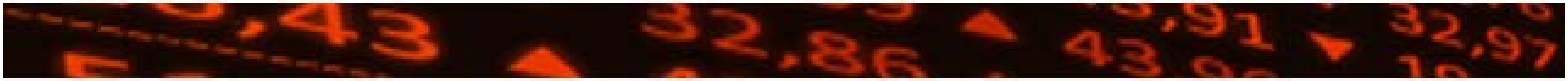

# Disclosures

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. Derivative risk may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions that could result in losses that exceed the Fund's original investment. The Fund may invest in mortgage-backed and asset-backed securities risk which is the risk that the impairment of the value of collateral underlying security will result in a reduction in the value of each security.

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. Other Fund risks include counterparty risk, early closing risk, fixed income and income risk, interest rate risk, issuer risk, liquidity risk, prepayment risk, trading risk and U.S. Government Securities risk. **This Fund may not be suitable for all investors.** See prospectus for detail regarding risk.

**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 calling (877) 843-3831 or by visiting the website at hdgb.advisorshares.com. Please read the prospectus carefully before you invest. Foreside Fund Services, LLC, distributor**

# Executive Summary

**The AdvisorShares Treesdale Rising Rates ETF (NYSE Arca: HDGB) seeks total return while providing protection for investors against loss of principal in a rising interest rate environment.**

Returns may be generated from three sources:

- **Negative Duration** - We target a specific subset of the Mortgage Backed Security Interest Only (MBS IO) investment universe which has negative interest rate duration.
- **Yield** – Many MBS IOs currently trade at attractive valuations, both historically and relative to other MBS and fixed-income products, HDGB has the potential for a positive yield AND negative duration.
- **Tighter Spreads** – Historically low rates have resulted in our target portfolio trading at wide option adjusted spread (OAS) levels which should tighten as prepayments slow in a higher rate environment which may result in HDGB's outperformance of comparable US Treasury benchmarks.

# Rationale for HDGB's Structure and Investment Process

- The global credit crisis has resulted in unprecedented government intervention leading to artificially low interest rates
- Typical rising interest rate protection strategies can be very expensive
- MBS IOs generally appreciate in a rising interest rate market (negative duration)
- MBS IOs traded at a positive yield which as of August 31, 2014 were higher than many other fixed-income products

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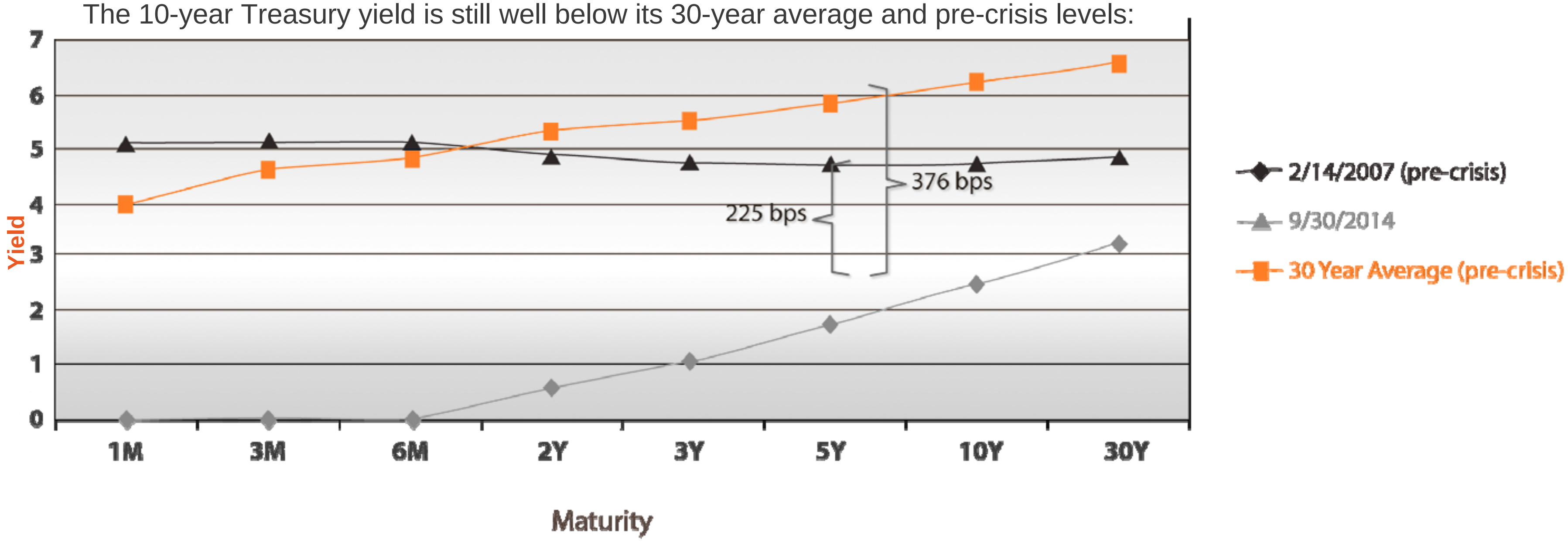
# Artificially Low Interest Rates

