

For investors who want more information about the Fund, the following documents are available upon request:

Annual/Semi-Annual Reports: Additional information about the Fund's investments is available in the Fund's annual and semi-annual reports to shareholders. In the annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

Statement of Additional Information: The Fund's SAI provides more detailed information about the Fund and is incorporated into this Prospectus by reference.

The Fund's Annual Report, Semi-Annual Report and SAI are available, without charge, upon request by contacting the Fund's Transfer Agent, U.S. Bancorp Fund Services, LLC, at 1-800-343-8959. Shareholder inquiries should be directed to U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, WI 53201-0701. Correspondence sent by overnight courier should be sent to U.S. Bancorp Fund Services, LLC, Third Floor, 615 East Michigan Street, Milwaukee, WI 53202.

You also can review the Fund's reports and SAI at the Securities and Exchange Commission's Public Reference Room. Text-only copies can be obtained from the SEC for a fee by writing to or calling the Public Reference Room of the SEC, Washington, D.C. 20549-0102, 202-942-8090 or by electronic request at publicinfo@sec.gov. Copies also can be obtained free from the SEC's website at www.sec.gov and the Fund's website at www.mergerfund.com.

THE MERGER FUND®

PROSPECTUS

JANUARY 22, 2009

THE MERGER FUND[®]

100 Summit Lake Drive
Valhalla, New York 10595

PROSPECTUS
January 22, 2009

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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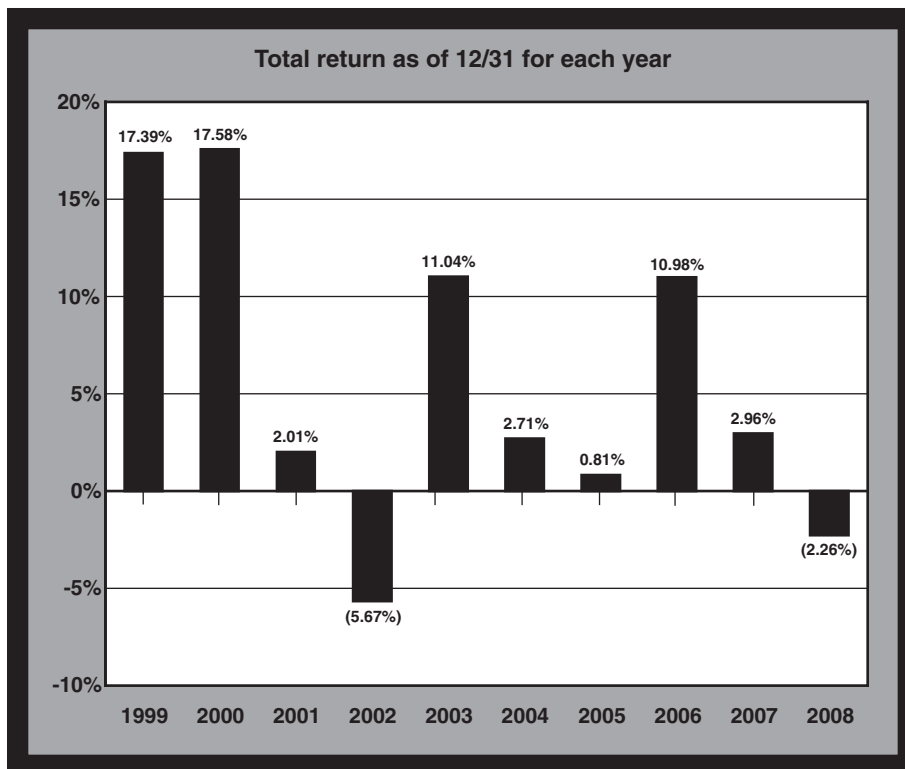
RISK/RETURN SUMMARY

Investment Goal:	The Fund seeks to achieve capital growth by engaging in merger arbitrage.
Principal Investment Strategy:	Under normal market conditions, the Fund invests at least 80% of its assets principally in the equity securities of companies which are involved in publicly announced mergers, takeovers, tender offers, leveraged buyouts, spin-offs, liquidations and other corporate reorganizations. Merger arbitrage is a highly specialized investment approach generally designed to profit from the successful completion of such transactions. Westchester Capital Management, Inc. (the “Adviser”) believes that the Fund’s investment results should be less volatile than the returns typically associated with conventional equity investing.
Principal Investment Risks:	The principal risk associated with the Fund’s merger-arbitrage investment strategy is that certain of the proposed reorganizations in which the Fund invests may be renegotiated or terminated, in which case losses may be realized. The Fund’s investment strategy may result in short-term capital appreciation. This can be expected to increase the portfolio turnover rate and cause increased brokerage commission costs. More rapid portfolio turnover also exposes taxable shareholders to a higher current realization of capital gains and a potentially larger current tax liability. The Fund is not a “diversified” fund within the meaning of the Investment Company Act of 1940, as amended (the “1940 Act”). Accordingly, the Fund may invest its assets in a relatively small number of issuers, thus making an investment in the Fund potentially more risky than an investment in a diversified fund which is otherwise similar to the Fund. Loss of money is a risk of investing in the Fund.
Who Should Invest in the Fund:	The Fund is not intended to provide a balanced investment program. The Fund is intended to be an investment vehicle only for that portion of an investor’s capital which can appropriately be exposed to risk. Each investor should evaluate an investment in the Fund in terms of the investor’s own investment goals.
Reopening of the Fund:	Effective January 25, 2006, the Fund was reopened to new investors. The Fund reserves the right to close to new investors at any time in the future but has no present plans to do so.

Bar Chart and Performance Table

The bar chart and table shown below indicate the risks of investing in the Fund but do not reflect the deduction of taxes that a shareholder would pay on distributions or redemptions. The bar chart shows changes in the performance of the Fund's shares from year to year over a ten-year period. The table following the bar chart shows how the Fund's average annual returns for the listed periods compare to those of the S&P 500, a widely used composite index of 500 publicly traded stocks.

The Fund's past performance does not necessarily indicate how the Fund will perform in the future.



During the ten-year period shown in the above chart, the highest quarterly return was 5.90% (for the quarter ended June 30, 1999) and the lowest quarterly return was (5.87%) (for the quarter ended June 30, 2002).

