

# Arbitrage Fund

Q3 2018 Fact Sheet as of September 30, 2018



The Arbitrage Funds

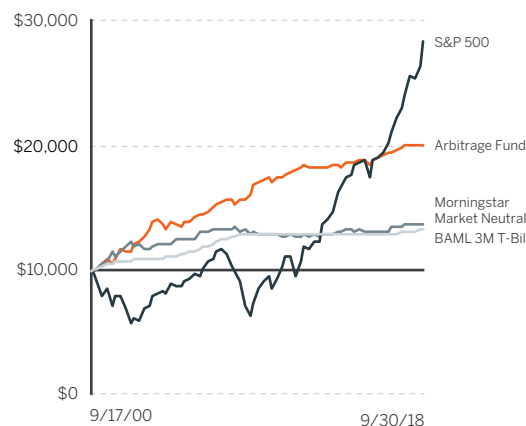
ADVISED BY WATER ISLAND CAPITAL

## Fund Objective

The fund seeks to provide capital growth and absolute returns by investing in equity securities involved in mergers and acquisitions transactions, targeting a return profile with low volatility and low correlation to the capital markets.

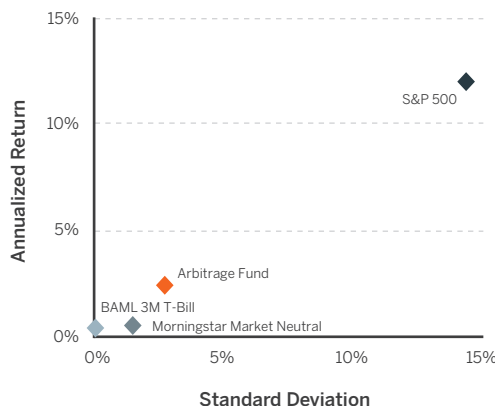
## Performance Comparison (ARBFX)

Growth of \$10,000 since inception (9/17/00), as of 9/30/18.



## Risk-Return Comparison (ARBFX)

Ten-year risk vs. return, as of 9/30/18.



Total returns as of 9/30/18	3-Month	YTD	12-Month	5-Year	10-Year	Since Inception
Arbitrage R (ARBFX)	0.39%	0.31%	0.41%	1.77%	2.43%	3.93%
Arbitrage I (ARBFX)	0.54%	0.54%	0.67%	2.02%	2.66%	2.93%
Arbitrage C (ARBCX)	0.25%	-0.25%	-0.35%	1.01%	—	0.82%
Arbitrage C (ARBCX) - Load Adj.	-0.75%	-1.24%	-1.32%	1.01%	—	0.82%
Arbitrage A (ARGAX)	0.39%	0.32%	0.39%	1.76%	—	1.79%
Arbitrage A (ARGAX) - Load Adj.	-2.12%	-2.19%	-2.12%	1.25%	—	1.31%

Inception: ARBFX, 9/17/00; ARBNX, 10/17/03; ARBCX, 6/1/12; ARGAX, 6/1/13. Returns greater than one year are annualized.

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling (800) 295-4485. Returns shown above include the reinvestment of all dividends and capital gains. Class A shares have a maximum front-end sales charge of 2.50%. A deferred sales charge of up to 1.00% may be imposed on purchases of \$250,000 or more of Class A shares purchased without a front-end sales charge that are redeemed within 18 months of purchase.

### MARKET CAP EXPOSURE

Under \$500MM	3.9%
\$500MM - \$2B	25.9%
\$2B - \$10B	46.1%
Over \$10B	15.8%

### SECTOR EXPOSURE

Consumer Discretionary	8.4%
Consumer Staples	8.6%
Energy	10.1%
Financials	4.0%
Health Care	13.2%
Industrials	10.0%
Information Technology	14.1%
Materials	6.0%
Real Estate	5.5%
Telecommunications	9.2%
Utilities	2.3%
Broad Index	1.3%
Government	0.0%

### REGION EXPOSURE

Americas	83.6%
Asia Pacific	0.3%
Europe, Middle East, Africa	8.6%

### Risk Metrics

Standard Deviation	1.84%	Correlation (vs S&P 500)	0.19
Sharpe Ratio	0.92	Correlation (vs BbgBarc Agg)	0.01
Sortino Ratio	1.28	Beta (vs S&P 500)	0.04
		Beta (vs BbgBarc Agg)	0.00

### Portfolio Characteristics

Long Exposure	92.6%	Weighted Average Market Cap	\$11.7 B
Short Exposure	-23.9%	Median Market Cap	\$2.3 B
Gross Exposure	116.5%	Maximum Target Market Cap	\$85.6 B
Net Exposure	68.7%	Minimum Target Market Cap	\$81 MM
New Deals for Qtr	47	Closed Deals for Qtr	39

### Top Ten Deal Holdings (Target/Acquirer)

Pinnacle Foods Inc / Conagra Brands Inc	5.7%
Twenty-First Century Fox Inc / Walt Disney Co	5.0%
Rockwell Collins Inc / United Technologies Corp	4.5%
KLX Inc / Boeing Co	4.3%
Gramercy Property Trust / Blackstone Group LP	4.2%
Forest City Realty Trust Inc / Brookfield Asset Management Inc	3.7%
Bob Evans Farms Inc/DE / Post Holdings Inc	3.3%
MB Financial Inc / Fifth Third Bancorp	3.2%
Pinnacle Entertainment Inc / Penn National Gaming Inc	2.9%
LifePoint Health Inc / Apollo Global Management LLC	2.3%

Holdings are subject to change. Percent holding represents position in target.