The 10-year Treasury yield is still well below its 30-year average and pre-crisis levels:




This creates visibility for rates to normalize which creates the need to protect against the outcome

Source: Bloomberg, as of 09/30/2014

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# Macro Scenario Most Favorable to HDGB

- U.S. economy continues on recovery path making modest to substantial gains in growth
- Longer term interest rates return closer to the historical norm with a 200+ basis points (bps) rise
- OAS on MBS IOs generally tighten as refinancing-incentives and prepayment volatility are reduced. Prepayments of MBS can alter expected income streams
- Prepayment speeds drop as expected as refinancing activity declines

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# Macro Scenario Least Favorable to HDGB

- U.S. economy falls back into recession
- Interest rates fall back to near historic lows with the 10-year Treasury in the 1.5-2.5% range
- Federal Reserve Bank believes it becomes necessary to resume Quantitative Easing
- Increases in prepayment speeds are lower than model expectations due to tighter credit environments, which may cushion the downside for MBS IOs

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# HDGB’s Role in a Diversified Portfolio

HDGB combines two strategies. It seeks to offer portfolio protection in the event of rising interest rates, and also may offer the potential for a positive total return from the mortgage market.. These combined objectives may make HDGB a unique complementary holding as a diversifier for both traditional fixed income and equity portfolios that may be adversely impacted in a rising interest rate environment.

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# HDGB Investment Process

- Evaluate spread levels in mortgage market relative to other fixed income sectors
- Assess value in negative duration mortgage products relative to other subsectors of mortgage market
- Derive overweight/underweight targets on core mortgage portfolio based on above assessment
- Rebalance mortgage portfolio as needed factoring in bid/offer spreads in the secondary market
- Rebalance hedges as needed
- Assess macro environment to adjust overall duration targets as necessary

# HDGB Risk Management Process

- Duration will generally be managed to be within a range of -5 to -15 years depending on the macro environment
- Convexity and option risk will be managed to limit downside risk under falling interest rates by avoiding purchase of instruments with high negative convexity and possibly buying Treasury options as needed
- Prepayment duration will be controlled generally diversified across coupons
- Scenario analysis and stress tests will be performed on a regular basis
- Concentration risk will be monitored and controlled
- Bloomberg, dealer portfolio systems, and in-house analytics will be utilized

There is no guarantee the fund will be successful with the risk management process.

