Westchester Capital FUNDS

2017

Q2 Quarterly Review

	Share class	Ticker	Morningstar Category	OVERALL Morningstar Rating™
The Merger Fund®	Investor	MERFX	Market Neutral NE	★★★★ Out of 111 market neutral funds as of 6/30/2017
	Institutional	MERIX		★★★ Out of 111 market neutral funds as of 6/30/2017
The Merger Fund VL	Insurance Dedicated Fund	MERVX	Market Neutral NE	
Event-Driven Fund	Investor	WCERX	Multi-Alternative	☆☆☆ Out of 243 multi-alternative funds as of 6/30/2017
	Institutional	WCEIX		★★★ Out of 243 multi-alternative funds as of 6/30/2017

The Overall Morningstar Rating is derived from a weighted average of the Fund's 3-, 5-, and 10-year Morningstar Rating metrics.

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STANDARDIZED PERFORMANCE SUMMARY
As of June 30, 2017

Strategy Assets:

Merger Arbitrage[1]	$3.0 billion
Multi-Event[2]	$448.4 million

	Average Annual Total Return (%)						Annual Operating Expense Ratio (%)[3]				
Merger Arbitrage	QTD	YTD	1 YR	5 YR	10 YR	Life	Gross Expense Ratio	Net Expense Ratio[3]	Net Expenses Before Investment Related Expenses[4]	Performance Inception[5]	Fund AUM
The Merger Fund (Investor)	1.33	2.11	3.83	2.27	2.17	6.15	2.12%	2.01%	1.40%	01/31/1989	$1.4 b
The Merger Fund (Institutional)	1.40	2.31	4.23	n/a	n/a	2.18	1.79%	1.68%	1.07%	08/01/2013	$1.4 b

	Average Annual Total Return (%)						Annual Operating Expense Ratio (%)[3]				
Insurance Dedicated Funds	QTD	YTD	1 YR	5 YR	10 YR	Life	Gross Expense Ratio	Net Expense Ratio[6]	Net Expenses Before Investment Related Expenses[4]	Performance Inception[7]	Fund AUM
The Merger Fund VL	1.32	2.18	3.79	2.25	2.89	4.68	2.85%	2.09%	1.40%	05/26/2004	$32.0 m

	Average Annual Total Return (%)						Annual Operating Expense Ratio (%)[3]				
Multi-Event	QTD	YTD	1 YR	5 YR	10 YR	Life	Gross Expense Ratio	Net Expense Ratio[8]	Net Expenses Before Investment Related Expenses[4]	Performance Inception	Fund AUM
Event-Driven Fund (Investor)	2.51	3.24	n/a	n/a	n/a	3.24	2.79%	2.78%	1.99%	03/22/2017	$4.2 m
Event-Driven Fund (Institutional)	2.61	4.18	6.82	n/a	n/a	2.49	2.54%	2.53%	1.74%	01/02/2014	$107.5 m

MARKET INDICES	QTD	YTD	1 YR	3 YR	5 YR	10 YR
BofA Merrill Lynch 3-Month U.S. Treasury Bill Index	0.20%	0.31%	0.49%	0.23%	0.17%	0.58%
Barclays Aggregate Bond Index	1.45%	2.27%	-0.31%	2.48%	2.21%	4.48%
S&P 500 Index	3.09%	9.34%	17.90%	9.61%	14.63%	7.18%
The Wilshire Liquid Alternative ED Index	1.22%	2.03%	4.71%	-0.49%	1.12%	2.12%
The US OE MultiAlternative Category	0.63%	2.31%	3.37%	0.57%	2.93%	1.17%
The US OE Market Neutral Index	0.02%	0.66%	2.71%	0.35%	0.88%	0.72%

QTD and YTD performance is not annualized. Performance data quoted represent past performance; past performance does not guarantee future results. The performance results portrayed herein reflect the reinvestment of all interest, dividends and distributions. The 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 their original cost. Current performance of the Funds may be lower or higher than the performance quoted. Performance data included herein for periods prior to 2011 reflect that of Westchester Capital Management, Inc., the Funds' prior investment advisor. Messrs. Behren and Shannon, the Funds' current portfolio managers, have served as co-portfolio managers of the Funds since 2007. Performance data current to the most recent month-end may be obtained by calling (800) 343-8959 or by visiting www.westchestercapitalfunds.com.

