Westchester Capital
FUNDS

2018

Q1 Quarterly Review

	Share class	Ticker	Morningstar Category	OVERALL Morningstar Rating™
The Merger Fund®	Institutional	MERIX	Market Neutral NE	★★★★ Out of 114 market neutral funds as of 3/31/2018
	Investor	MERFX		★★★★ Out of 114 market neutral funds as of 3/31/2018
The Merger Fund VL	Insurance Dedicated Fund	MERVX	Market Neutral NE	
Credit Event Fund	Institutional	WCFIX	Long-Short Credit	
	Investor	WCFRX		
Event-Driven Fund	Institutional	WCEIX	Multi-Alternative	★★★ Out of 278 multi-alternative funds as of 3/31/2018
	Investor	WCERX		☆☆☆ Out of 278 multi-alternative funds as of 3/31/2018

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 March 31, 2018

Strategy Assets:

Merger Arbitrage[1]	$2.6 billion
Opportunistic Credit	$3.9 million
Multi-Event[2]	$338.6 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 excluding Investment-Related Expenses[4,5]	Performance Inception	Ticker
The Merger Fund (Institutional)	2.46	2.46	4.33	n/a	n/a	2.45	1.60%	1.59%	1.17%	08/01/2013	MERIX
The Merger Fund (Investor)	2.45	2.45	4.09	2.27	3.03	6.08	1.92%	1.91%	1.49%	01/31/1989	MERFX
Insurance Dedicated Funds[5]											
The Merger Fund VL	2.31	2.31	4.05	2.27	3.74	4.62	2.57%	1.84%	1.40%	05/26/2004	MERVX
Opportunistic Credit[5]											
Credit Event Fund (Institutional)	-0.40	-0.40	n/a	n/a	n/a	-0.40	2.30%	1.88%	1.64%	12/29/2017	WCFIX
Credit Event Fund (Investor)	-0.50	-0.50	n/a	n/a	n/a	-0.50	2.55%	2.13%	1.89%	12/29/2017	WCFRX
Multi-Event[5]											
Event-Driven Fund (Institutional)	0.98	0.98	4.16	n/a	n/a	2.40	2.32%	2.32%	1.74%	01/02/2014	WCEIX
Event-Driven Fund (Investor)	0.89	0.89	3.96	n/a	n/a	2.16	2.57%	2.57%	1.99%	03/22/2017	WCERX

MARKET INDICES	QTD	YTD	1 YR	5 YR	10 YR
US Fund Market Neutral	-0.15%	-0.15%	1.67%	1.37%	0.30%
US Fund Multialternative	-1.04%	-1.04%	2.89%	1.16%	0.77%
Wilshire Liq Alt Event Driven TR USD	0.21%	0.21%	2.19%	0.66%	2.41%
S&P 500 TR USD (1936)	-0.76%	-0.76%	13.99%	13.31%	9.50%
BBgBarc US Agg Bond TR USD	-1.46%	-1.46%	1.20%	1.83%	3.63%
ICE BofAML 3M US Trsy Note TR USD	0.35%	0.35%	1.07%	0.33%	0.36%

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 51 million in private funds advised by Westchester Capital Management, LLC's affiliated investment advisor and USD 135 million in a sub-advised fund. [2]Includes USD 228 million in sub- advised funds. [3]Net expense ratios are as of a fund's most recent prospectus and were applicable to investors. [4]Investment related expenses include expenses related to short sales and interest on any borrowing and acquired fund fees and expenses. [5]The Adviser has contractually agreed to waive a portion of its investment advisory fee through April 30, 2019 for The Merger Fund, The Merger Fund VL, and WCM Alternatives: Event-Driven Fund, and through November 16, 2018 for WCM Alternatives: Credit Event Fund.

