

Investors Exchange Product Information Circular 2022 - 0162

Date: April 27, 2022

Re: AdvisorShares Trust

This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges ("UTP") on the Investors Exchange ("IEX" or the "Exchange") as UTP Derivative Securities pursuant to IEX Rule 16.160. Compliance and supervisory personnel should note that, among other things, this Information Circular discusses the need to deliver a prospectus to customers purchasing shares of the exchange-traded funds. Please forward this Information Circular to interested persons within your organization.

Exchange-Traded Fund / Symbol

AdvisorShares Managed Bitcoin ETF
AdvisorShares Drone Technology ETF

CRYP
UAV

Issuer/Trust: AdvisorShares Trust

Issuer/Trust Website: www.advisorshares.com

Primary Listing Exchange: NYSE Arca

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in these new products pursuant to the Exchange's unlisted trading privileges, as well as to provide certain characteristics and features of the products. For a more complete description of the Issuer, the securities and the underlying market instruments or indexes, visit the Issuer Website, consult the Prospectus available on the Issuer Website or examine the Issuer Registration Statement or review the most current information bulletin issued by the Primary Listing Exchange.

Background Information on the Funds

The AdvisorShares Trust (the "Trust") is a management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), consisting of several investment portfolios. This circular relates only to the AdvisorShares Managed Bitcoin ETF and the AdvisorShares Drone Technology ETF (the "Fund", collectively the "funds"). The shares of these Funds are referred to herein as "Shares."

AdvisorShares Managed Bitcoin ETF

The Fund is an actively managed exchange-traded fund ("ETF") that seeks to achieve its investment objective by investing in (i) U.S. ETFs that invest in U.S. exchange-traded bitcoin futures contracts ("Bitcoin ETFs"), (ii) U.S. exchange-traded bitcoin futures contracts ("Bitcoin Futures"), and (iii) U.S. government securities, money market funds and short duration fixed income ETFs, and cash and cash equivalents ("Collateral"). The Fund initially will invest in Bitcoin ETFs and Collateral, adding Bitcoin Futures as it gains assets and investment opportunities arise in accordance with its strategy. To the extent the Fund invests a significant portion of its assets in Bitcoin ETFs, it will be operating as a "fund of funds." The Fund will not invest directly in bitcoin.

Morgan Creek Capital Management, LLC (the “Sub-Advisor”), the Fund’s investment sub-advisor, utilizes internal and external research, strategies and models in implementing the Fund’s principal investment strategies, including to determine the anticipated rise and fall of bitcoin values. To manage the Fund’s exposure to bitcoin, the Sub-Advisor will tactically allocate the Fund’s assets between Bitcoin Futures, including through Bitcoin ETFs, and Collateral. Due to the elevated levels of volatility of Bitcoin Futures, the Fund’s exposure to bitcoin at times may be substantially less than 100% of the Fund’s net assets. Under normal circumstances, the Fund expects to maintain a target exposure of between 50% and 100%. During periods other than normal circumstances, including periods where there is extreme volatility and where the Sub-Advisor believes it is prudent to take a temporary defensive posture, the Fund may reduce its exposure significantly. In addition to cash and cash equivalents, Collateral consists of high-quality securities including (i) U.S. government securities, such as bills, notes and bonds issued by the U.S. Treasury, and (ii) money market funds and short duration fixed income ETFs, including affiliated ETFs. Collateral is designed to preserve capital, provide liquidity, serve as margin, and otherwise collateralize the investments in Bitcoin ETFs and Bitcoin Futures.

Bitcoin is a digital asset, sometimes referred to as a “cryptocurrency.” Unlike traditional currencies, bitcoin is a decentralized, virtual currency and is not issued or backed by any government, agency, bank or organization. Instead, bitcoin’s value is determined in part by the supply of, and demand for, bitcoin in markets created to facilitate its trading. The operation of bitcoin is determined by participants in a decentralized, online, peer-to-peer computer network. The network connects computers that run publicly accessible, or “open source,” software that follows the protocols governing the bitcoin network. No single entity owns or operates the bitcoin network. Ownership and transaction records for bitcoin are protected through public-key cryptography on a “blockchain.” Public-key cryptography is a cryptographic system that uses a pair of keys, consisting of a public key (which may be known to others) and a private key (which may not be known by anyone except the owner). The transactions on the bitcoin blockchain are verified by “miners.” Bitcoin mining uses computers to solve mathematical equations, which secures transactions and verifies the transfer of assets. In addition to miners, the bitcoin network is collectively maintained by developers (who propose improvements to the protocols) and users.