[1]Includes USD 54 million in private funds advised by Westchester Capital Management, LLC's affiliated investment advisor and USD 123 million in a sub-advised fund. [2]Includes USD 337 million in sub-advised funds. [3]Net expense ratios are as of a fund's most recent prospectus and were applicable to investors. Prospectus dates vary among funds. For The Merger Fund®, expense ratios are as of the April 27, 2017 prospectus. The Advisor has contractually agreed to waive a portion of its management fee until April 30, 2018 if its assets exceed certain thresholds, beginning at $1.5 billion. For The Merger Fund VL, expense ratios are as of the April 21, 2017 prospectus. For the Event-Driven Fund, expense ratios are as of the April 27, 2017 prospectus. [4]Investment related expenses for The Merger Fund, The Merger Fund VL and the WCM Alternatives: Event-Driven Fund include acquired fund fees and expenses of 0.09%, 0.10% and 0.17%, short interest and dividend expenses of 0.52%, 0.59% and 0.62% respectively. [5]The inception date of the Merger Fund® Investor share class is January 31, 1989. [6]The Merger Fund VL: The Adviser has contractually agreed to waive its investment advisory fee and to reimburse the Fund for other ordinary operating expenses to the extent necessary to limit ordinary operating expenses to an amount not to exceed 1.40%. The expense limitation is expected to apply until April 30, 2018, except that it may be terminated by the Board of Trustees at any time. [7]The inception date of The Merger Fund VL is May 26, 2004. [8]Event-Driven Fund: The Adviser has contractually agreed to waive its investment advisory fee and to reimburse the Fund for other ordinary operating expenses to the extent necessary to limit ordinary operating expenses of the institutional and investor class shares to 1.74% and 1.99%, respectively. The expense limitation is expected to apply until April 30, 2018, except that it may be terminated by the Board of Trustees at any time.

Fellow Shareholders,

Our funds turned in steady performance during the quarter ended June, corroborating the optimism expressed in our prior letter. The Merger Fund® returned 1.33%, The Merger Fund VL was up 1.32% and our Event-Driven Fund was up 2.61%. Given the historic correlation between investment risk and reward, we are happy to have been able to provide greater returns than expected from investments with less than one-third the risk (volatility) of the S&P 500 Index,[1] which has been on an anomalous eight year, low volatility bull run.

The adage that stocks often climb "walls of worry" appears apropos. Global crises, partisan bickering and government scandals have not slowed down the markets, which were aided by satisfactory quarterly earnings reports. In the second quarter, the Dow Jones Industrial Average ("DJIA") and the S&P 500 Index continued the best performance since 2013[2] in hockey stick-like fashion. The DJIA and S&P 500 each gained roughly 8% in the first six months of the year, with the tech-heavy Nasdaq Index up approximately 14%[3], its strongest first half in eight years.

Meanwhile, some high-profile professional investors have become wary of overvaluation. Bank of America Merrill Lynch's June fund manager survey reflected 44% of respondents indicating that global equity markets are overvalued, the highest level in the history of the survey going back 17 years.[4]

Howard Marks, founder and CIO of Oaktree Capital, with $100 billion under management and experience through multiple market cycles, also advocates caution in his most recent July memo (available in full on Oaktree's website).

He observed market conditions such as (paraphrased):

- Among the highest equity valuations in history
- The "so-called complacency index" at an all-time high (lowest Chicago Board Options Exchange (CBOE) Volatility Index (VIX) reading in its 27 year history)
- The movement of a trillion dollars into "value-agnostic investing" (Index funds and ETFs)
- The lowest yields in history on low-rated bonds and loans, with emerging market debt surprisingly offering even lower yields
- Massive fundraising by private equity funds
- The biggest fund ***of all time*** raised for levered tech investing (Softbank's $100 billion technology fund)
- The explosion of value in cryptocurrencies[5]

While not proclaiming that equities are a massive bubble ready to burst, the simultaneous presence of these extremes reflects an unusual level of investor risk tolerance.