Average annual total returns for the periods ended December 31, 2008

	Past 1 Year	Past 5 Years	Past 10 Years
Return Before Taxes	(2.26)%	2.95%	5.48%
Return After Taxes on Distributions	(2.99)%	1.70%	3.74%
Return After Taxes on Distributions and Sale of Fund Shares	(1.36)%	1.88%	3.70%
S&P 500 Index (reflects no deduction for fees, expenses or taxes)	(37.00)%	(2.19)%	(1.38)%

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

Fees and Expenses of the Fund

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

Shareholder Fees⁽¹⁾

(fees paid directly from your account)

Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price)	None
Maximum Deferred Sales Charge (Load) (as a percentage of offering price)	None
Maximum Sales Charge (Load) Imposed on Reinvested Dividends and Other Distributions (as a percentage of offering price)	None
Redemption Fee (as a percentage of amount redeemed) on shares held less than 30 days	2.00% ⁽²⁾
Exchange Fee	None

Annual Fund Operating Expenses

(expenses that are deducted from Fund assets)

Management Fees	1.00% ⁽³⁾
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	
Interest Expense and Dividends on Short Positions	0.19%
All Remaining Other Expenses	0.22% ⁽⁴⁾
Total Other Expenses	0.41%
Total Annual Fund Operating Expenses	<u>1.66%⁽⁵⁾</u>

- (1) Each IRA and qualified retirement plan account will be charged a \$15.00 annual maintenance fee as well as fees for certain transactions.
- (2) Shareholders will be assessed fees for outgoing wire transfers, returned checks and stop-payment orders at prevailing rates charged by U.S. Bancorp Fund Services, LLC, the Fund's transfer agent.
- (3) The Adviser has entered into an agreement with the Fund whereby the Adviser has agreed to reduce its advisory fee so that the advisory fee will be: (i) 1.0% on an annualized basis of the average daily net assets of the Fund on net assets below \$1.5 billion; (ii) 0.9% on an annualized basis of the average daily net assets of the Fund on net assets between \$1.5 billion and \$2.0 billion; and (iii) 0.8% on an annualized basis of the average daily net assets of the Fund on net assets over \$2.0 billion. This agreement is effective for the period from February 1, 2009 through January 31, 2010 and shall continue in effect from year to year thereafter only upon mutual agreement of the Fund and the Adviser.
- (4) Other expenses includes fees and expenses incurred by the Fund in connection with its investment in other investment companies, which are referred to as "acquired fund fees and expenses". Acquired fund fees and expenses incurred by the Fund were less than the annual rate of 0.0001% of its average daily net assets for the fiscal year ended September 30, 2008.
- (5) For the year ended September 30, 2008, the operating expense ratio includes interest expense and dividends on short positions. The ratio excluding interest expense and dividends on short positions for the year ended September 30, 2008, after expense waiver, was 1.47%.

Example

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes that you invest \$10,000 in the Fund for the time periods indicated, and then either redeem all of your shares at the end of those periods or do not redeem your shares. The example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

1 Year	3 Years	5 Years	10 Years
\$169	\$523	\$902	\$1,965

INVESTMENT OBJECTIVES AND POLICIES

The Fund seeks to achieve capital growth by engaging in merger arbitrage. While the Fund makes every effort to achieve its objective, there is no guarantee that the Fund will do so. The Fund's investment adviser is Westchester Capital Management, Inc. (the "Adviser").

Under normal market conditions, the Fund invests at least 80% of its total assets principally in the equity securities of companies which are involved in publicly announced mergers, takeovers and other corporate reorganizations ("merger-arbitrage investments"). Depending upon the level of merger activity and other economic and market conditions, the Fund may temporarily invest a substantial portion of its assets in cash or cash equivalents, including money market instruments such as Treasury bills and other short-term obligations of the United States Government, its agencies or instrumentalities; negotiable bank certificates of deposit; prime commercial paper; and repurchase agreements with respect to the above securities. The Fund may also invest in various types of corporate debt obligations as part of its merger-arbitrage strategy or otherwise. See "Investment Objectives and Policies" in the Statement of Additional Information.

Merger arbitrage is a highly specialized investment approach generally designed to profit from the successful completion of proposed mergers, takeovers, tender offers, leveraged buyouts, spin-offs, liquidations and other types of corporate reorganizations. Although a variety of strategies may be employed depending upon the nature of the reorganizations selected for investment, the most common merger-arbitrage activity involves purchasing the shares of an announced acquisition target at a discount to their expected value upon completion of the acquisition.

The Adviser believes that the Fund's investment results should be less volatile than the returns typically associated with conventional equity investing. Over the last three-year period, the Fund's "beta" (a statistical measure of market-related risk, whereby a fund's sensitivity to movements in the Standard & Poor's 500 Stock Index is expressed relative to the Index's beta of 1.0, with numbers higher than 1.0 indicating greater sensitivity and numbers lower than 1.0 indicating less sensitivity) has averaged approximately 0.25. The Adviser believes that this number is significantly lower than comparable figures for other equity mutual funds seeking capital growth. While some periods will be more conducive to a merger-arbitrage strategy than others, a systematic, disciplined arbitrage program may produce attractive rates of return, even in flat or down markets.

The Fund's investment objective of achieving capital growth by engaging in merger arbitrage is a fundamental policy which may not be changed without shareholder approval. Except as otherwise stated, the Fund's other investment objectives and policies are not fundamental and may be changed without obtaining approval by the Fund's shareholders.

In making investments for the Fund, the Adviser is guided by the following general principles: (1) Securities are purchased only after a reorganization is announced or when one or more publicly disclosed events point toward the likelihood of some type of reorganization within a reasonable period of time; (2) Before an initial position is established, a preliminary analysis is made of the proposed transaction to determine the probability and timing of a successful completion. A more detailed review then takes place before the position is enlarged; (3) In deciding whether or to what extent to invest in any given reorganization, the Adviser places particular emphasis on

the credibility, strategic motivation and financial resources of the participants, and the liquidity of the securities involved in the transaction; (4) The risk-reward characteristics of each arbitrage position are assessed on an ongoing basis, and the Fund's holdings may be adjusted accordingly; (5) The Adviser attempts to invest in as many attractive reorganizations as can be effectively monitored in order to minimize the impact on the Fund of losses resulting from the termination of any given proposed transaction; and (6) The Adviser may invest the Fund's assets in both negotiated, or "friendly," reorganizations and non-negotiated, or "hostile," takeover attempts, but in either case the Adviser's primary consideration is the likelihood that the transaction will be successfully completed.

Risk Factors

The Fund's investment program involves investment techniques and securities holdings which entail risks, in some cases different from the risks ordinarily associated with investments in equity securities. The principal risk associated with the Fund's merger-arbitrage investments is that certain of the proposed reorganizations in which the Fund invests may be renegotiated or terminated, in which case losses may be realized. Also, because the Fund's assets are invested in a smaller number of issues, there is a somewhat greater risk associated with investment in the Fund than in a diversified investment company, as defined in the 1940 Act.