The Fund will invest indirectly in Bitcoin Futures via Bitcoin ETFs and, when the opportunity arises, through a wholly-owned subsidiary of the Fund organized under the laws of the Cayman Islands (the “Subsidiary”). The Fund also may invest a small percentage of its assets directly in Bitcoin Futures. Bitcoin Futures are standardized, cash-settled futures contracts on bitcoin. In a cash-settled futures contract on bitcoin, the amount of cash to be paid is equal to the difference between the value of the bitcoin underlying the futures contract at the close of the last trading day of the contract and the futures contract price specified in the agreement. Such futures contracts are traded on commodity exchanges registered with the U.S. Commodity Futures Trading Commission (the “CFTC”). Currently, the only such contracts are traded on, or subject to the rules of, the Chicago Mercantile Exchange (the “CME”). The value of Bitcoin Futures is determined by reference to the CME CF Bitcoin Reference Rate (“BRR”), which provides an indication of the price of bitcoin across certain cash bitcoin exchanges.

As futures contracts approach expiration, they may be replaced by similar contracts that have a later expiration. This process is referred to as “rolling.” If the price of a long-term futures contract is greater than the short-term futures contract price, the market is considered to be in “contango.” If

the price of a long-term futures contract is less than the short-term futures contract price, the market is considered to be in “backwardation.” In “contango” markets, the price of futures contracts with expiration dates in the near term generally is lower than the price of futures contracts with more distant expiration dates, resulting in a cost to “roll” the futures contract by replacing the short-term contract with the long-term contract (the “roll cost”). The opposite is true when the market is in backwardation, resulting in a gain from rolling the futures contract (the “roll yield”). Whether an investor realizes roll costs or roll yields depends upon the price differences between short-term and long-term contracts.

At the Sub-Advisor’s discretion, when the Fund invests in Bitcoin Futures directly or via the Subsidiary, the Sub-Advisor will implement the Fund’s tactical strategy by “rolling” the Bitcoin Futures investments. Rather than roll the futures contracts on a predefined schedule, to the extent the Sub-Advisor determines that it is appropriate to roll a futures contract, the Fund will roll its investment into another futures contract (which the Sub-Advisor selects from a universe of futures contracts) that the Sub-Advisor believes will be more advantageous to the Fund in light of its investment objective. When investing in Bitcoin ETFs, the Sub-Advisor will take into account the specific rolling strategy of the Bitcoin ETFs as it implements the Fund’s tactical strategy. There can be no guarantee that such a strategy will produce the desired results.

The Fund’s investment in the Subsidiary is intended to provide the Fund with exposure to Bitcoin Futures in accordance with applicable rules and regulations. The Fund may invest up to approximately 25% of its total assets in the Subsidiary. The Subsidiary and the Fund have the same investment adviser and the same investment objective, and the Subsidiary will follow the same general investment policies and restrictions as the Fund except that, unlike the Fund, it may invest without limit directly in Bitcoin Futures. Except as noted, for purposes of this Prospectus, references to the Fund’s investment strategies and risks relating to investment in Bitcoin Futures include those of the Subsidiary.

The Fund is non-diversified and may invest a greater percentage of its assets in a particular issuer than a diversified fund. The Sub-Advisor may engage in frequent trading of the Fund’s portfolio, which may result in high portfolio turnover.

AdvisorShares Drone Technology ETF

The Fund is an actively managed exchange-traded fund (“ETF”) that seeks to achieve its investment objective by investing, under normal circumstances, at least 80% of its net assets (plus any borrowings for investment purposes) in securities of companies that derive at least 50% of their revenue or profit from the use and/or manufacture of drones or technology used in the development and manufacture of drones (“drone-related businesses”). A company is in a drone-related business if it is (i) directly or indirectly involved in the development, research, or utilization of unmanned aerial vehicles, otherwise known as drones, or (ii) directly involved in research, development and/or production of technologies used in the manufacture and development of drones, such as aviation, autonomous transportation, remote control, and battery technology.

The Fund invests in U.S. exchange traded equity securities primarily consisting of common stock of companies of any market capitalization. The Fund’s investments may include the securities of companies from various industries, industry groups and sub-industries, including Aerospace & Defense, Auto Parts and Equipment, Commercial Services & Supplies, Computer & Electronics Retail, Electronic Equipment, Instruments & Components, Machinery, Electronic Manufacturing

Services, Semiconductors & Semiconductor Equipment, and Telecommunication Services, but may include securities from any industry. The Fund will concentrate at least 25% of its investments in the securities of issuers in the Aerospace & Defense Industry.

