

Water Island Credit Opportunities Fund

Q4 2018 Fact Sheet as of December 31, 2018



The Arbitrage Funds

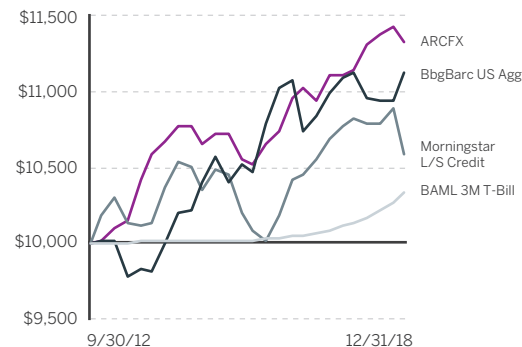
ADVISED BY WATER ISLAND CAPITAL

Fund Objective

The Water Island Credit Opportunities Fund pursues an alternative credit-based strategy that seeks to generate returns from specific catalysts or company-specific events that are less correlated to overall market direction or interest rates. This long/short credit fund's objective is to provide current income and capital growth by holding outright long and short positions and by utilizing capital structure arbitrage, merger arbitrage, and convertible arbitrage techniques to exploit security mispricings or inefficiencies.

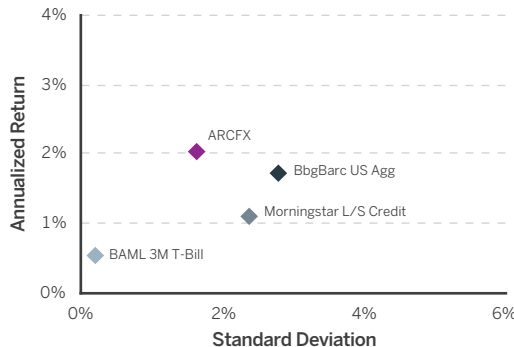
Performance Comparison (ARCFX)

Growth of \$10,000 since inception (10/1/12), as of 12/31/18.



Risk-Return Comparison (ARCFX)

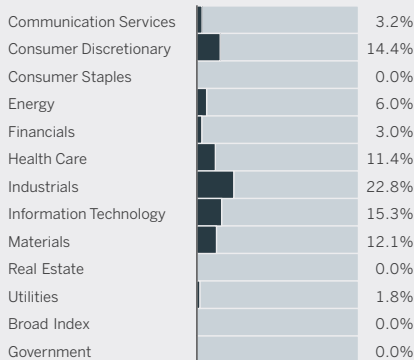
Risk vs. return since inception (10/1/12), as of 12/31/18.



Total returns as of 12/31/18	3-Month	YTD	12-Month	3-Year	5-Year	Since Inception
Water Island Credit Opps R (ARCFX)	-0.88%	1.69%	1.69%	2.48%	1.36%	2.00%
Water Island Credit Opps I (ACFIX)	-0.83%	1.83%	1.83%	2.74%	1.61%	2.23%
Water Island Credit Opps C (ARCCX)	-1.07%	0.84%	0.84%	1.73%	0.62%	1.28%
Water Island Credit Opps C (ARCCX) - Load Adj.	-2.06%	-0.15%	-0.15%	1.73%	0.62%	1.28%
Water Island Credit Opps A (AGCAX)	-0.89%	1.45%	1.45%	2.45%	1.35%	1.80%
Water Island Credit Opps A (AGCAX) - Load Adj.	-4.11%	-1.84%	-1.84%	1.33%	0.68%	1.20%

Inception: R/I/C shares, 10/1/12; A share, 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. The Fund has entered into an Expense Waiver and Reimbursement Agreement with the Fund's investment adviser pursuant to which the adviser has contractually agreed to limit the total annual operating expenses of the Fund, not including taxes, interest, dividends on short positions, brokerage commissions, acquired fund fees and expenses and other costs incurred in connection with the purchase or sale of portfolio securities, so that they do not exceed 1.23% of the Fund's average daily net assets allocable to the Class R shares, 0.98% of the Fund's average daily net assets allocable to the Class I shares, 1.98% of the Fund's average daily net assets allocable to the Class C shares, and 1.23% of the Fund's average daily net assets allocable to the Class A shares. The agreement remains in effect until September 30, 2020, unless terminated by the Board of Trustees. Class A shares have maximum front-end sales charges of 3.25%. 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.