The Fund invests a portion of its assets to seek short-term capital appreciation, which increases the portfolio turnover rate and causes increased brokerage commission costs. A high turnover rate exposes taxable shareholders to a higher current realization of capital gains, and thus a higher current tax liability, than may be associated with investments in other investment companies which emphasize long-term investment strategies and thus have a lower turnover rate. The Fund's portfolio turnover rate for its fiscal year ended September 30, 2008 was 300.24%.

Leverage Through Borrowing

The Fund may borrow from banks to increase its portfolio holdings of securities. Such borrowings may be on a secured or unsecured basis at fixed or variable rates of interest. The 1940 Act requires the Fund to maintain continuous asset coverage of not less than 300% with respect to all borrowings. This allows the Fund to borrow for such purposes an amount (when taken together with any borrowings for temporary or emergency purposes as described below) equal to as much as 33 1/3% of the value of its total assets. If such asset coverage should decline to less than 300% due to market fluctuations or other reasons, the Fund may be required to dispose of some of its portfolio holdings within three days in order to reduce the Fund's debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to dispose of assets at that time. Leveraging will exaggerate any increase or decrease in the net asset value of the Fund's portfolio, and in that respect may be considered a speculative practice. The interest which the Fund must pay on borrowed money, together with any additional fees to maintain a line of credit or any minimum average balances required to be maintained, are additional costs which will reduce or eliminate any net investment income and may also offset any potential capital gains. Unless the appreciation and income, if any, on assets acquired with borrowed funds exceed the costs of borrowing, the use of leverage will diminish the investment performance of the Fund compared with what it would have been without leverage.

The Fund, like many other investment companies, may also borrow money for temporary or emergency purposes, but such borrowings, together with all other borrowings, may not exceed 33% of the value of the Fund's gross assets when the loan is made.

Short Sales and Put and Call Options

The Fund may employ various hedging techniques, such as short selling and the selective use of put and call options, in an effort to reduce the risks associated with certain of its investments. For example, when the terms of

a proposed acquisition call for the exchange of stock, the shares of the company to be acquired may be purchased and, at approximately the same time, an equivalent amount of the acquiring company's shares may be sold short. Any such short sale will be made with the intention of later closing out ("covering") the short position with the shares of the acquiring company received upon consummation of the acquisition. The purpose of the short sale is to protect against a decline in the market value of the acquiring company's shares prior to the acquisition's completion. However, should the acquisition be called off or otherwise not completed, the Fund may realize losses on both its long position in the target company's shares and its short position in the acquirer's shares.

When the Fund makes a short sale, the broker effecting the short sale typically holds the proceeds as part of the collateral securing the Fund's obligation to cover the short position. However, the Fund may use all or a portion of the cash proceeds of short sales to purchase additional securities or for any other Fund purpose. When the Fund does this, it is required to pledge to the broker replacement securities as collateral. The Fund may use securities it owns to meet any such collateral obligations. In addition, at all times when the Fund does not own, or have an unconditional right to receive, securities which are sold short, the Fund will maintain collateral consisting of cash, cash equivalents and liquid securities equal in value on a daily marked-to-market basis to the securities sold short. This may limit the Fund's investment flexibility as well as its ability to meet redemption requests or other current obligations. Generally, the Fund may not keep, and must return to the lender, any dividends or interest that accrue on the borrowed security during the period of the loan. Depending on the arrangements with a broker or a custodian, the Fund may or may not receive any payments (including interest) on collateral it designates as security for the broker.

The purchase of put options may be similarly used for hedging purposes. A put option is a short-term contract which gives the purchaser of the option, in return for a premium paid, the right to sell the underlying security at a specified price upon exercise of the option at any time prior to the expiration of the option. The market price of a put option will normally vary inversely with the market price of the underlying security. Consequently, by purchasing put options on merger-arbitrage stocks, it may be possible for the Fund to partially offset any decline in the market value of certain of the equity positions held by the Fund. Also, as part of a merger-arbitrage strategy involving a pending corporate reorganization, the Fund may also write (sell) uncovered put options.

The purchase or sale of call options may also be used by the Fund to reduce the risks associated with individual investments and to increase total investment return. The purchase or sale of call options will not be used for speculative purposes.

The Adviser believes that, when used for hedging purposes, short sales and option transactions should be viewed less as speculative strategies than as techniques to help protect the assets of the Fund against unfavorable market conditions that might otherwise adversely affect certain of its investments. Nonetheless, a substantial percentage of the investments made by the Fund will not lend themselves to hedging strategies and, even when available, such strategies may not be successful. Also, option transactions involve special risks, including (i) possible imperfect correlation between the price movements of the option and the underlying security and (ii) lack of assurance of a liquid secondary market, either of which may make it difficult or impossible to close out a position on terms favorable to the Fund.

Investments in Foreign Securities

The Fund is permitted to hold both long and short positions in foreign securities. Investments in foreign companies involved in pending mergers, takeovers and other corporate reorganizations may entail political, cultural, regulatory, legal and tax risks different from those associated with comparable transactions in the United States. If securities are denominated in a foreign currency, there is a risk that the value in U.S. dollars of the

foreign securities held by the Fund that are not U.S. dollar-denominated may be affected favorably or unfavorably by changes in exchange rates and exchange-control regulations, and the Fund may incur costs in connection with conversions between various currencies. Also, in conjunction with its investments in foreign securities, the Fund will normally attempt but is not required to hedge its exposure to foreign currencies. Such hedging activities involve additional expenses and, in the case of reorganizations that are terminated, the risk of loss when the currency hedge is unwound. There is no assurance that any such hedging techniques will be successful. In conjunction with its investments in foreign securities, the Fund may employ equity swap contracts and other derivatives. See “Investment Objectives and Policies” in the Statement of Additional Information.

Investment Restrictions

The investment restrictions set forth below have been adopted by the Fund as fundamental policies which may be changed only by a vote of the Fund’s shareholders.