Joining the chorus is Paul Singer, head of Elliott Management Corp., who in his second quarter letter to investors, blasted the growth of passive investing. Stating that there was a likelihood that the level of growth of passive investing "is unsustainable" and its current stability "is brittle," he went as far as to proclaim that "passive investing is in danger of devouring capitalism."

1 Three-year standard deviation for The Merger Fund was 2.81%, for The Merger Fund VL was 2.72% and for WCM Alternatives: Event-Driven Fund was 3.92% versus 10.35% for the S&P 500 Index through June 30.
2 Market Watch, "Dow, S&P 500 notch best first-half performance since 2013", June 30, 2017
3 Washington Post, "First half of 2017 is the strongest U.S. stock markets have seen in years", June 30, 2017
4 Pensions & Investments, BofA: Record number of managers think equities are overvalued, June 13, 2017
5 A cryptocurrency (or crypto currency) is a digital asset designed to work as a medium of exchange using cryptography to secure the transactions and to control the creation of additional units of the currency. Cryptocurrencies are classified as a subset of digital currencies and are also classified as a subset of alternative currencies and virtual currencies. Bitcoin became the first decentralized cryptocurrency in 2009 for example.

Private-equity funds as well as passive vehicles have seen a torrent of subscriptions. The combined AUM of four of the largest publicly-traded leveraged buyout firms (Apollo, Carlyle, Blackstone and KKR) rose to $921 billion as of June 30.

Carlyle co-founder David Rubenstein sheds some light on the current investment environment with a great quote, "Why are so many people giving so much money to people like us? Because they see everything else as less attractive."[6]

The surge of investment flows from actively managed funds into private equity and passive vehicles are consistent with Rubenstein and Singer's assessment of current crowd psychology. Talking heads on CNBC's Squawk Box nonsensically blame periodic underperformance (compared to indices) of hedged vehicles on management fees, oblivious to the limited downside correlation and lower volatility levels that they are designed to bring to a portfolio. Although it is difficult, if not impossible, to accurately replicate research-intensive strategies such as merger arbitrage via passive ETFs or indices, the investing public has bought into the groupthink that any fund that underperforms the overall markets or its sector index has neither served its purpose nor earned its management fee. The use case for non-correlated investments has, if anything, become ***more*** compelling as markets break records and unsophisticated investors crowd into index funds, which will become an echo chamber of selling if equities correct, forcing passive vehicles to reduce holdings of the same securities at the same time.

Catalysts for a potential market correction exist. Uncertainty over Obamacare, tax reform, Dodd-Frank regulation, coupled with North Korean and Iranian worries, as well as West Wing drama may intersect with expected Federal Reserve tightening to create an environment of simultaneous volatility and interest rate increases. Again, the value of alternative investments and portfolio diversifiers should become more apparent. In addition to their defensive qualities, event-related funds may see more attractive opportunities, with higher rates of return, as economic activity picks up and interest rates rise, particularly if tax reform and repatriation encourage companies to undertake transactions.[7]

STRATEGY UPDATES

Merger & Acquisition ("M&A") Environment

There have been about $1.5 trillion in transactions during the first half of 2017, roughly in line with the same period in 2016, but deals valued in excess of $10 billion declined by approximately 30% according to Bloomberg data.

Key statistics for the quarter, courtesy of UBS, include:

- 2Q17 announced deal value of $136 billion represented a 35% sequential increase, but a 40% decrease from 2Q16's strong levels.
- Average deal size recovered to $3.1 billion, but remained near –three-year lows and 27% below the $4.2 billion quarterly average since 1Q98.
- Spreads tightened slightly. Annualized deal spreads on "plain vanilla" deals traded at a representative level of 4.3% in 2Q17 vs. 4.5% in 1Q17.

Multiple factors contributed to spread compression in the second quarter. In no particular order: rising equity markets lessened the downsides in broken deals; volatility remained at historically low levels, interest rates remained low and credit spreads continued to narrow; several large transactions completed, causing the proceeds to flow into existing deals; and newly-announced deals were of high quality, and therefore trade with less embedded risk premium.