A variety of methods may be used for security selection. As the Fund primarily focuses on certain industry groups, industries, and sub-industries. The Advisor intends to select companies with dominant positions in their respective markets as well as those in unique positions for growth and expansion. The Advisor has arranged to utilize the resources of DRONELIFE.com, an online publication website that addresses the commercial market for drones and drone technology, to identify companies in drone-related businesses. In addition to the resources of DRONELIFE.com, the Advisor will utilize numerous outside analyst ratings and stock selection rating tools. At times, the Advisor may aim to buy certain out-of-favor stocks believed to be at prices below their future potential value, as measured by the Advisor or outside analysts. The Fund may sell a security when the Advisor believes that the security is overvalued or better investment opportunities are available, or to limit position size within the Fund's portfolio.

For more information regarding the Fund's investment strategy, please read the prospectus for the Fund.

As described more fully in the Trust's prospectus and Statement of Additional Information, the Fund will issue and redeem Shares on a continuous basis at their net asset value ("NAV") only in large blocks of Shares (each, a "Creation Unit"). Creation Units will be issued and redeemed principally in-kind for securities included in the underlying index. Except when aggregated in Creation Units, the Shares may not be redeemed with the Fund.

Shares are held in book-entry form, which means that no share certificates are issued. The Depository Trust Company or its nominee is the record owner of all outstanding Shares and is recognized as the owner of all Shares for all purposes.

The NAV of the Fund is generally determined as of the close of trading (normally 4:00 p.m., Eastern Time) on each day the New York Stock Exchange is open for business. The NAV of the Fund is calculated by dividing the value of the net assets of the Fund (i.e., the value of its total assets less total liabilities) by the total number of outstanding shares of the Fund, generally rounded to the nearest cent.

Purchases and Redemptions in Creation Unit Size

IEX Members are hereby informed that procedures for purchases and redemptions of Shares in Creation Units are described in the Trust's Prospectus and SAI and that Shares are not individually redeemable but are redeemable only in Creation Unit aggregations or multiples thereof.

Principal Risks

Interested persons are referred to the discussion in the prospectus for the Fund of the principal risks of an investment in the Fund. These may include, but are not limited to, asset class risk, authorized participant concentration risk, concentration risk, currency risk, cyber security risk, equity securities risk, fluctuation of net asset value risk (NAV), index risk, industry/sector risk, issuer risk, management risk, market maker risk, market risk, market trading risk, non-correlation risk, non-diversification risk, passive investment risk, replication management risk, securities lending risk, tracking error risk, trading issues risk, and valuation risk.

In addition, the market prices of the Shares will fluctuate in accordance with changes in NAV as well as the supply and demand for the Shares. As a result, the Shares may trade at market prices that may differ from their NAV. The NAV of the Shares of the Fund will fluctuate with changes in the market value of the Fund's holdings.

Exchange Rules Applicable to Trading in the Shares

Trading in the Shares on IEX is subject to IEX trading rules.

Trading Hours

The value of the Index underlying the Shares will be disseminated to data vendors every 15 seconds during the Regular Trading Session. The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, (3) higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Delivery of a Prospectus

Exchange Members should be mindful of applicable prospectus delivery requirements under the federal securities laws with respect to transactions in the Fund. Prospectuses may be obtained through the Fund's website. The Prospectus for the Fund does not contain all of the information set forth in the Funds Registration Statement (including the exhibits to the Registration Statement), parts of which have been omitted in accordance with the rules and regulations of the SEC. For further information about the Fund, please refer to its Registration Statement.

In the event that the Fund relies upon an order by the SEC exempting the Shares from certain prospectus delivery requirements under Section 24(d) of the 1940 Act and in the future make available a written product description, Exchange Rules require that Exchange Members provide to all purchasers of Shares a written description of the terms and characteristics of such securities, in a form prepared by the Issuer of the Fund, no later than the time a confirmation of the first transaction in the Shares is delivered to such purchaser. In addition, Exchange Members shall include such a written description with any sales material relating to the Shares that is provided to customers or the public. Any other written materials provided by an IEX member to customers or the public making specific reference to the Shares as an investment vehicle must include a statement in substantially the following form: "A circular describing the terms and characteristics of [the UTP Derivative Securities] has been prepared by the [open-ended management investment company name] and is available from your broker. It is recommended that you obtain and review such circular before purchasing [the UTP Derivative Securities]."