SECTOR EXPOSURE



REGION EXPOSURE



Portfolio and Risk Metrics¹

Long Exposure	89.9%	Standard Deviation	1.62%
Short Exposure	-9.9%	Correlation (vs S&P 500)	0.40
Gross Exposure	99.7%	Correlation (vs Barclays Agg)	-0.12
Net Exposure	80.0%	Beta (vs S&P 500)	0.06
Effective Duration	1.8 Yrs	Beta (vs Barclays Agg)	-0.07
Duration to Maturity	2.4 Yrs		
Sharpe Ratio	0.81		
Sortino Ratio	1.29		

Top Ten Holdings

DJO Finance LLC 8.125% 6/15/21	4.1%
Arconic Inc 1.625% 10/15/19	3.9%
Engility Corp 8.875% 9/1/24	3.9%
TIBCO Software Inc 11.375% 12/1/21	3.8%
Aleris International Inc 10.75% 7/15/23	3.5%
Scientific Games Corp 10% 12/1/22	3.5%
Rent-A-Center Inc/TX 6.625% 11/15/20	3.5%
Nielsen Holdings PLC 5.5% 10/1/21	3.3%
Trinidad Drilling Ltd 6.625% 2/15/25	3.3%
Agiliti Health Inc 7.625% 8/15/20	3.2%

Holdings are subject to change.

30-Day SEC Yield²

ARCFX	3.95%
ACFIX	4.21%
ARCCX	3.20%
AGCAX	3.94%

Credit Quality³

AAA	0.0%
AA	0.0%
A	0.0%
BBB	0.0%
BB	14.9%
B	26.5%
Below B	35.6%
Not Rated	12.1%

OVERALL MORNINGSTAR RATING™



Morningstar® rated ACFIX 3 Stars Overall as of 12/31/18 out of 41 Long-Short Credit funds based on risk-adjusted returns.

FUND FACTS

Investment Strategy	Long/Short Credit
Fund AUM	\$55 MM

RETAIL SHARES

Ticker	ARCFX
CUSIP	03875R700
Gross Expense Ratio	2.24%
Net Expense Ratio	1.70%
Sales Charge	No Load
Inception Date	10/1/12

INSTITUTIONAL SHARES

Ticker	ACFIX
CUSIP	03875R809
Gross Expense Ratio	1.99%
Net Expense Ratio	1.45%
Sales Charge	No Load
Inception Date	10/1/12

C SHARES

Ticker	ARCCX
CUSIP	03875R882
Gross Expense Ratio	2.99%
Net Expense Ratio	2.45%
Sales Charge (CDSC)	1.00%
Inception Date	10/1/12

A SHARES

Ticker	AGCAX
CUSIP	03875R874
Gross Expense Ratio	2.24%
Net Expense Ratio	1.70%
Sales Charge	3.25%
Inception Date	6/1/13

DISTRIBUTIONS

Income	Monthly
Capital Gains	Annual

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

ARCFX	1.23%	ARCCX	1.98%
ACFIX	0.98%	AGCAX	1.23%

PORTFOLIO MANAGERS

Gregg Loprete	28 Years Experience
John Orrico, CFA	37 Years Experience

WWW.ARBITRAGEFUNDS.COM

RETAIL: (800) 295-4485

INSTITUTIONAL: (800) 560-8210

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Historical Monthly Returns (ARCFX)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012													0.15%
2013	0.10%	0.20%	0.48%	0.80%	0.59%	-0.87%	1.31%	0.30%	1.00%	-0.10%	0.20%	0.05%	5.65%
2014	0.20%	0.29%	0.37%	0.29%	0.39%	0.25%	0.10%	0.20%	-0.34%	-0.30%	0.20%	-0.96%	0.68%
2015	0.30%	0.20%	0.15%	0.00%	0.10%	-0.17%	-0.10%	-0.71%	-0.80%	0.41%	-0.31%	-0.34%	-1.26%
2016	-0.10%	0.95%	0.46%	-0.10%	0.94%	-0.01%	0.52%	0.72%	0.68%	-0.51%	0.72%	0.39%	4.72%
2017	0.00%	0.10%	-0.82%	0.43%	0.24%	0.78%	-0.03%	-0.08%	0.22%	0.57%	-0.92%	0.59%	1.06%
2018	0.77%	0.57%	0.22%	0.18%	0.32%	0.07%	-0.01%	0.33%	0.11%	-0.51%	0.19%	-0.56%	1.69%

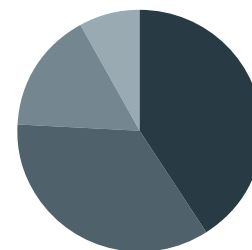
2012 YTD returns 10/1/12-12/31/12. Performance quoted represents past performance and does not guarantee future results.