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# HDGB Portfolio Management Team

**ZACHARY COOPER, MANAGING PARTNER AND PORTFOLIO MANAGER:** Zachary Cooper is a Managing Director of Treesdale Partners, LLC and portfolio manager for the firm's rising rates strategy. Mr. Cooper is a securitized products market veteran with over 18 years of experience across a variety of roles. Prior to joining Treesdale Partners, he was the sole non-agency MBS and ABS trader at The PrinceRidge Group, a boutique investment bank. Prior to that, Mr. Cooper was a Principal at Highland Financial Holdings LLC, a hedge fund with peak AUM of over $1.3B, where he was a senior portfolio manager and on the investment committee. At Highland he specialized in analyzing, trading, and hedging securitized investment products across the capital structure and he also managed the research and model development teams. Mr. Cooper began his career at Deutsche Bank Securities in structuring and analytics where he both coded and ran proprietary securitization models. Later he managed a $2B proprietary MBS derivatives portfolio and ran the structuring and trading of a highly profitable franchise loan securitization effort. Mr. Cooper received a B.A. in Computer Science from Harvard University and earned the Chartered Financial Analyst designation.

# HDGB Portfolio Management Team (cont.)

**YUNG LIM, MANAGING PARTNER AND PORTFOLIO MANAGER:** Yung Lim is Co-Founder and a Managing Partner of Treesdale Partners, LLC, where he sits on the executive investment committee of the multi-manager and direct investment funds. He has over twenty five years of experience in the fixed income and related markets serving in various roles including investment advisory, risk management, and development of sophisticated trading strategies. Since 2002, Mr. Lim has co-managed or overseen various fixed income focused strategies including Treesdale Rising Rates Strategy, Treesdale Fixed Income Fund, Treesdale Recovery Fund and Treebrook Macro Fund.

In the early 1990s, Mr. Lim worked at Merrill Lynch as vice president in charge of risk management for the mortgage desk, typically handling $5 billion in inventory.. After Merrill Lynch, Mr. Lim was a senior consultant at Andrew Davidson & Co., Inc., a premier consulting firm specializing in fixed income markets, where he performed advisory work for major financial institutions. Mr. Lim has co-authored a book on advanced valuation and analysis techniques for mortgage securities titled Collateralized Mortgage Obligations, by Davidson, Ho, and Lim. He has also published various articles in major fixed income publications, including Bond and Mortgage Markets, edited by Frank Fabozzi. Mr. Lim has an M.B.A. from the University of Chicago and a B.S. in Electrical Engineering from the California Institute of Technology.

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# HDGB Resources

**To find all of the available resources for the HDGB ETF, please visit http://hdgb.advisorshares.com:**

- HDGB ETF Fact Sheet
- HDGB Investment Case Sheet
- HDGB Investment Process Sheet
- HDGB Performance
- HDGB Monthly Portfolio Manager Commentaries
- HDGB Monthly Audio “Manager Minutes” only available to financial professionals
- HDGB Daily Holdings and Pricing

**To learn more about the portfolio manager, Treesdale Partners, please visit:**

**http://www.treesdalellc.com/overview.html**

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# Definitions

- **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. For fixed income products with positive duration, rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

- **Option Adjusted Spread** 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

- A **Basis Point** is a unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

- **Bid/ask (offer) spread** is the amount by which the ask price exceeds the bid. This is essentially the difference in price between the highest price that a buyer is willing to pay for an asset and the lowest price for which a seller is willing to sell it.

- **Convexity** is a measure of the curvature in the relationship between bond prices and bond yields that demonstrates how the duration of a bond changes as the interest rate changes. Convexity is used as a risk-management tool, and helps to measure and manage the amount of market risk to which a portfolio of bonds is exposed.

- **Prepayment Speeds** is the estimated rate at which mortgage borrowers will pay off the mortgages that underlie a mortgage-backed security.

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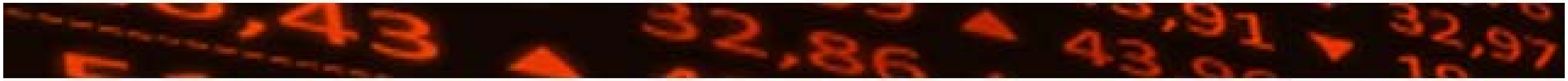

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