An Exchange member carrying an omnibus account for a non-member broker-dealer is required to inform such non-member that execution of an order to purchase Shares for such omnibus account will be deemed to constitute agreement by the non-member to make such written description available to its customers on the same terms as are directly applicable to such Exchange member under this rule. Upon request of a customer, Exchange Members also shall provide a copy of the Prospectus.

Suitability

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

Trading Halts

The Exchange will halt trading in the Shares of a security in accordance with the Exchange's Rules. The grounds for a halt include a halt because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, a halt for other regulatory reasons or due to other conditions or circumstances deemed to be detrimental to the maintenance of a free and orderly market.

Exemptive, Interpretive and No-Action Relief Under Federal Securities Regulations

The Securities and Exchange Commission (the "SEC") has issued letters granting exemptive, interpretive and no-action relief from certain provisions of rules under the Securities Exchange Act of 1934 for exchange- traded securities listed and traded on a registered national securities exchange that meet certain criteria.

AS WHAT FOLLOWS IS ONLY A SUMMARY OF THE RELIEF OUTLINED IN THE NO-ACTION LETTERS REFERENCED ABOVE, THE EXCHANGE ADVISES INTERESTED PARTIES TO CONSULT THE NO-ACTION LETTERS FOR MORE COMPLETE INFORMATION REGARDING THE MATTERS COVERED THEREIN AND THE APPLICABILITY OF THE RELIEF GRANTED IN RESPECT OF TRADING IN SECURITIES. INTERESTED PARTIES SHOULD ALSO CONSULT THEIR PROFESSIONAL ADVISORS.

Regulation M Exemptions

Generally, Rules 101 and 102 of Regulation M prohibit any "distribution participant" and its "affiliated purchasers" from bidding for, purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of a distribution until after the applicable restricted period, except as specifically permitted in Regulation M. The provisions of the Rules apply to underwriters, prospective underwriters, brokers, dealers, and other persons who have agreed to participate or are participating in a distribution of securities.

The SEC has granted an exemption from Rule 101 under Regulation M to permit persons participating in a distribution of Shares of the above-mentioned Fund to engage in secondary market transactions in such Shares during their participation in such a distribution. In addition, the SEC has granted relief under Regulation M to permit persons who may be deemed to be participating in the distribution of Shares of the above-mentioned Fund (i) to purchase securities for the purpose of purchasing Creation Unit Aggregations of Fund Shares and (ii) to tender securities for redemption in Creation Unit Aggregations. Further, the SEC has clarified that the tender of Fund Shares to the Fund for redemption does not constitute a bid for or purchase of any of the Funds' securities during the restricted period of Rule 101. The SEC has also granted an exemption pursuant to paragraph (e) of Rule 102 under Regulation M to allow the redemption of Fund Shares in Creation Unit Aggregations during the continuous offering of Shares.

Rule 14e-5

An exemption from Rule 14e-5 has been granted to permit any person acting as a dealer-manager of a tender offer for a component security of the Fund (1) to redeem Fund Shares in Creation Unit Aggregations from the issuer that may include a security subject to such tender offer and (2) to purchase Fund Shares during such tender offer. In addition, a no-action position has been taken under Rule 14e-5 if a broker-dealer acting as a dealer-manager of a tender offer for a security of the Fund purchases or arranges to purchase such securities in the secondary market for the purpose of tendering such securities to purchase one or more Creation Unit Aggregations of Shares, if made in conformance with the following:

1. such bids or purchases are effected in the ordinary course of business, in connection with a basket of 20 or more securities in which any security that is the subject of a distribution, or any reference security, does not comprise more than 5% of the value of the basket purchase; or
2. purchases are effected as adjustments to such basket in the ordinary course of business as a result of a change in the composition of the underlying index; and
3. such bids or purchases are not effected for the purpose of facilitating such tender offer.

SEC Rule 15c1-5 and 15c1-6

The SEC has taken a no-action position with respect to Rule 15c1-5 and Rule 15c1-6 as to the required disclosure of control by a broker or dealer with respect to creations and redemptions of Fund Shares and secondary market transactions therein. (See letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Securities Industry Association, Derivative Products Committee, dated November 21, 2005.)

This Information Circular is not a statutory prospectus. Members should consult the Prospectus for a security and the security's website for relevant information.

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.