Historical Distributions (as percent of NAV on record date)

Ex Date	Distribution	Ex Date	Distribution	Ex Date	Distribution	Ex Date	Distribution	Ex Date	Distribution
12/18/12	0.25%	3/19/15	0.35%	3/31/17	0.12%	12/14/17	0.49%	8/31/18	0.33%
3/19/13	0.28%	6/18/15	0.84%	4/28/17	0.33%	12/29/17	0.38%	9/28/18	0.32%
6/18/13	1.70%	9/17/15	0.53%	5/31/17	0.24%	1/31/18	0.15%	10/31/18	0.31%
9/18/13	0.89%	12/16/15	0.90%	6/30/17	0.16%	2/28/18	0.15%	11/30/18	0.29%
12/18/13	0.72%	3/17/16	0.46%	7/31/17	0.18%	3/29/18	0.11%	12/31/18	0.27%
3/20/14	0.56%	6/16/16	0.41%	8/31/17	0.23%	4/30/18	0.18%		
6/19/14	1.22%	9/15/16	0.37%	9/29/17	0.22%	5/31/18	0.12%		
9/18/14	0.64%	12/15/16	0.89%	10/31/17	0.26%	6/29/18	0.17%		
12/9/14	0.93%	3/16/17	0.29%	11/30/17	0.10%	7/31/18	0.20%		

Performance quoted represents past performance and does not guarantee future results. Distributions for ARCFX are used. After March 16, 2017, the fund transitioned to monthly income payments from quarterly income payments. Distributions are not guaranteed.

Sub-Strategy Allocation



Merger-Related Credit	41%
Catalyst-Driven Credit	35%
Yield to Call	16%
Relative Value Credit	8%
Deep Value	0%

Reflects percent of gross exposure. Allocations subject to change.

Glossary: *Yield to Call* is the yield of a bond that is bought and held until the next anticipated call date, assuming the security is called prior to maturity. *Deep Value* investing involves purchasing the securities of companies anticipating or undergoing a formal reorganization or recapitalization process, often at a significant discount to expected future values.

¹ Net exposure equals long exposure plus short exposure. Gross exposure equals long exposure plus the absolute value of short exposure. Duration is the approximate percentage change in a bond's price that will result from a 1% change in its yield. Duration to maturity assumes a bond's expected cash flow does not change when its yield changes. Effective duration takes into account the way changes in yield will affect expected cash flows, which is a more appropriate measure for a bond with an option embedded. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Portfolio-level duration figures are weighted averages. Risk measurements are trailing three-year through quarter-end. Figures reflect ARCFX (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.

² 30-Day SEC Yield is a standardized yield calculation for bond funds designated by the Securities and Exchange Commission (SEC). The formula translates a bond fund's current portfolio income into a standardized yield for reporting and comparison purposes. In the absence of temporary expense waivers or reimbursements by the Advisor, the 30-Day SEC Yield for Retail, Institutional, C, and A share classes would have been 3.37%, 3.69%, 2.64%, and 3.39%, respectively.

³ Credit quality ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). NR (Not Rated) is used to classify securities for which a rating is not available. The Advisor receives credit quality ratings on portfolio holdings from the three major ratings agencies: Moody's, S&P, and Fitch. When calculating the credit quality breakdown, the Advisor utilizes the lower of Moody's and S&P ratings, and if neither Moody's nor S&P are available, the Fitch rating.

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.

RISKS: The Fund uses investment techniques that incur risks that are different from the risks ordinarily associated with credit investments. Such risks include merger arbitrage risks, high portfolio turnover risks, options risks, borrowing risks, short sale risks, foreign securities risks, convertible security risks, credit default swap risks, interest rate swap risks, credit risks, and interest rate risks which may increase volatility and may increase costs and lower performance. Past performance is not a guarantee of future results.

The Morningstar Long-Short Credit Category contains funds that seek to profit from changes in the credit conditions of bond issuers, typically by purchasing bonds with an expectation of profiting from narrowing credit spreads, or by selling bonds with an expectation of profiting from the deteriorating credit of the underlying issuer. The Barclays U.S. Aggregate Bond Index covers the U.S. investment grade fixed rate bond market. 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. 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. Water Island Credit Opportunities was rated against the following numbers of US-domiciled Long-Short Credit funds over the following time periods as of 12/31/18: 41 funds in the last three years and for the Overall rating, and 15 funds in the last five years. With respect to these Long-Short Credit funds, Water Island Credit Opportunities received a Morningstar Rating of 3 stars for the 3-year period and 3 stars for the 5-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. ©2019 Morningstar, Inc. All rights reserved.

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