[6] Wall Street Journal, "Investors Pile into Private Equity at Greatest Clip Since 2013", August 2, 2017
[7] Fiduciary Trust, Market Commentary, May 22, 2017

Executive commentary indicates optimism about upcoming merger activity. Lazard CEO Ken Jacobs said recently that corporate executives who put off mergers and acquisitions are becoming more likely to jump into major transactions as they embrace an improving economy and become more comfortable with the political environment in the U.S. and Europe. He continued, stating that "Board rooms are starting to accept the fact that there's probably not going to be as aggressive policy changes coming out of the tax side of Washington. People are adjusting to that, and looking at it as upside, as opposed to waiting for it. So that may take a little bit of hesitancy off…"[8]

We remain optimistic regarding deal activity. Factors mentioned in previous letters remain present: namely, robust stock prices, low-interest rates, healthy balance sheets, expected corporate tax reform and evolving organic growth prospects.

Portfolio Summary

We held 78 investments during the quarter and experienced no terminated deals. Winners outnumbered losers by approximately 6 to 1 during the period; however, our market hedges cost the Fund eight basis points in performance. We added 16 new positions during the quarter and only 11 negative marks-to-market. We have not had any broken deals this calendar year.

As of the end of June, we held 60 positions and were approximately 90% invested. The portfolio continues to be globally invested and most recent foreign activity has been in Europe, as transaction levels are down slightly across the globe.

The Fund's most profitable holding in Q2 was NXP Semiconductors N.V. ("NXPI") which is being acquired by Qualcomm Incorporated. NXPI stock rallied about six percentage points throughout the quarter as the entire sector moved higher, prompting speculation that Qualcomm may need to increase their offer in order to receive shareholder approval. Other rewarding investments included Time Warner, whose spread narrowed during the quarter as investors realized that the downside in event of termination was minimal; ChemChina which closed its merger with Syngenta; Reynolds American, whose acquisition by British American continued to progress smoothly toward completion (and, in fact, closed on July 25th); Johnson & Johnson's completed acquisition of Actelion for $30 Billion which included a spin-off of its drug discovery and early-stage clinical development assets into a newly created Swiss biopharmaceutical company, giving arbitrageurs value in addition to deal consideration.

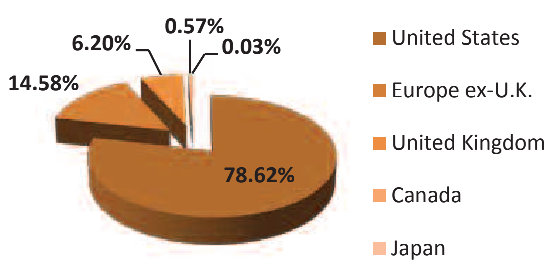
Our largest negative mark-to-market (i.e. unrealized loss) this quarter was in Altaba, formerly named Yahoo! Inc. Verizon closed their deal to buy the operating business of Yahoo, transforming the remaining stub company, now Altaba, into a registered investment company holding only investment securities, including a massive holding of Alibaba. This conversion, which forced its exit from the S&P 500 Index, led to the largest index "delete" (sell) in history and weighed on our long position. Simultaneously, our short position hedging the Alibaba exposure rallied tremendously following a very bullish investor day in early June. We are extremely optimistic about this position and believe there is significant value yet to be realized. Altaba trades at a large discount to the sum of its publicly traded holdings and management is financially incentivized to reduce this discount. They have been given the mandate to monetize the holdings and distribute the proceeds to shareholders, whether in cash or stock. They have authorized a multi-billion dollar share buyback program while implementing this mandate. Uncertainties include corporate tax reform, which may affect the proceeds received by shareholders, negotiations with Alibaba for a potential share swap, and execution timing.

[8] Bloomberg, Lazard CEO sees Rebound in Megadeals as M&A Fees Reach Record, July 27, 2017