Fellow Shareholders,

The Merger Fund® (MERIX), The Merger Fund VL (MERVX) and the WCM Alternatives: Event-Driven Fund (WCEIX) advanced by 2.46%, 2.31% and 0.98% respectively, during a tumultuous first quarter for both equity and fixed income markets, which both lost ground during an unpredictable period. Morningstar's Tony Thomas aptly observed that "Volatility returned with a vengeance" in early 2018, pointing out that while there was no move greater than 2% during all of 2017, the S&P 500 had six such moves in the first quarter, including a 4% decline into February 5th.[1] Further, the S&P 500 gained or lost 1% in a single day 23 times during the quarter, causing the CBOE Volatility Index to jump by 81% from historic sub-10% lows.[2]

The Dow Jones Industrial Average and S&P 500 lost 2.5% and 1.2% respectively, through March – believe it or not, the first quarterly drop for the S&P 500 in 2.5 years.[3] By February 8th, the market had corrected by more than 10%.

Each of our funds' correlation, as well as volatility continued to track below that of our Morningstar peer indices. The Merger Fund® and The Merger Fund VL once again exhibited roughly one-fourth the "risk" (volatility) of the S&P 500 Index and the beta correlation remained low, at approximately 0.18 as of March 31. WCM Alternatives: Event-Driven Fund exhibited roughly one-third the risk with a beta correlation of approximately 0.29.[4]

Fixed income offered investors little shelter as bonds moved broadly lower during the quarter. Trading was largely driven by anticipation and the reality of a Federal Reserve rate increase in March, with indications for two or more hikes in 2018. Investors experienced a flattening yield curve,[5] and the Bloomberg Barclays U.S. Aggregate Bond Index posted a three-month loss for the first time since mid-2016.[6] In addition to rate hikes and volatility, there was uncertainty over the impact of the new Federal Reserve Chairman Jay Powell.

This chart illustrates the performance of a hypothetical $1,000,000 investment for the three months ending March 31, 2018. This chart does not imply any future performance.

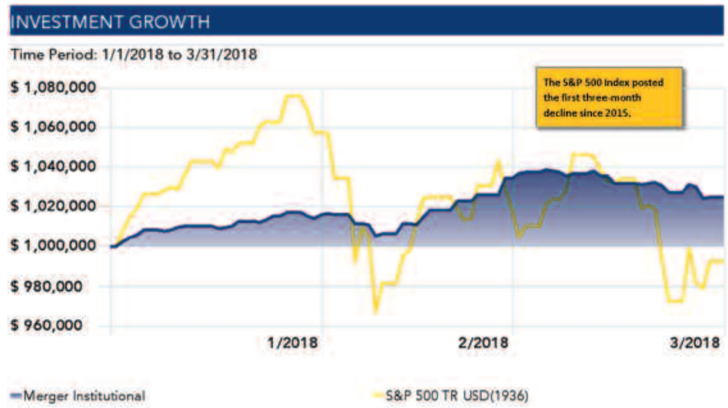
As we wrote in our year-end letter, our funds' negative correlation with bond prices (our three-year beta to the Bloomberg Barclays Aggregate Bond Index is -0.23) should prove helpful when rates rise, typically a bad environment for bonds.

Faced with the most volatility in several years, our team heightened its awareness of incipient risks. Not only did we seek to preserve capital-always one of our principal investment goals- but we also positioned our funds to maintain sufficient buying power to allow us to add positions should compelling opportunities arise due to market turbulence. We continue to employ both-deal specific as well as macro market and sector hedges to stabilize returns.

For arbitrageurs with the courage of their convictions, the first quarter offered a number of compelling, seemingly-mispriced opportunities. As markets whipsawed hedge funds de-risked portfolios, and we opportunistically added

1 First Quarter in U.S. Stock Funds: The Return of Volatility, Morningstar, April 2, 2018
2 VIX Up 81% Shows Extent of Stock Market Pain in Jarring Quarter, Bloomberg, March 29, 2018
3 VIX Up 81% Shows Extent of Stock Market Pain in Jarring Quarter, Bloomberg, March 29, 2018
4 Three-year trailing standard deviation for The Merger Fund® (MERFX) was 2.87%, The Merger Fund VL was 2.78% and WCM Alternatives: Event-Driven Fund (WCEIX) was 3.91% versus 10.26% for the S&P 500 Index.
5 What struggled in the first quarter? Stocks, bonds, basically everything, Marketwatch, March 30, 2018
6 Quarter Begins as Investors Ask One Thing: Is Nowhere Safe?, Bloomberg, April 2, 2018

to positions where fear-induced selling widened spreads to more attractive levels. Of The Merger Fund's 94 positions held during the quarter (including closed deals), 26 posted losses. New deals were plentiful, with the Fund investing in 26 new situations and ending the quarter fully invested.