- (1) The Fund may not issue senior securities, except that this restriction shall not be deemed to prohibit the Fund from (a) making any permitted borrowings, loans, mortgages, or pledges, (b) entering into options, futures contracts, forward contracts, repurchase transactions or reverse repurchase transactions, or (c) making short sales of securities, in each case to the extent permitted by the 1940 Act, and any rule or order thereunder, or Securities and Exchange Commission staff interpretation thereof.
- (2) The Fund may not borrow money except that it may borrow: (a) from banks to purchase or carry securities or other investments, (b) from banks for temporary or emergency purposes, (c) by entering into reverse repurchase agreements, or (d) by entering into equity swap contracts if, immediately after any such borrowing, the value of the Fund’s assets, including all borrowings then outstanding less its liabilities, is equal to at least 300% of the aggregate amount of borrowings then outstanding (for the purpose of determining the 300% asset coverage, the Fund’s liabilities will not include amounts borrowed), in each case to the extent permitted by the 1940 Act, and any rule or order thereunder, or Securities and Exchange Commission staff interpretation thereof. Any such borrowings may be secured or unsecured.
- (3) The Fund may not underwrite or participate in the marketing of securities issued by other persons except to the extent that the Fund may be deemed to be an underwriter under federal securities laws in connection with the disposition of portfolio securities, in each case to the extent permitted by the 1940 Act, and any rule or order thereunder, or Securities and Exchange Commission staff interpretation thereof.
- (4) The Fund may not purchase any securities that would cause more than 25% of the total assets of the Fund to be invested in the securities of one or more issuers conducting their principal business activities in the same industry, provided that this limitation does not apply to the securities of other investment companies, investments in obligations issued or guaranteed by the United States Government, its agencies or instrumentalities or tax-exempt municipal securities.
- (5) The Fund may not purchase or sell real estate or real estate mortgage loans as such, except that the Fund may purchase securities issued by issuers, including real estate investment trusts, which invest in real estate or interests therein, in each case to the extent permitted by the 1940 Act, and any rule or order thereunder, or Securities and Exchange Commission staff interpretation thereof.
- (6) The Fund may not purchase or sell commodities or commodity contracts.

- (7) The Fund will not make loans if, as a result, more than 33 1/3% of the Fund's total assets would be loaned to other parties, except that the Fund may (a) purchase or hold debt instruments in accordance with its investment objective and policies, (b) enter into repurchase agreements, and (c) lend its securities, in each case to the extent permitted by the 1940 Act, and any rule or order thereunder, or Securities and Exchange Commission staff interpretation thereof.

The following investment restrictions have been adopted by the Fund as non-fundamental policies. Non-fundamental restrictions may be amended by a majority vote of the Trustees of the Fund. Under the non-fundamental investment restrictions:

- (1) The Fund will not invest more than 15% of the value of its net assets in illiquid securities and restricted securities. Restricted securities are those that are subject to legal or contractual restrictions on resale. Illiquid securities are those securities without readily available market quotations, including repurchase agreements having a maturity of more than seven days.
- (2) The Fund may not purchase securities of other investment companies, except in accordance with the 1940 Act.

If a particular percentage restriction as set forth above is adhered to at the time of investment, a later increase or decrease in percentage resulting from a change in values or assets will not constitute a violation of that restriction.

Portfolio Holdings

A description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the Fund's Statement of Additional Information. Currently, disclosure of the Fund's holdings is required to be made quarterly within 60 days of the end of each fiscal quarter, in the Annual Report and Semi-Annual Report to Fund shareholders and in the quarterly holdings report on Form N-Q. The Annual and Semi-Annual Reports are available by contacting The Merger Fund c/o U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701 or calling 1-800-343-8959.

INVESTMENT ADVISER

Westchester Capital Management, Inc., 100 Summit Lake Drive, Valhalla, New York 10595, a registered investment adviser since 1980, is the Fund's investment adviser. Westchester Capital Management, Inc. and its affiliate also manage merger-arbitrage programs for other institutional investors, including The Merger Fund VL, a registered open-end investment company whose shares are offered to certain insurance-company account holders; offshore funds; and private limited partnerships. Subject to the authority of the Fund's Board of Trustees, the Adviser is responsible for the overall management of the Fund's business affairs. The fee charged to the Fund is higher than those typically paid by other mutual funds. This higher fee is attributable in part to the higher expense incurred by the Adviser and the specialized skills required to manage a portfolio of merger-arbitrage investments. The Fund paid the Adviser an advisory fee of 1.0% of the Fund's average daily net assets for the most recent fiscal year (before adjusting for the fee waiver by the Adviser).

The Adviser has entered into an agreement with the Fund whereby the Adviser has agreed to reduce its advisory fee so that the advisory fee will be: (i) 1.0% on an annualized basis of the average daily net assets of the Fund on net assets below \$1.5 billion; (ii) 0.9% on an annualized basis of the average daily net assets of the Fund on net assets between \$1.5 billion and \$2.0 billion; and (iii) 0.8% on an annualized basis of the average daily net assets of the Fund on net assets over \$2.0 billion. This agreement is effective for the period from February 1, 2009 through January 31, 2010 and shall continue in effect from year to year thereafter only upon mutual agreement of

the Fund and the Adviser. A discussion regarding the basis for the Board of Trustees approving the investment advisory contract is available in the Fund's most recent semi-annual report to shareholders for the period ending March 31.

Mr. Frederick W. Green has served as President of the Adviser since 1980 and also serves as the President and a Trustee of the Fund. Mr. Green, Mr. Michael T. Shannon and Mr. Roy Behren are primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Shannon served as the Adviser's Director of Research from May 1996 until April 2005, and has served as a research analyst and portfolio strategist for the Adviser since May 2006. From April 2005 to April 2006, Mr. Shannon was Senior Vice President in charge of the Special Situations and Mergers Group of D.E. Shaw & Co. Mr. Shannon has served as a portfolio manager for the Fund since January 2007. Mr. Behren has served as a research analyst for the Adviser since 1994 and as the Adviser's Chief Compliance Officer since 2004, and has served as a portfolio manager for the Fund since January 2007. Mr. Behren also serves as Chief Compliance Officer of the Fund.

The Statement of Additional Information provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities in the Fund.

DISTRIBUTION ARRANGEMENTS

The Fund has adopted a plan of distribution (the "Plan") pursuant to Rule 12b-1 under the 1940 Act. Under the Plan, the Fund may pay certain of its own distribution expenses, including the cost of providing prospectuses to prospective shareholders, as well as pay to any broker-dealer with whom the Fund has entered into a contract to distribute the Fund's shares, or any other qualified financial services firm, compensation for distribution and/or shareholder-related services with respect to shares held or purchased by their respective customers or in connection with the purchase of shares attributable to their efforts. The amount of such payments made in any one year shall not exceed 0.25% annually of the average daily net assets of the Fund, which also may be payable for providing shareholder liaison services. Because these fees are paid out of the Fund's assets on an on-going basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges. In addition, the Fund pays additional amounts from its own resources for the provision of other permitted services, and the Adviser may pay amounts from its own resources for the provision of such services.