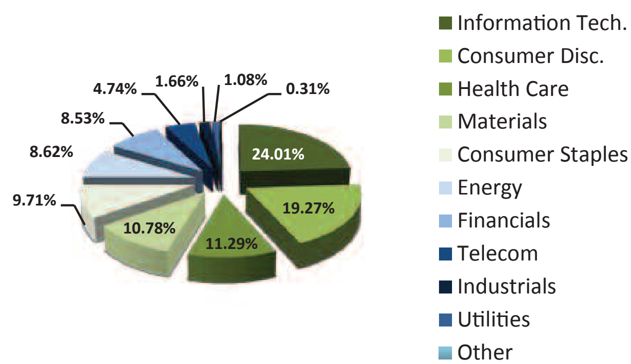
New positions included both international and domestic transactions. The Funds stylishly slipped into some Christian Dior SE, which was purchased by Groupe Arnault SE (Hermes International) for €45billion, and then accessorized that position with purchases of Italian eyewear designer Luxottica Group S.p.A., the target of a €26 billion takeover by France's Essilor International SA. We also added two interesting SPAC (Special Purpose Acquisition Company) investments by the names of Forum Merger Corporation and Bison Capital Acquisition Corp., each of which raised capital from investors, which was placed in an interest-bearing trust account pending the announcement of an acquisition within the next two years. If such an acquisition is not announced, or if the Fund is not in favor of the transaction, we may elect to redeem our interest for the cash plus accrued interest representing our investment in the trust account. Additional investments include trucker Swift Transportation Co.'s $3.5 billion acquisition by Knight Transportation Inc.; medical device manufacturer C.R. Bard, a $22 billion company being bought in a deal devised by Becton Dickinson and Co.; Sabra Healthcare REIT's $2.5 billion agreement to care for nursing home operator Care Capital Properties; and Whole Foods Market, Inc., which was quickly gobbled up by Amazon.com Inc. in a $14 billion transaction. In addition, we have acquired (and transferred funds to pay for) a small position in MoneyGram International, Inc. a $1 billion money transfer provider, which signed an agreement to be acquired by Ant Financial services, an affiliate of Alipay Hong Kong Holdings and Alibaba. Although not a layup, this deal appears mispriced in the market and we are following the situation closely with advice from our domestic and foreign legal counsel. We would be happy to discuss these or our other positions in greater depth with our investors upon request.

Statistical Summary

REGIONAL EXPOSURE



SECTOR EXPOSURE



Type of Buyer	
Strategic	100.00%
Financial	0.00%

By Deal Type	
Friendly	100.00%
Hostile	0.00%

Deal Terms	
Cash & Stock	38.03%
Cash	35.35%
Stock & Stub	18.68%
Stock with Fixed Exchange Ratio	5.03%
Undetermined*	2.80%
Stock with Flexible Exchange Ratio (Collar)	0.11%

* The compensation is undetermined because the compensation to be received (e.g., stock, cash, escrow notes, other) will be determined at a later date, potentially at the option of the Fund's investment adviser.

Performance data quoted represents past performance; past performance does not guarantee future results.

Event-Driven Activity

Portfolio Performance Summary

Strategy	Allocations
Arbitrage	71.77%
Special Situations	18.23%
Restructurings	4.57%
Credit-Catalyst Opportunities	5.43%
Total	100.00%

Strategy allocations are the direct result of our bottom-up research; our investment decisions are based on the unique characteristics of each opportunity. Every investment must be public and have a defined timeline and expected return. Outside of these factors, the strategy is designed to "go where the events are." We are, therefore, more reactive than proactive when it comes to making specific allocations to macro-factors like strategy, sector and even country.

The WCM Alternatives: Event-Driven Fund advanced by 2.61% during the second quarter, bringing its calendar year-gain to 4.18% and its trailing 12-month performance to 6.82%. The Fund held 103 investments during the quarter and experienced no broken situations. Reflecting a 3:1 ratio of winners to losers, 79 of our positions were positive and 24 performed negatively. We invested in 22 new situations through both equity and fixed income and as of the end of June the Fund fully invested across 80 positions.

The credit-related sleeve of the fund was accretive to performance and was uncorrelated with either equity or fixed-income markets. Investments included bonds of The WhiteWave Foods Co., which was acquired by Danone in April. Upon completion of the transaction, the bonds re-rated up to Danone's credit rating and were sold at a profit. Surgical Care Affiliates was acquired by United Healthcare ("UNH") and the bonds were retired by UNH upon completion of the transaction.