This chart illustrates the performance of a hypothetical $1,000,000 investment for the three months ending March 31, 2018. This chart does not imply any future performance.

To say that deal activity was robust in Q1 would be like saying DJ kind of hits a long ball. Global mergers and acquisitions ("M&A)"were jumpstarted by $225 billion in January deals; activity then shortly crossed the $1 TRILLION LEVEL in mid-March, the fastest ever, and ended the quarter north of $1.2 trillion in value. As tax reform took effect and economic growth ramped, merger activity in deals above $5 billion particularly increased. Merger activity was not just confined to the U.S. M&A volume doubled in Europe in the first quarter, while the U.S. was up 67% and Asia was up 11%. (Since this letter is published post-quarter, it's worth mentioning that transaction volume continued at a frenzied pace in April, with 79 deals larger than $1 billion, the largest monthly total since October 2006.)

Additionally, there is a mountain of cash currently or soon to be available to fund continued merger activity. One of the features of recent tax reform allowed U.S. companies to repatriate their foreign cash reserves at favorable rates. Domestic firms hold an estimated $3.5 trillion dollars abroad, and a recent Bank of America survey noted that 90% of companies surveyed expected to repatriate "at least part" of that money. Apple alone announced it would bring more than $250 billion of its offshore cash back to the mainland. Citigroup estimates that aggregate M&A "firepower" (readily available cash plus debt capacity) is a ridiculous $5-$5.5 trillion dollars, up from $3.3 trillion in early 2017. They also note that these cash hoards may also invite activist participation or increased share buybacks. To wit, hostile/unsolicited activity is on pace to be up 15% from 2017 and account for approximately 13% of total deal volume. The deal composition is led by all-cash at 64%, with all-stock at 14% and the balance in a combination of cash and stock or stub equity.

The top 10 definitive deals in the U.S. were all strategic in nature and accounted for 73% of all domestic deals announced in 1Q18; three of the top 10 deals involved foreign buyers:

Top Ten Definitive Deals in Q12018

Announced Date	Target Name	Acquirer Name	Acquirer Country	Offer Equity Value ($ mn)	Final Consideration Type	Final Premium	Target Secor (GICS)
3/8/2018	EXPRESS SCRIPTS HOLDING CO	CIGNA CORP	US	55,010	Cash and Stock	30.8%	Health Care
3/5/2018	XL GROUP LTD	AXA SA	FR	15,378	Cash	54.3%	Financials
3/27/2018	GGP INC	BROOKFIELD PROPERTY PARTNERS	BD	14,63	Cash or Stock	23.1%	Real Estate
1/22/2018	BIOVERATIV INC	SANOFI	FR	11,571	Cash	63.8%	Health Care
1/22/2018	JUNO THERAPEUTICS INC	CELGENE CORP	US	9,907	Cash	90.8%	Health Care
3/1/2018	MICROSEMI CORP	MICROCHIP TECHNOLOGY INC	US	8,291	Cash	16.6%	Information Tech.
3/28/2018	RSP PERMIAN INC	CONCHO RESOURCES INC	US	8,096	Stock	29.1%	Energy
2/23/2018	BLUE BUFFALO PET PRODUCTS INC	GENERAL MILLS INC	US	7,932	Cash	21.0%	Consumer Staples
1/3/2018	SCANA CORP	DOMINION ENERGY INC	US	7,660	Stock	38.2%	Utilities
2/12/2018	CSRA INC	GENERAL DYNAMICS CORP	US	6,828	Cash	33.8%	Information Tech.

Source: UBS Special Sits, Bloomberg

Regulatory risk appears to have increased recently. The Committee on Foreign Investment in the U.S. ("CFIUS," discussed in previous letters as well) has reflected the tone at the top in the executive branch and tightened its scrutiny of foreign acquisitions of sensitive U.S. assets and technology. Microchips and communications equipment are areas of particular focus. For example, President Trump intervened directly to block Singapore-based Broadcom's proposed acquisition of U.S. chipmaker Qualcomm on national security grounds. CFIUS actions and the administration's hard line on trade have been met with pushback from foreign regulators on U.S. corporate applications. The most obvious example has been China's Ministry of Commerce (MOFCOM) foot-dragging on almost all approvals over the past 6 months.