PLANS OFFERED BY THE FUND

Additional information about any of the plans described below may be obtained by contacting the Adviser at 100 Summit Lake Drive, Valhalla, New York 10595 (telephone (914) 741-5600).

The Merger Fund IRA Plan

The Fund makes available The Merger Fund IRA Plan for individuals to establish an Individual Retirement Account ("IRA") under which shares of the Fund may be purchased. The Merger Fund IRA Plan can be used to make regular IRA contributions, and can also be used for a rollover or transfer from an existing IRA, or for a rollover from a qualified retirement plan from which the individual receives a lump-sum distribution.

An annual maintenance fee of \$15.00 will be charged for each IRA. In addition, a \$25.00 processing fee will be assessed for all transactions whereby funds are removed from an account. The processing fee will not apply to a required distribution from an IRA for which a Systematic Withdrawal Plan has been established. These fees are subject to change upon notification by U.S. Bancorp Fund Services, LLC to the Fund.

The Fund also makes available to qualifying shareholders a “Roth IRA,” which is a form of IRA created in 1997. Shareholders should consult with their own financial advisers to determine eligibility.

Other Retirement Plans

The Fund additionally makes available certain prototype plans for corporations, self-employed individuals or partnerships, to establish a qualified retirement plan under which shares of the Fund may be purchased. Such plans can accept a transfer or qualified rollover from an existing qualified retirement plan from which an individual receives a lump-sum distribution, as well as regular annual contributions.

An annual maintenance fee of \$15.00 will be charged for each account. In addition, a \$25.00 processing fee will be assessed for all transactions whereby funds are removed from an account. The processing fee will not apply to a required distribution from an account for which a Systematic Withdrawal Plan has been established. These fees are subject to change upon notification by U.S. Bancorp Fund Services, LLC to the Fund.

Coverdell Education Savings Plan

The Fund also makes available a form of Coverdell education savings account plan. Shareholders should consult their financial advisers to determine conditions and eligibility.

HOW TO PURCHASE SHARES

Shares of the Fund may be purchased at net asset value without any sales or other charge by sending a completed application form to:

The Merger Fund
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

However, applicants should not send any correspondence by overnight courier to the above post-office-box address. Correspondence sent by overnight courier should be addressed to the Fund at:

U.S. Bancorp Fund Services, LLC
Mutual Fund Services, Third Floor
615 East Michigan Street
Milwaukee, Wisconsin 53202-5207

The Fund does not consider the U.S. Postal Service or other independent delivery services to be its agents. Therefore, deposit in the mail or with such services, or receipt at the U.S. Bancorp Fund Services, LLC post office box, of purchase applications or redemption requests does not constitute receipt by the Transfer Agent.

Initial Investment – By wire: If you are making an initial investment in the Fund, before you wire funds, please contact the Transfer Agent at 1-800-343-8959 to make arrangements with a service representative to submit your completed application via mail, overnight delivery or facsimile. Upon receipt of your application, your account will be established and a service representative will contact you within 24 hours to provide an account number and wiring instructions. You may then contact your bank to initiate the wire using the instructions you were given.

For Subsequent Investments – By wire: If you are making a subsequent purchase, your bank should wire funds as indicated below. Before each wire purchase, you should be sure to notify the Transfer Agent at 1-800-343-8959 of your intent to wire funds. This will ensure prompt and accurate credit upon receipt of your

wire. *It is essential that your bank include complete information about your account in all wire instructions.* If you have questions about how to invest by wire, you may call the Transfer Agent. Your bank may charge you a fee for sending a wire to the Fund.

U.S. Bank, N.A.
777 East Wisconsin Avenue
Milwaukee, WI 53202
ABA# 075000022

Credit:

U.S. Bancorp Fund Services, LLC
Account #112-952-137

Further Credit:

The Merger Fund
(shareholder registration)
(shareholder account number)

Please remember that U.S. Bank, N.A. must receive your wired funds prior to the close of regular trading on the New York Stock Exchange for you to receive same-day pricing. The Fund and U.S. Bank, N.A. are not responsible for the consequences of delays resulting from the banking or Federal Reserve Wire system, or from incomplete wiring instructions.

The minimum initial investment for individuals, IRAs, corporations, partnerships or trusts is \$2,000. There is no minimum for subsequent investments. There is no minimum investment requirement for qualified retirement plans. Shares of the Fund are offered on a continuous basis. The Fund, however, reserves the right, in its sole discretion, to reject any application to purchase shares. Applications will not be accepted unless they are accompanied by a check drawn on a U.S. bank, savings and loan, or credit union in U.S. funds for the full amount of the shares to be purchased.

The Fund will not accept payment in cash or money orders. The Fund also does not accept cashier's checks in amounts of less than \$10,000. To prevent check fraud, the Fund will not accept third-party checks, Treasury checks, credit-card checks, travelers checks or starter checks for the purchase of shares. The Fund is unable to accept post-dated checks, post-dated on-line bill-pay checks, or any conditional order or payment.

After an account is opened, additional shares may be purchased by sending a check payable to "The Merger Fund," together with a note stating the name(s) on the account and the account number, to the Fund's Transfer Agent, U.S. Bancorp Fund Services, LLC, P.O. Box 701, Milwaukee, Wisconsin 53201-0701. All shares will be purchased at the net asset value per share next determined after receipt of the shareholder's application in "proper order" (which means that it must comply with the procedures described in this Prospectus) and acceptance of such application by the Fund. All purchases received in "proper order" before 4:00 p.m. (Eastern Time) will be processed on that same day. Purchases received after 4:00 p.m. will receive the next business day's net asset value per share. No share certificates will be issued unless requested in writing. Shares of the Fund may also be purchased through authorized broker-dealers who may charge for their services. Shares purchased through authorized broker-dealers will be purchased at the net asset value per share next calculated after receipt of purchase orders by the broker-dealer and accepted by the Fund.

The Transfer Agent will charge a \$25.00 fee against a shareholder's account, in addition to any loss sustained by the Fund, for any payment check or electronic funds transfer that is returned.

Shareholders should contact the Transfer Agent at 1-800-343-8959 to obtain the latest wire instructions for wiring funds to U.S. Bancorp Fund Services, LLC for the purchase of Fund shares and to notify U.S. Bancorp Fund Services, LLC that a wire transfer is coming.