One of the more interesting situations continues to be in the bonds of Caesars Entertainment Corporation. This multi-event situation involved an emergence from bankruptcy and a merger as well as a split-up. In a nutshell, Caesars won bankruptcy court approval to implement a plan of reorganization into a real estate investment trust ("REIT") and an operating/management company. The REIT will own most of the properties, which will be managed by the publicly traded management company. Some creditors will become equity owners of both companies. Upon regulatory approvals, such as state gaming authority approvals, Caesars will officially exit Chapter 11 bankruptcy and additional value should be realized at that juncture, facilitating our position exit.

We invested in the bonds prior to the plan approval, when the outcomes were quantifiable and we were able to forecast the risk/reward profile with confidence. Helping create this opportunity was the fact that the situation was underfollowed because many future equity investors of the new company are either not equipped or are constrained from owning pre-emergence securities. The two series of bonds that we own have appreciated by double digits and we expect to exit the position as the company officially emerges in the very near future.

OUR COMPANY

WCM manages a total of five SEC-registered mutual funds. Our other vehicles span a spectrum from lower- return, lower-volatility expectations to higher volatility with potentially higher return expectations:

Account	Vehicle	Strategy	Inception
The Merger Fund®	SEC '40-Act Fund		
Investor Share Class (MERFX)		Merger Arbitrage	1989
Institutional Share Class (MERIX)		Merger Arbitrage	2013
The Merger Fund VL (MERVX)	Variable Insurance Trust	Merger Arbitrage	2004
WCM Alternatives: Event-Driven Fund (WCEIX)	SEC '40-Act Fund	Event-Driven	2014
Investor Share Class (WCERX)		Event-Driven	2017
Institutional Share Class (WCEIX)		Event-Driven	2014
JNL/Westchester Capital Event Driven Fund	Sub-advised SEC '40-Act Fund	Event-Driven	2015
Westchester Merger Arbitrage Strategy of the JNL Multi-Manager Alternative Fund	Sub-advised SEC '40-Act Fund	Merger Arbitrage	2016

As noted in prior updates, Westchester Capital Management, LLC is the portfolio manager for several '40-Act registered mutual funds, which provide alternative market-neutral profiles to The Merger Fund. We are in the process of developing an additional complementary product with a slightly more aggressive posture, focused on the catalyst-driven fixed income space, to be called The WCM Alternatives: Credit Event Fund. Many of our investors have requested such a vehicle, which aims to provide a regular income stream in the form of monthly distributions. It will have differentiated exposure but will have higher targeted return and volatility levels than The Merger Fund. We view this as a natural extension of our business model of providing dependable, liquid, alternative investment products to investors wishing to diversify their portfolio of otherwise correlated investments.

As usual, quarterly statistical summaries for any of our vehicles are provided within two weeks of the end of the quarter- typically one month prior to the release of the quarterly letter. They are available electronically on our website, and we would be happy to provide a scheduled email as soon as the data becomes available. For convenience, investors can arrange for e-alerts of important Fund communications. Through our website at www.westchestercapitalfunds.com, you can check direct account balances, make purchases and sales, and sign up for notification of trade confirmations, statements, and shareholder communications via e-mail.

Roy Behren

Mike Shannon

IMPORTANT DISCLOSURES

Before investing in The Merger Fund® and/or WCM Alternatives: Event-Driven Fund, carefully consider the investment objectives, risks, charges, and expenses. For a prospectus or summary prospectus containing this and other information, please call (800) 343-8959. Please read the prospectus carefully before investing. The Merger Fund VL is available through variable products offered by third-party insurance companies. For a prospectus containing information for any variable annuity or variable life product that invests in The Merger Fund VL, contact your financial advisor or the offering insurance company for a contract prospectus and prospectus for the underlying funds. Please read it carefully before investing. Shares of JNL/Westchester Capital Event Driven Fund are offered to separate accounts of participating life insurance companies for the purpose of funding variable annuity contracts and variable life insurance policies. Shares of the fund are not offered directly to the public. For a prospectus containing information for any variable annuity or variable life product that invests in the Fund, contact your financial advisor or the offering insurance company for a contract prospectus and prospectus for the underlying funds. Please read it carefully before investing. Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% federal tax penalty if withdrawn before age 59½. Optional benefit costs are added to the ongoing fees and expenses of the variable annuity. A prospectus for WCM Alternatives: Credit Event Fund may be obtained, when available, by calling (800) 343-8959.