## OVERALL MORNINGSTAR RATING™



Morningstar® rated ARBNX 4 Stars Overall as of 9/30/18 out of 129 Market Neutral funds based on risk-adjusted returns.

### FUND FACTS

Investment Strategy	Merger Arbitrage
Fund AUM	\$1,769 MM

### RETAIL SHARES

Ticker	ARBFX
CUSIP	03875R106
Gross Expense Ratio	1.94%
Sales Charge	No Load
Inception Date	9/17/00

### INSTITUTIONAL SHARES

Ticker	ARBFX
CUSIP	03875R205
Gross Expense Ratio	1.69%
Sales Charge	No Load
Inception Date	10/17/03

### C SHARES

Ticker	ARBCX
CUSIP	03875R502
Gross Expense Ratio	2.69%
Sales Charge (CDSC)	1.00%
Inception Date	6/1/12

### A SHARES

Ticker	ARGAX
CUSIP	03875R866
Gross Expense Ratio	1.94%
Sales Charge	2.50%
Inception Date	6/1/13

### EXPENSE EX DIVIDENDS & INTEREST ON SHORT POSITIONS & ACQUIRED FUND FEES

ARBFX	1.48%	ARBCX	2.23%
ARBFX	1.23%	ARGAX	1.48%

### PORTFOLIO MANAGERS

John Orrico, CFA	36 Yrs Experience
Roger Foltynowicz, CFA	15 Yrs Experience
Todd Munn	24 Yrs Experience
Matthew Osowiecki	12 Yrs Experience

WWW.ARBTRAGEFUNDS.COM

RETAIL: (800) 295-4485

INSTITUTIONAL: (800) 560-8210



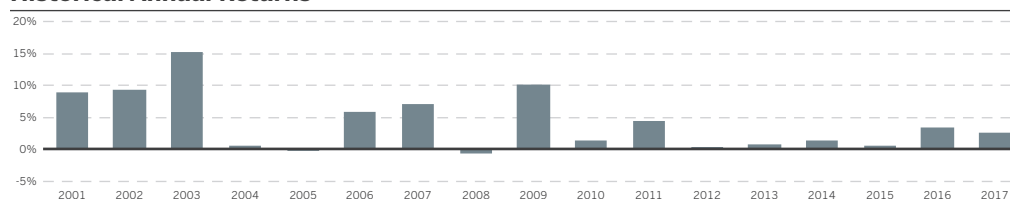
### Historical Monthly Returns\*\*†

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2000									0.10%	0.40%	-2.29%	2.84%	0.98%
2001	27.61%	-1.79%	-16.48%	8.44%	2.36%	-7.69%	-1.11%	1.12%	-3.06%	0.67%	1.61%	2.44%	8.95%
2002	2.45%	0.55%	3.02%	-0.35%	-0.36%	-0.09%	1.07%	2.12%	-3.21%	2.51%	0.52%	0.83%	9.27%
2003	0.00%	1.31%	0.69%	1.71%	2.61%	-1.15%	1.33%	1.47%	1.77%	2.14%	1.71%	0.69%	15.18%
2004	1.73%	0.85%	-0.46%	-4.16%	0.72%	0.56%	-4.21%	-0.08%	0.66%	1.07%	1.79%	2.34%	0.57%
2005	-1.63%	0.17%	-0.66%	-2.09%	1.19%	0.17%	2.27%	0.33%	0.49%	-1.71%	0.41%	0.91%	-0.24%
2006	1.47%	0.48%	0.96%	0.56%	0.63%	0.16%	-0.24%	0.63%	0.00%	0.70%	-0.23%	0.60%	5.87%
2007	0.81%	1.44%	0.16%	0.71%	0.78%	0.15%	-0.85%	1.95%	0.54%	1.60%	-0.30%	-0.03%	7.14%
2008	-0.16%	0.40%	-0.56%	2.26%	0.87%	-5.32%	2.48%	1.53%	-1.19%	-1.37%	-2.52%	3.27%	-0.63%
2009	0.93%	1.34%	0.17%	1.49%	1.22%	1.93%	-0.79%	0.95%	1.02%	0.08%	0.47%	0.84%	10.05%
2010	-0.08%	1.18%	0.62%	0.15%	-3.33%	0.80%	1.03%	0.79%	0.55%	-0.08%	0.00%	-0.13%	1.44%
2011	0.71%	0.24%	0.16%	0.16%	0.08%	0.70%	0.16%	1.01%	-0.31%	1.08%	0.31%	0.12%	4.50%
2012	0.31%	0.54%	-0.15%	-0.54%	-0.70%	0.47%	-0.16%	-0.08%	-0.23%	-2.58%	1.52%	1.94%	0.27%
2013	-0.48%	0.32%	-0.32%	-0.24%	0.32%	0.16%	0.64%	-0.40%	0.32%	0.08%	0.16%	0.30%	0.85%
2014	-0.08%	0.00%	-0.56%	0.32%	0.16%	0.95%	-0.08%	0.16%	-0.39%	-0.63%	0.64%	0.95%	1.43%
2015	0.24%	0.23%	0.55%	0.47%	0.23%	-1.39%	-0.08%	-0.16%	-1.18%	0.95%	0.24%	0.53%	0.61%
2016	0.56%	0.48%	0.55%	-0.16%	0.55%	0.00%	0.08%	0.08%	0.55%	-0.85%	0.94%	0.57%	3.38%
2017	0.08%	0.39%	0.47%	0.46%	0.38%	0.46%	-0.08%	0.23%	0.08%	0.46%	-1.06%	0.71%	2.60%
2018	0.31%	0.78%	-1.17%	-1.02%	0.64%	0.40%	-0.31%	0.16%	0.55%				0.31%