Anti-Money Laundering Compliance

The Fund and the Fund's distributors are required to comply with various anti-money laundering laws and regulations. Consequently, the Fund or the Fund's distributors may request additional information from you to verify your identity and source of funds. As requested on the application, you must supply your full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. If the Fund or the Fund's distributors deem the information submitted does not provide for adequate identity verification, it reserves the right to reject the establishment of your account. If at any time the Fund believes an investor may be involved in suspicious activity or if certain account information matches information on government lists of suspicious persons, it may choose not to establish a new account or may be required to "freeze" a shareholder's account. It also may be required to provide a governmental agency or another financial institution with information about transactions that have occurred in a shareholder's account or to transfer monies received to establish a new account, transfer an existing account or transfer the proceeds of an existing account to a governmental agency. In some circumstances, the law may not permit the Fund or the Fund's distributors to inform the shareholder that it has taken the actions described above.

Shares of the Fund have not been registered for sale outside the United States. The Fund generally does not sell shares to investors residing outside the United States, even if they are United States citizens or lawful permanent residents, except to investors with United States military APO or FPO addresses.

Automatic Investment Plan

The Fund offers an Automatic Investment Option pursuant to which money will be moved from the shareholder's bank account to the shareholder's Fund account on a systematic schedule (e.g., monthly, bi-monthly, quarterly or annually) that the shareholder selects. After making an initial investment of at least \$2,000, the minimum transaction amount for an Automatic Investment Plan is \$100. Any request to change or terminate an Automatic Investment Plan should be submitted to the Transfer Agent by telephone at 1-800-343-8959 or in written form five days prior to the effective date.

Telephone Purchases

The Fund offers a Telephone Purchase Option pursuant to which money will be moved from the shareholder's bank account to the shareholder's Fund account upon request. To have Fund shares purchased at the net asset value determined as of the close of regular trading on a given date, U.S. Bancorp Fund Services, LLC must receive your order before the close of regular trading on such date. Most transfers are completed within three (3) business days. The minimum transaction amount for a Telephone Purchase is \$100.

After making an initial investment of at least \$2,000, shareholders may elect these options. For both an Automatic Investment Plan and telephone purchases, only bank accounts held at domestic financial institutions that are ACH members can be used for transactions.

NET ASSET VALUE

The net asset value per share of the Fund will be determined on each day when the New York Stock Exchange ("NYSE") is open for business at the close of the NYSE and will be computed by determining the aggregate market value of all assets of the Fund less its liabilities, and then dividing by the total number of shares outstanding. On holidays or other days when the NYSE is closed, the net asset value is not calculated, and the Fund does not

transact purchase or redemption requests. However, on those days the value of the Fund's assets may be affected to the extent that the Fund holds foreign securities that trade on foreign markets that are open. From time to time, the Fund may employ fair-value pricing to value securities for which market quotations are not readily available or for which market quotations are believed to be unrepresentative of fair market value. The determination of net asset value for a particular day is applicable to all applications for the purchase of shares as well as all requests for the redemption of shares received at or before the close of trading on the NYSE on that day.

Portfolio securities and options positions for which market quotations are readily available are stated at the Nasdaq Official Closing Price or the last sale price reported by the principal exchange for each such security as of the exchange's close of business, as applicable. Securities and options for which no sale has taken place during the day and securities which are not listed on an exchange are valued at the mean of the current closing bid and asked prices. All other securities and assets for which (a) market quotations are not readily available, (b) market quotations are believed to be unrepresentative of fair market value or (c) valuation is normally made at the last sale price on a foreign exchange and a significant event occurs after the close of that exchange but before the NYSE close, are valued at their fair value as determined in good faith by the Fund's Adviser acting pursuant to the direction of the Board of Trustees. Certain assets of the Fund may also be valued on the basis of valuations provided by one or more pricing services approved by or on behalf of the Board of Trustees.

When fair-value pricing is employed, the prices of securities used by the Fund to calculate its net asset value may differ from quoted or published prices for the same securities. In addition, due to the subjective and variable nature of fair-value pricing, it is possible that the value determined for a particular asset may be materially different from the value realized upon such asset's sale. The Adviser will include any fair-value pricing of securities in a written report to the Board of Trustees for their consideration and approval on a quarterly basis.

REDEMPTIONS

Redemptions by Mail

Fund shareholders will be entitled to redeem all or any portion of the shares credited to their accounts by submitting a written request for redemption to:

The Merger Fund
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, Wisconsin 53201-0701

Upon the receipt of such a request in "proper order," as described below, the shareholder will receive a check based on the net asset value next determined after the redemption request has been received, which may be more or less than the amount originally invested. If the shares to be redeemed represent an investment made by check, the Fund reserves the right to withhold the proceeds until the check clears. It will normally take seven days to clear checks.

A redemption request will be considered to have been received in "proper order" if the following conditions are satisfied:

- (i) the request is in writing, indicates the number of shares or dollar amount to be redeemed and identifies the shareholder's account number;
- (ii) the request is signed by the shareholder(s) exactly as the shares are registered;

- (iii) the request is accompanied by certificates, if any, issued representing the shares, which have been endorsed for transfer (or are themselves accompanied by an endorsed stock power) exactly as the shares are registered; and
- (iv) a signature guarantee is required to redeem shares in the following situations: if ownership is changed on your account; if the redemption proceeds are payable or sent to any person, address or bank account not on record; if a change of address request was received by the Transfer Agent within the last 15 days; when establishing or modifying certain services on an account; and if the proceeds of a requested redemption exceed \$50,000. In addition to the situations described above, the Fund and/or the Transfer Agent reserve the right to require a signature guarantee in other instances based on the circumstances relative to the particular situation.

Signature guarantees will generally be accepted from domestic banks, brokers, dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations, as well as from participants in the New York Stock Exchange Medallion Signature Program and the Securities Transfer Agents Medallion Program (“STAMP”). A notary public is not an acceptable signature guarantor.

Questions concerning a redemption request may be addressed to the Fund at its principal office. No redemption request will become effective until all documents have been received in “proper order” by U.S. Bancorp Fund Services, LLC.

Telephone Redemptions

The Fund grants telephone-redemption privileges. Shareholders who do not wish to establish telephone-redemption privileges should notify the Transfer Agent. New shareholders who do not wish to establish telephone-redemption privileges may so indicate on the account application.

You may redeem all or some of your shares, with a value ranging from \$1,000 to \$50,000, by calling the Transfer Agent at 1-800-343-8959 between 9:00 a.m. and 8:00 p.m. Eastern time/6:00 a.m. and 5:00 p.m. Pacific time, on a day when the NYSE is open for trading. Redemption requests received no later than 4:00 p.m. Eastern time/1:00 p.m. Pacific time will be priced and processed as of the close of business on that day; requests received after that time will be processed as of the close of business on the next business day. Telephone redemptions will not be accepted with respect to shares represented by certificates or for retirement accounts.