Variable annuities (VA650, VA660) are issued by Jackson National Life Insurance Company® (Home Office: Lansing, Michigan) and in New York (VA650NY, VA660NY) by Jackson National Life Insurance Company of New York® (Home Office: Purchase, New York). Variable annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states and state variations may apply. These products have limitations and restrictions, including withdrawal charges, recapture charges and excess interest adjustments (interest rate adjustments in New York) where applicable. Jackson® issues other annuities with similar features, benefits, limitations and charges. Contact Jackson for more information. Jackson is the marketing name for Jackson National Life Insurance Company and Jackson National Life Insurance Company of New York.

Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security. The Ten Largest Positions as a Percent of Net Assets for The Merger Fund® as of June 30, 2017, were: Altaba Inc. (8.11%), NXP Semiconductors NV (7.57%), Reynolds American Inc. (7.54%), Time Warner Inc. (6.78%), C.R. Bard, Inc. (5.06%), Sky PLC (4.57%), Jarden Corporation (4.49%), Mobileye N.V. (3.42%), Level 3 Communications, Inc. (3.35%), Du Pont (E.I.) de Nemours (2.82%). The Ten Largest Positions as a Percent of Net Assets for The Merger Fund VL as of June 30, 2017, were: Altaba Inc. (7.89%), NXP Semiconductors NV (7.49%), Reynolds American Inc. (7.30%), Time Warner Inc. (7.21%), C.R. Bard, Inc. (4.98%), Sky PLC (4.48%), Mobileye N.V. (3.55%), Level 3 Communications, Inc. (3.30%), Jarden Corporation (3.15%), Du Pont (E.I.) de Nemours (2.72%). The Ten Largest Positions as a Percent of Net Assets for WCM Alternatives: Event-Driven Fund as of June 30, 2017, were: Reynolds American Inc. (8.86%), Altaba Inc. (8.55%), NXP Semiconductors NV (5.06%), Time Warner Inc. (7.29%), Sky PLC (6.45%), C.R. Bard, Inc. (5.53%), Hewlett Packard Enterprise Company (4.72%), Level 3 Communications, Inc. (4.44%), Mobileye N.V. (4.41%), American International Group, Inc. (3.87%).

Diversification does not assure a profit, nor does it protect against a loss in a declining market.

Mutual fund investing involves risk. Principal loss is possible. Merger-arbitrage and event-driven investing involve the risk that the adviser's evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue or other event, will prove incorrect and that the Funds' return on the investment will be negative. Investments in foreign companies may entail political, cultural, regulatory, legal, and tax risks different from those associated with comparable transactions in the United States. The frequency of the Fund's transactions will vary from year to year, though merger arbitrage portfolios typically have higher turnover rates than portfolios of typical long-only funds. Increased portfolio turnover may result in higher brokerage commissions, dealer mark-ups, and other transaction costs. The higher costs associated with increased portfolio turnover may offset gains in the Fund's performance. The Funds' may enter into short sale transactions for, among other reasons, purposes of protecting against a decline in the market value of the acquiring company's shares prior to the acquisition completion. If the price of a security sold short increases between the time of the short sale and the time the Fund covers its short position, the Fund will incur a loss. The amount of a potential loss on an uncovered short sale transaction is theoretically unlimited. Debt securities may fluctuate in value due to, among other things, changes in interest rates, general economic conditions, industry fundamentals, market sentiment and the financial condition of the issuer, including the issuer's credit rating or financial performance. Derivatives may create leverage which will amplify the effect of the performance of those instruments on the Funds' and may produce significant losses. The Funds' hedging strategy will be subject to the Funds' investment adviser's ability to assess correctly the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged.

References to other mutual funds do not construe an offer of those securities. Any tax or legal information provided is merely a summary of our understanding and interpretation of some of the current income tax regulations and is not exhaustive. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. Neither the Funds' nor any of their representatives may give legal or tax advice.

Performance data quoted represents past performance; past performance does not guarantee future results.

The views expressed are as of August 15, 2017, and are a general guide to the views of Westchester Capital Management, are subject to change, are not guaranteed and should not be considered recommendations to buy or sell any security. This document does not replace portfolio and fund-specific materials.

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 three-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, and the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receives 1 star. The Overall Morningstar Rating™ for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics.