Counterintuitively for a pro-business environment, even U.S. approvals have become less predictable, whether or not one believes there is a political element involved. The Justice Department ("DOJ") filed a suit to block AT&T's proposed $80 billion acquisition of Time Warner on antitrust grounds. That seven-week trial ended Monday, April 30th in front of DC District Judge Richard Leon, who plans to issue his ruling on approximately June 12. Our current thinking is that the parties (who do not even compete with each other in any market, by the way) have a better case and performed better than the government at trial. HOWEVER, this matter is in the hands of one man, who also coincidentally oversaw the settlement of Comcast's acquisition of NBC Universal, and it is difficult to forecast with certainty. The trading prices of Time Warner and AT&T stock reflect implied odds of closing the deal as less than a coin toss, and we believe the chances are significantly greater than a coin toss; therefore, as will be described, we hold an investment in the deal. In general, recent regulatory uncertainties, together with the nascent increase in interest rates, have caused arbitrage spreads to widen. According to UBS, annualized rates of return, adjusted for rates (i.e. cost of capital backed out), on straightforward transactions were at a "representative level" of 5.4% in 1Q18 vs. 4.3% in 4Q17. During that period, LIBOR increased by ~50 basis points ("bps"), implying a total ~150 basis point widening in actual annualized spreads.

<u>One More Important Point</u>

The foundation of responsible portfolio management is risk management. A key component is knowing how much one can lose on each individual position. That amount, known as VAR, or value-at-risk, is informed by two inputs: downside in the stock and position size. Simple multiplication of forecasted stock downside by position size will produce the amount that may theoretically be lost in a disaster scenario, such as a terminated transaction. For this reason, our investors may notice that our positions vary in size. It is interesting to note that the VAR for our biggest positions can often be smaller than the VAR for modestly sized positions. Three examples of positions which we forecast to have limited downside are NXPI Semiconductors N.V., Time Warner, and Altaba Inc.; all of which we believe have less than 5-10% worst-case downside; accordingly we have larger positions sizes as compared to an existing biotechnology deal such as that for AveXis Inc., which is being purchased by Novartis International AG for a roughly 90% premium, and therefore would have almost a 50% downside in the event of a failed transaction. Therefore, it stands to reason that hypothetically we could hold a 10% position in a deal with 10% downside and have 100 basis points of VAR, but that same VAR in a deal such as AveXis, would limited us to approximately a 2% position. Rest assured that our focus is on VAR at all times and that we continually seek to minimize fund-level drawdowns through the use of prudent diversification and VAR management. Although not a hard constraint, we estimate that none of our positions currently have a VAR in excess of 100 bps, exclusive of the inevitable, and most-often temporary, initial downside overshoot upon deal termination.

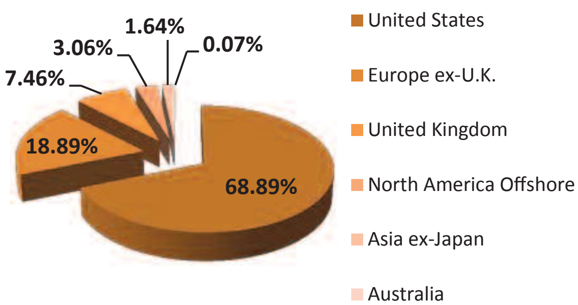
Merger Arbitrage

In a quarter when most equity and fixed income funds sank into the red due to increasing interest rates as well as trade-worry induced volatility, The Merger Fund® (MERIX) posted a solid profit. For the three months ending March 31, the Fund posted a gain of 2.46%. By way of comparison, the S&P 500 fell by 0.76% (including dividends), the Barclays US Agg. declined by 1.46% and the Morningstar US Market Neutral Fund Category was down 0.24%.