When you use telephone privileges, you are authorizing the Fund and the Transfer Agent to act upon the telephone instructions of the person or persons you have designated on your account application. Redemption proceeds will be mailed to the address of record, as designated on your account application, or transferred to the bank account you have designated on your account application. Shareholders who would like to arrange for redemption by wire or designate a bank or account to receive redemption proceeds should send a written request to the Fund at the address listed under “Redemptions by Mail.” The request should be signed by the shareholder(s) exactly as the shares are registered and may require a signature guarantee. Further documentation may be required. Please call the Transfer Agent at 1-800-343-8959 if you need assistance. Once a telephone transaction has been placed, it cannot be canceled or modified.

Before acting on instructions received by telephone, the Fund and the Transfer Agent will use reasonable procedures to confirm that the telephone instructions are genuine. These procedures may include recording the telephone call and asking the caller for a form of personal identification. If the Fund and the Transfer Agent follow these reasonable procedures, they will not be liable for any loss, expense, or cost arising out of any telephone transaction request that is reasonably believed to be genuine. This includes any fraudulent or

unauthorized request. The Fund may change, modify or terminate these privileges at any time upon written notice to shareholders. The Fund may suspend temporarily the redemption privilege in emergency situations or in cases where, in the judgment of the Fund, continuation of the privilege would be detrimental to the Fund and its shareholders. Such temporary suspension can be without prior notification to shareholders.

You may have difficulties in making a telephone redemption during periods of abnormal market activity. If this occurs, you may make your redemption request in writing.

Additional Information on Redemptions

The Board of Trustees has adopted policies and procedures with respect to frequent purchases and redemptions of Fund shares by Fund shareholders. The Fund discourages, and does not accommodate, frequent purchases and redemptions of Fund shares by Fund shareholders. The Fund restricts or rejects such trading or takes other action if, in the judgment of the Adviser or the Fund's Transfer Agent, such trading may interfere with the efficient management of the Fund's portfolio, may materially increase the Fund's transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Fund and its shareholders. The steps the Fund utilizes to discourage frequent transactions may include monitoring trading activity, imposing trading restrictions on certain accounts, and imposing redemption fees, as set forth below. Transactions placed in violation of the Fund's market-timing trading policy may be cancelled or revoked by the Fund on the next business day following receipt by the Fund. While the Fund (directly and with the assistance of its service providers) identifies and restricts frequent trading, there is no guarantee that the Fund will be able to detect frequent purchases and redemptions or the participants engaged in such activity, or, if it is detected, to prevent its recurrence. The Fund receives purchase and sale orders through financial intermediaries and cannot always detect frequent trading that may be facilitated by the use of such intermediaries or by the use of group or omnibus accounts maintained by those intermediaries.

The Fund will charge a short-term-trading fee of 2.00% on a "first-in, first-out" basis at the time of redemption on Fund shares that are redeemed within 30 days from the date of purchase. This fee is calculated on the net asset value of the shares being redeemed and is deducted from the redemption proceeds. The redemption fee is paid to the Fund and is designed to protect and benefit long-term shareholders by compensating them for the effects of short-term investors, whose in-and-out activity can increase the Fund's transaction costs and reduce the Fund's tax efficiency by causing it to realize capital gains. The redemption fee will not be applied to systematic withdrawal plans, to distributions required by law (including, without limitation, Qualified Domestic Relations Orders (QDROs), required minimum distributions and employment or plan terminations), to shares of the Fund held in IRA and qualified plans or mutual-fund wrap accounts or to redemptions of shares acquired through the reinvestment of dividends or distributions. This fee may be modified or discontinued at any time.

Shareholders who have an IRA or other retirement plan must indicate on their redemption request whether or not to withhold federal income tax. Redemption requests failing to indicate an election not to have federal tax withheld will be subject to withholding.

Shareholders may also redeem Fund shares through broker-dealers holding such shares who have made arrangements with the Fund permitting redemptions by telephone or facsimile transmission. These broker-dealers may charge a fee for this service.

If a shareholder's transactions at any time reduce the shareholder's account in the Fund to below \$1,000 in value, the Fund may notify the shareholder that, unless the account is brought up to at least such minimum amount, the Fund may, within 30 days, redeem all shares in the account and close it by making payment to the shareholder.

Shareholders who effect redemptions by wire transfer will pay a \$15.00 wire transfer fee to U.S. Bancorp Fund Services, LLC to cover costs associated with the transfer. In addition, a shareholder's bank may impose a charge for receiving wires.

If an investor elects to receive distributions in cash, and the U.S. Postal Service cannot deliver your check, or if a check remains uncashed for six months, the Fund reserves the right to reinvest the distribution check in the shareholder's account at the Fund's then-current asset value and to reinvest all subsequent distributions.

Systematic Withdrawal Plan

Individuals whose investments in the Fund have a current value of at least \$10,000 may adopt a Systematic Withdrawal Plan to provide for periodic distributions. By using the Systematic Withdrawal Plan, a shareholder can request monthly, quarterly or annual payments for any designated amount of \$500 or more. Payments may be sent by check to the address of record, or may be sent directly to a designated bank account via electronic funds transfer through the Automated Clearing House (ACH) network. A Systematic Withdrawal Plan may be opened by selecting this option on your account application or by writing to the Transfer Agent. Shareholders should contact the Transfer Agent at 1-800-343-8959 for more information about the Fund's Systematic Withdrawal Plan.

TAX STATUS, DIVIDENDS AND DISTRIBUTIONS

The Fund intends to distribute substantially all of its net investment income and net capital gains in December of each year. Both distributions will be in shares of the Fund unless a shareholder elects to receive cash. Unless an investment in the Fund is through a tax-exempt account or plan, such as an IRA or qualified retirement plan, distributions are generally taxable to shareholders at different rates depending on the length of time the Fund holds its assets and the type of income that the Fund earns. Different tax rates apply to ordinary income, qualified dividend income and long-term capital-gain distributions, regardless of the shareholder's holding period for the shares. Any distributions received by shareholders from the Fund will normally be taxable to such shareholders when made, regardless of whether the shareholders receive such distributions in cash or shares of the Fund. The Fund expects that, as a result of its investment objectives and strategies, its distributions will consist primarily of short-term capital gains, which are taxable as ordinary income. Certain dividends or distributions declared in October, November or December will be taxed to shareholders as if received in December if they are paid during the following January.