The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. As of June 30, 2017, The Merger Fund® was rated against the following numbers of U.S.-domiciled Market Neutral funds over the following time periods: 111 funds in the last three years, 74 funds in the last five years, and 30 funds in the last ten years. With respect to these Market Neutral funds, The Merger Fund® – Investor share class received a Morningstar Rating of 3 stars, 4 stars and 4 stars for the three-, five- and ten-year periods, respectively. The Merger Fund® – Institutional share class received a Morningstar rating of 3 stars, 4 stars and 4 stars for the three-, five- and ten-year periods, respectively. Five and ten year ratings are Extended Performance Ratings computed by Morningstar using historical adjusted returns prior to the 8/1/2013 inception date of the MERIX Institutional shares, and reflect the historical performance of the MERFX class (inception date 1/31/1989), adjusted to reflect the fees and expenses of the Institutional shares. As of June 30, 2017, WCM Alternatives: Event Driven Fund was rated against the following numbers of U.S.-domiciled Multi Alternative funds over the following time periods: 243 funds in the last three years. With respect to these Market Neutral funds, WCM Alternatives: Event-Driven Fund – Institutional share class received a Morningstar rating of 3 stars for the three year period. WCM Alternatives: Event-Driven Fund – Investor share class received a Morningstar Rating of 3 stars for the three year period. 3-year ratings are Extended Performance Ratings computed by Morningstar using historical adjusted returns prior to the 3/22/2017 inception date of the WCERX Investor shares, and reflect the historical performance of the WCEIX share class, (inception date 1/2/2014), adjusted to reflect the fees and expenses of the Investor shares. The information contained herein: (1) is proprietary to Morningstar; (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. Past performance is no guarantee of future results.

Absolute return strategies are not intended to outperform stocks and bonds during strong market rallies. An absolute return fund may not achieve its goals and may underperform during periods of strong positive market performance.

Definitions: **The S&P 500 Index** is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general; **The Barclays Aggregate Bond Index** is an intermediate term index comprised of investment grade bonds; **The Morningstar Category: US Fund Market Neutral** is comprised of a universe of funds with similar investment objectives; **The Morningstar Category: The US Fund MultiAlternative** encompasses funds that have a majority of their assets exposed to alternative strategies and include both funds with static allocations to alternative strategies and funds tactically allocating among alternative strategies and asset classes. **The BofA Merrill Lynch US 3-Month Treasury Bill Index** is comprised of a single issue purchased at the beginning of the month and held for a full month. **The Nasdaq Stock Market Index** is an American stock exchange. It is the second-largest exchange in the world by market capitalization, behind only the New York Stock Exchange. **The Dow Jones Industrial Average, also called DJIA**, is a stock market index that shows how 30 large publicly owned companies based in the United States have traded during a standard trading session. Indices are unavailable for direct investment. **The Wilshire Liquid Alternative Event Driven Index^{SM}** measures the performance of the event driven strategy component of The Wilshire Liquid Alternative IndexSM. Event driven strategies predominantly invest in companies involved in corporate transactions such as mergers, restructuring, distressed, buy backs, or other capital structure changes. The Wilshire Liquid Alternative Event Driven Index (WLIQAED) is designed to provide a broad measure of the liquid alternative event-driven market. **A special purpose acquisition company (SPAC)** is a type of investment fund that allows public stock market investors to invest in private equity type transactions, particularly leveraged buyouts. SPACs are shell or blank-check companies that have no operations but go public with the intention of merging with or acquiring a company with the proceeds of the SPAC's initial public offering (IPO). **VIX** is the ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. **Standard Deviation** is the degree by which returns vary relative to the average return. The higher the standard deviation, the greater the variability of the investment; **A basis point** (often denoted as bps) is a unit equal to 1/100 of a percentage point and can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point; **Correlation** is calculated using R-Squared; which is a measure that represents the percentage of a fund's movements that can be explained by movements in a benchmark index. A fund with low R-squared doesn't act much like the index.

The return shown is based on net asset values calculated for shareholder transactions and may differ from the return shown in the financial highlights of the annual report, which reflects adjustments made to the net asset values in accordance with accounting principles generally accepted in the United States of America.

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