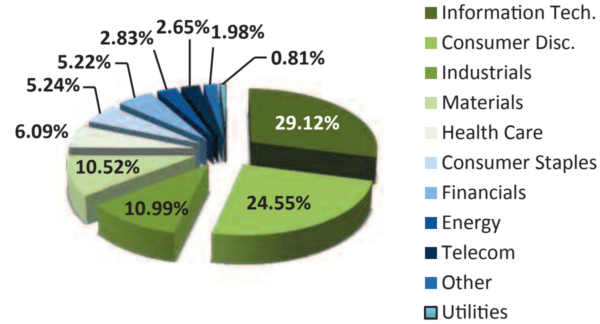
Faced with one of the most volatile environments since 2014, our investment team placed additional emphasis on risk management. Not only did we seek to preserve capital- always one of our principal goals- but we also positioned our funds to maintain sufficient buying power to add positions should compelling opportunities arise as a result of market turbulence. We continue to employ both-deal specific, macro market and sector hedges to stabilize returns.

Statistical Summary

REGIONAL EXPOSURE



SECTOR EXPOSURE



Type of Buyer	
Strategic	97.80%
Financial	2.20%

By Deal Type	
Friendly	100.00%
Hostile	0.00%

Deal Terms	
Cash	46.60%
Stock & Stub	20.68%
Cash & Stock	15.09%
Cash & Collar	12.63%
Cash & Stub	3.24%
Stock with Fixed Exchange Ratio	1.67%
Stock with Flexible Exchange Ratio (Collar)	0.09%

Winners

- Sky PLC/Twenty-First Century Fox Inc. (+1.34%): Comcast made a surprise counterbid for British broadcaster Sky PLC, potentially creating static for Fox's pending proposal to buy in the publicly-held remainder of their controlling stake. Comcast has offered 1250 pence compared to Fox's 1075 pence, potentially setting up a bidding war between these two media giants.
- Time Warner/AT&T (+0.71%): After a Q4 lawsuit filed by the DOJ to block this merger, the market took a more realistic view of the merging parties' chances in court, and as a result, the spread tightened markedly intra-quarter.
- Twenty-First Century Fox Inc./Walt Disney Co. (+0.28%): This position performed well after two developments: 1) Makan Delrahim, the attorney in charge of the DOJ's Antitrust Division, commented publicly that this deal was "well advised." Market participants are therefore assuming that those positive comments implied there should be no major antitrust pushback against this deal, and 2) some observers speculated that Comcast's interest in Sky Broadcasting could expand to the whole of Fox if the DOJ loses its Time Warner/AT&T litigation.

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

Losers

- GGP/Brookfield Property Partners (-0.21%): The market was disappointed with the final negotiated terms of this marriage after Brookfield's unsolicited approach. Although it is a premium to GGP's pre-deal price, the final terms fell short of minority holders' hopes. Nevertheless, we forecast that this deal will proceed to closure.
- Microsemi Corp./Microchip Technology (-0.12%): This deal remains subject to antitrust approval in six countries including China. Some antitrust observers have questioned whether China's antitrust regulator, the Ministry of Commerce, is fully independent or if they will be influenced by the politics of the potential trade war between China and the United States. This spread widened as tensions intensified between the two countries. We remain extremely optimistic that this strategic transaction will close.
- Huntsman Corp/Venator (-0.10%): The chemicals sector sold off in Q1, resulting in a mark-to-market loss to the stock. Venator Materials (VNTR) was formed when Huntsman acquired Rockwood Holdings Inc.'s pigment unit for $1 billion in 2014 and combined it with its own business. Huntsman Corporation began the spin-off of Venator via a $454 million IPO in 2017 and maintained a 53% stake in the company with plans to monetize this asset fully by end of 2018.

Event-Driven

Strategy	Allocations
Arbitrage	58%
Spin-off	3%
Corporate Reorganizations	16%
Credit-Catalyst/Debt Tender/ Exchange Opportunities	15%
Other	8%
Total	100%

Strategy allocations result from our bottom-up process; our investment decisions are based on each opportunity's unique characteristics of. Every investment is based on public information rather than speculation, has a defined timeline and calculable expected return. The strategy is designed to "go where the events are." We do not weight the portfolio according to pre-determined allocations to macro-factors such as strategy, sector or geography.