Redemptions of shares of the Fund (whether through an outright sale or an exchange into another fund) are taxable events on which a shareholder may realize a taxable gain or loss (except for shareholders who are tax-exempt investors or whose investments are in qualified retirement accounts). Any such gain or loss is measured by the difference between the redemption proceeds and the tax basis of the shares redeemed. (To aid in computing a shareholder's tax basis, shareholders generally should retain their account statements for the period that they hold shares in the Fund.)

Each year the Fund informs its shareholders of the amount and type of its distributions. The Fund is required by federal tax law to withhold 28% of distributions and redemption proceeds for accounts (other than those of corporations and certain other exempt entities) without a certified taxpayer identification number ("TIN") and certain other certified information or with respect to which the Internal Revenue Service or a broker-dealer has notified the Fund that withholding is required due to an incorrect TIN or a failure to report taxable interest or dividends. The shareholder also must certify that the number is correct and that he/she is not subject to backup withholding. The certification is included as part of the share purchase application form. The Fund reserves the right to reject any purchase form that does not include a certified TIN or social security number. If the shareholder does not have a social security number, he/she should indicate on the purchase form that an application to obtain a

number is pending. The Fund is required to withhold taxes if a number is not delivered to the Fund within seven days.

IRAs and qualified retirement plans are exempt from federal income taxation under the Internal Revenue Code of 1986, as amended.

This summary is not intended to be, nor should it be, construed as legal or tax advice to any current or prospective holder of the Fund's shares. The Fund's shareholders are urged to consult their own tax advisors to determine the tax consequences to them of their ownership of the Fund's shares.

HOUSEHOLDING

To keep the Fund's costs as low as possible, the Fund delivers a single copy of most financial reports and prospectuses to shareholders who share an address, even if the accounts are registered under different names. This process, known as "householding," does not apply to account statements. You may, of course, request an individual copy of a prospectus or financial report at any time. If you would like to receive separate mailings, please call the Transfer Agent at 1-800-343-8959 and the Fund will begin individual delivery within 30 days of your request. If your account is held through a financial institution or other intermediary, please contact them directly to request individual delivery.

FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the Fund's financial performance for the past 5 years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned on an investment in the Fund (assuming reinvestment of all dividends and distributions). The information for the fiscal years ended September 30, 2004 through September 30, 2008 has been audited by PricewaterhouseCoopers LLP, whose report, along with the Fund's financial statements, are included in the Fund's Annual Report, which is available upon request.

THE MERGER FUND CONDENSED FINANCIAL INFORMATION (FOR THE FISCAL YEARS 2004-2008)

	Year ended September 30				
	2008	2007	2006	2005	2004
Net Asset Value, beginning of year	\$16.55	\$15.95	\$15.78	\$15.10	\$14.84
Income from investment operations:					
Net investment income (loss) ⁽¹⁾	0.00 ⁽²⁾⁽⁵⁾	0.13 ⁽²⁾	0.06 ⁽²⁾	(0.06) ⁽²⁾	(0.08) ⁽³⁾
Net realized and unrealized gain (loss) on investments	(0.70)	1.13	0.99	0.94	0.38
Total from investment operations	(0.70)	1.26	1.05	0.88	0.30
Redemption fees	0.00 ⁽⁵⁾	0.00 ⁽⁵⁾	0.00 ⁽⁵⁾	0.00 ⁽⁵⁾	0.00 ⁽⁵⁾
Less distributions:					
Dividends from net investment income	(0.37)	(0.11)	(0.01)	0.00 ⁽⁵⁾	(0.04)
Distributions from net realized gains	(0.69)	(0.55)	(0.87)	(0.20)	—
Total distributions	(1.06)	(0.66)	(0.88)	(0.20)	(0.04)
Net Asset Value, end of year	<u>\$14.79</u>	<u>\$16.55</u>	<u>\$15.95</u>	<u>\$15.78</u>	<u>\$15.10</u>
Total Return	(4.32)%	8.15%	7.10%	5.88%	1.99%
Supplemental Data and Ratios:					
Net assets, end of year (000's)	\$1,414,165	\$1,821,714	\$1,563,045	\$1,484,675	\$1,681,281
Ratio of operating expenses to average net assets	1.66%	2.16%	2.08%	1.77%	1.87%
Ratio of interest expense and dividends on short positions to average net assets	0.19%	0.76%	0.71%	0.41%	0.50%
Ratio of operating expenses to average net assets excluding interest expense and dividends on short positions					
Before expense waiver	1.48%	1.41%	1.37%	1.36%	1.37%
After expense waiver	1.47%	1.40% ⁽⁶⁾	1.37%	1.36%	1.37%
Ratio of net investment income to average net assets	(0.09)%	0.83%	0.43%	(0.35)%	(0.68)%
Portfolio turnover rate ⁽⁴⁾	300.24%	334.87%	369.47%	312.04%	256.88%

Footnotes To Financial Highlights On Following Page

- (1) Net investment income before interest expense and dividends on short positions for the years ended September 30, 2008, 2007, 2006, 2005 and 2004 was \$0.02, \$0.26, \$0.18, \$0.01 and \$0.00, respectively.
- (2) Net investment income (loss) per share is calculated using ending balances prior to consideration of adjustments for permanent book and tax differences.
- (3) Net investment income (loss) per share represents net investment income (loss) for the respective period divided by the monthly average shares of beneficial interest outstanding throughout each period.
- (4) The numerator for the portfolio turnover rate includes the lesser of purchases or sales (excluding short positions). The denominator includes the average long positions throughout the period.
- (5) Amount less than \$0.005 per share.
- (6) The Fund incurred proxy expenses of approximately \$525,000 in 2007 related to shareholder approval of changes in the Fund's fundamental investment policies and the election of trustees.

Further information regarding the Fund's performance is contained in the Fund's Annual Report, a copy of which may be obtained without charge.

THE MERGER FUND

PRIVACY POLICY

We collect the following non-public personal information about you:

- Information we receive from you on or in applications or other forms, correspondence, or conversations, including, but not limited to, your name, address, phone number, social security number, assets, income and date of birth; and
- Information about your transactions with us, our affiliates, or others, including, but not limited to, your account number and balance, payments history, parties to transactions, cost basis information, and other financial information.

We do not disclose any non-public personal information about our current or former shareholders to non-affiliated third parties, except as permitted by law. For example, we are permitted by law to disclose all of the information we collect, as described above, to our transfer agent to process your transactions. Furthermore, we restrict access to your non-public personal information to those persons who require such information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your non-public personal information.

In the event that you hold shares of the Fund through a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

THIS PRIVACY POLICY IS NOT A PART OF THE PROSPECTUS.