\* Returns for ARBFX are used. The performance quoted represents past performance and does not guarantee future results.

† 2000 YTD returns 9/17/00-12/31/00. ‡ September 2000 returns 9/17/00-9/30/00.

### Historical Annual Returns\*



Risk measurements are trailing 3-year through quarter-end. Figures reflect ARBFX (R Class). Calculations use the three-month T-Bill rate, as measured by the Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index, for risk-free rate and minimum acceptable return. Standard Deviation measures the degree of variation of returns around the average return. Sharpe ratio is a measure of risk-adjusted performance, calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. Sortino ratio is a similar measure of risk-adjusted returns, although it uses downside deviation rather than standard deviation as the denominator, and therefore does not penalize volatility from positive performance. Beta, a measure of the volatility of a portfolio in relation to the market as a whole, indicates the tendency of a portfolio to respond to swings in the market. Correlation is a measure of how two securities move in relation to each other, ranging from -1 to +1. A correlation of 0 means the relationship between the two securities is completely random, while +1 indicates a perfect positive relationship and -1 a perfect negative relationship.

**An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. The Fund's prospectus contains this and other important information. You may obtain a copy of the Fund's prospectus at <http://arbitragefunds.com> or by calling (800) 295-4485. Please read the prospectus carefully before you invest or send money.**

**RISKS:** The Fund uses investment techniques with risks that are different from the risks ordinarily associated with equity investments. Such techniques and strategies include merger arbitrage risks (in that that the proposed reorganizations in which the Fund invests may be renegotiated or terminated, in which case the Fund may realize losses), high portfolio turnover risks (which may increase the Fund's brokerage costs, which would reduce performance), options risks, borrowing risks, short sale risks (the Fund will suffer a loss if it sells a security short and the value of the security rises rather than falls), and foreign investment risks (the securities of foreign issuers may be less liquid and more volatile than securities of comparable U.S. issuers), which may increase volatility and may increase costs and lower performance. Foreign investing involves special risks such as currency fluctuations and political uncertainty.

The Morningstar Market Neutral Category encompasses funds that attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries by matching long positions within each area against corresponding short positions. The S&P 500 Index is an index of U.S. equities meant to reflect the risk/return characteristics of the large cap universe, and is one of the most commonly used benchmarks for the overall U.S. stock market. The Bank of America Merrill Lynch U.S. 3-Month Treasury Bill Index is commonly used as a proxy for short-term interest rates. The Bloomberg Barclays U.S. Aggregate Bond Index covers the U.S. investment grade fixed rate bond market. Indexes are unmanaged and one cannot invest directly in an index.

The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed end funds, and separate accounts) with at least a 3-year history. Exchange-traded funds and open ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are 100% 3-year rating for 36-59 months of total returns, 60% 5-year rating/40% 3-year rating for 60-119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. Arbitrage was rated against the following numbers of US-domiciled Market Neutral funds over the following time periods as of 9/30/18: 129 funds in the last three years and for the Overall rating, 92 funds in the last five years, and 34 funds in the last ten years. With respect to these Market Neutral funds, Arbitrage received Morningstar Ratings of 4 stars for both the 3- and 5-year periods, and 3-stars for the ten-year period. Morningstar Rating is for the Institutional class only; other classes may have different performance characteristics. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. ©2018 Morningstar, Inc. All rights reserved.

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