The WCM Alternatives: Event-Driven Fund (WCEIX) gained 0.98% for the quarter and its trailing 1-year return is 4.16%. The Fund participated in 141 events throughout the quarter. 93 positions posted gains versus 48 with negative marks-to-market. We purchased 24 new positions and as of March 31, the Fund held 105 positions and was fully invested.

Given the broader mandate of the Fund, there are a number of event-driven investments, accounting for approximately 43% of WCEIX, which are not in The Merger Fund®. As noted above, some of these trades are split-ups, spin-offs, or other corporate reorganizations that are underway but not yet complete. In addition to the two which have already completed, there are 22 pending spin-off transactions >$500mm scheduled for 2018. These positions may have a bit higher beta and experience more interim volatility and correlation than a "plain vanilla" arbitrage. Additionally, the Fund's positions which overlap with The Merger Fund® are approximately 20% larger (as a percentage) in size.

Some investments in WCEIX but not in MERIX include EQT Corp., which is spinning off its midstream operations to shareholders; CBS Corp., trading down as a result of its negotiations to merge with Viacom Inc.; Dover Corporation, which is spinning off Apergy, its upstream energy business into a separately-traded company; the bonds of GENON Energy, a subsidiary of NRG Energy, which is in the final stage of a Chapter 11 reorganization; Sinclair Broadcasting, a capital structure arbitrage opportunity in the bonds of the acquirer in an announced merger with Tribune Broadcasting, and several other undisclosed preferred stock and fixed income situations in which the securities will be called or tendered for.

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Credit Event

The Westchester Credit Event Fund (WCFIX) began deploying capital at the beginning of this quarter and is currently roughly 95% invested. Performance for the quarter to date is -40 bps, compared to the benchmark Barclays AGG index lost -1.5% in Q1.

WCFIX is primarily invested in short duration, catalyst-driven fixed-income opportunities, as well as discounted closed-end funds, liquidating instruments, and other rate-of-return type trades. We currently hold 34 different securities in form of the above categories, nine of which fall in the category of Special Purpose Acquisition Companies (SPACs). Performance has been partially impacted by initial startup fees that are temporarily large as a percentage of the currently small AUM (although the expense ratio is capped at 1.64% via an adviser subsidy), and by the methodical investment ramp up over the first few months. An investment in the bonds of Cobalt International Energy, Inc., a Texas exploration and production company in the process of liquidating its assets to redeem bonds, cost the fund money due to unforeseen difficulties with the asset sale. As a result of modifying our risk model, we determined to sell the security at a discount rather than risk further negative marks. This detracted from Q1 performance; however, it was mostly offset by gains in the rest of the portfolio. We are now fully invested and positioned with embedded potential profits should the catalysts occur as forecasted. WCFIX is positioned to pursue attractive opportunities while remaining solidly in short duration event instruments, to defend against what we view as an inevitable rising interest rate environment. We are extremely optimistic about this new product, as its profile lends itself to market neutral exposure with a minimum of volatility. As with The Merger Fund®, we have the opportunity to capitalize on rising rates by locking in ever-higher fixed rates of return in event-driven fixed income products.

OUR COMPANY

WCM manages a total of six 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	Merger Arbitrage	1989
Institutional Share Class (MERIX)			2013
Investor Share Class (MERFX)			1989
The Merger Fund VL (MERVX)	Variable Insurance Trust	Merger Arbitrage	2004
WCM Alternatives: Credit Event Fund *New*	SEC '40-Act Fund	Opportunistic Credit	2017
Institutional Share Class (WCFIX)			2017
Investor Share Class (WCFRX)			2017
WCM Alternatives: Event-Driven Fund	SEC '40-Act Fund	Event-Driven	2014
Institutional Share Class (WCEIX)			2014
Investor Share Class (WCERX)			2017
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 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®, WCM Alternatives: Event-Driven Fund, and/or the WCM Alternatives: Credit Event 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.

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 March 31, 2018, were: Altaba Inc. (12.49%), NXP Semiconductors NV (8.58%), Time Warner Inc. (8.08%), Sky PLC (5.26%), Rockwell Collins Inc. (4.73%), Monsanto Company (3.94%), Twenty-First Century Fox, Inc. Cl. B (3.75%), Aetna Inc. (3.58%), Dr Pepper Snapple Group, Inc. (3.28%), Orbital ATK, Inc. (3.22%). The Ten Largest Positions as a Percent of Net Assets for The Merger Fund VL as of March 31, 2018, were: Altaba Inc. (12.77%), NXP Semiconductors NV (8.60%), Time Warner Inc. (8.16%), Sky PLC (5.25%), Rockwell Collins, Inc. (4.72%), Monsanto Company (4.06%), Twenty-First Century Fox, Inc. Cl. B (3.82%), Aetna Inc. (3.69%), Orbital ATK, Inc. (3.31%), Dr Pepper Snapple Group, Inc. (3.28%). The Ten Largest Positions as a Percent of Net Assets for WCM Alternatives: Event-Driven Fund as of March 31, 2018, were: Altaba Inc. (11.30%), NXP Semiconductors NV (9.95%), Time Warner Inc. (7.52%), Sky PLC (7.24%), Rockwell Collins, Inc.

(4.79%), Monsanto Company (4.75%), Aetna, Inc. (4.41%), Twenty-First Century Fox, Inc. Cl. B (4.37%), Dr Pepper Snapple Group, Inc. (3.52%), Microsemi Corporation (3.45%). The Ten Largest Positions as a Percent of Net Assets for WCM Alternatives: Credit Event Fund as of March 31, 2018, were: Colony Northstar, Inc. (8.69%), NXP Semiconductors NV (7.90%), McDermott International, Inc. (6.34%), HRG Group Inc. (5.97%), Envision Healthcare Corp. (5.84%), Aleris International, Inc. (5.78%), Corporate Risk Holdings (5.02%), Rite Aid Corp. (4.93%), Momentive Performance (4.82%), Sinclair Television Group (4.50%).

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 events, 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. Investments in lower rated and non-rated securities present a great risk of loss to principal and interest than higher-rated securities. The WCM Alternatives: Credit Event Fund is non-diversified and therefore has a greater potential to realize losses upon the occurrence of adverse events affecting an issuer in its portfolio.

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.

The views expressed are as of May 22, 2018, 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. Distributions are not guaranteed. 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 March 31, 2018, The Merger Fund® was rated against the following numbers of U.S.-domiciled Market Neutral funds over the following time periods: 114 funds in the last three years, 78 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 (MERFX) 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 (MERIX) received a Morningstar rating of 4 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 MERIX and reflect the historical performance of MERFX, (inception date 1/31/1989), adjusted to reflect the fees and expenses of the Institutional shares. As of March 31, 2018, WCM Alternatives: Event-Driven Fund was rated against the following numbers of U.S.-domiciled Multi Alternative funds over the following time periods: 278 funds in the last three years. With respect to these Market Neutral funds, WCM Alternatives: Event-Driven Fund – Institutional share class (WCEIX) received a Morningstar rating of 3 stars for the three year period. WCM Alternatives: Event-Driven Fund – Investor share class (WCERX) 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 WCERX and reflect the historical performance of WCEIX, (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 Bloomberg 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 ICE 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. Indices are unavailable for direct investment. **The Dow Jones Industrial Average**, or simply the Dow, 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 in the stock market. Indices are unavailable for direct investment. **The Wilshire Liquid Alternative Event Driven Index℠** 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. **Standard Deviation** is the degree to which returns vary relative to the average return. The higher the standard deviation, the greater the variability of the investment. **Beta** is a measure of the fund's sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market and a portfolio with a beta less than 1 is less volatile than the market. **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; **LIBOR** is a benchmark rate that some of the world's leading banks charge each other for short-term loans. **The CBOE Volatility Index**, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options, calculated and published by the Chicago Board Options Exchange. **Pence sterling (GBX)** is a subdivision of Pounds sterling (GBP). Pounds are official currency of the United Kingdom, but pence are often used when trading stocks. **Basis point (BPS)** refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

The returns shown are based on net asset values calculated for shareholder transactions and may differ from the returns 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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