The Arbitrage Funds
ADVISED BY WATER ISLAND CAPITAL

Catalyst-Driven Credit

An Alternative Approach to Fixed Income Investing

Water Island Credit Opportunities is a potential solution for investors seeking income while mitigating both credit and interest rate risk. Rather than targeting a specific yield, benchmark, or credit quality, the fund focuses on short-term catalysts and events such as mergers, acquisitions, asset sales, spin-offs, and other corporate actions. Consequently, the fund is less impacted by the risks commonly associated with longer duration securities and more correlated to the timelines and outcomes of these specific events.

A Unique Approach: Catalyst-Driven Credit

Overview

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

Corporate Catalysts

Mergers & Acquisitions
Refinancing
Spin-Offs
Asset Sales
Restructuring
Covenant Violations
Credit Rating Changes

This approach can complement traditional fixed income by providing:

RISK MITIGATION — A balanced approach to portfolio construction where position-level hedges, alpha short positions, or portfolio-level hedges can potentially insulate against interest rate risk, shorten duration, and dampen volatility

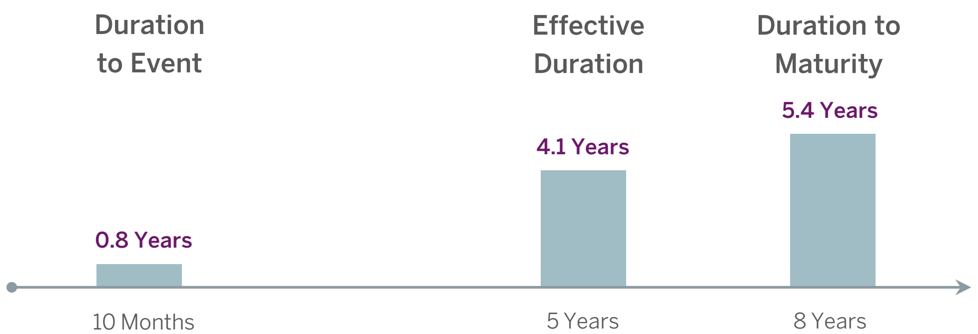
DIVERSIFICATION[1] — The strategy has provided upside participation when the Bloomberg U.S. Aggregate Bond Index is up and it has provided a downside buffer when the index is down

INCOME — A catalyst-driven credit strategy may provide current income and potentially insulate portfolio from market risk

Example

Hypothetical Bond[2]	
Purchase Price	$101.50
Coupon	6.0%
Matures in	8 yrs
Callable in	5 yrs
Anticipated Event In	10 mos
Tender Offer Price	$101.00
Profit from Tender	($0.50)
Interest for 10 Mo.	$5.00
Net Profit	$4.50
Annualized Return	5.3%

- We identify a bond with an expected near-term catalyst, such as a potential tender offer in conjunction with a merger
- We purchase the bond and receive interest payments while the catalyst materializes
- The company tenders the bonds when the merger closes ten months later
- Since the anticipated tender offer occurred prior to the bond's maturity, we were able to capture returns in a shorter time period while potentially avoiding credit and interest rate risk commonly associated with longer duration securities

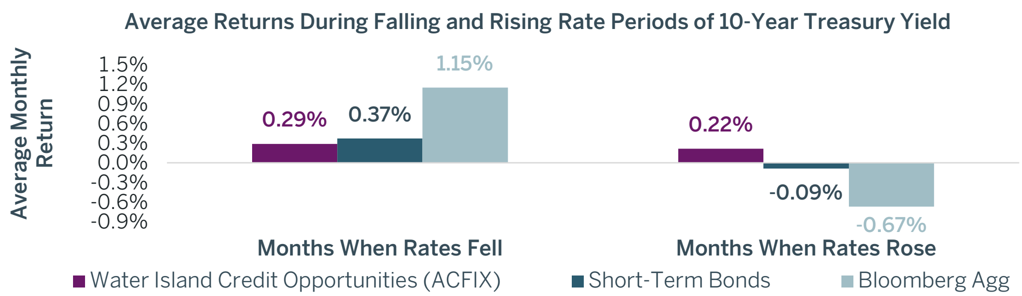


[1]Diversification does not eliminate the risk of experiencing investment losses.
[2]The hypothetical example does not represent the returns of any particular investment and is included for illustrative purposes only.

Risk Mitigation

Mitigating Interest Rate Risk

Positive Returns Across Interest Rate Environments: The portfolio is constructed to capture idiosyncratic or company-specific returns that are more correlated to the outcome of specific catalysts, rather than the direction of interest rates or of broader fixed income markets. Our average holding period (or, more accurately, our "Duration to Event") is typically between 3-12 months, which helps to mitigate the negative effects a rising rate environment has on fixed income investments. We can see the benefits of this approach below:

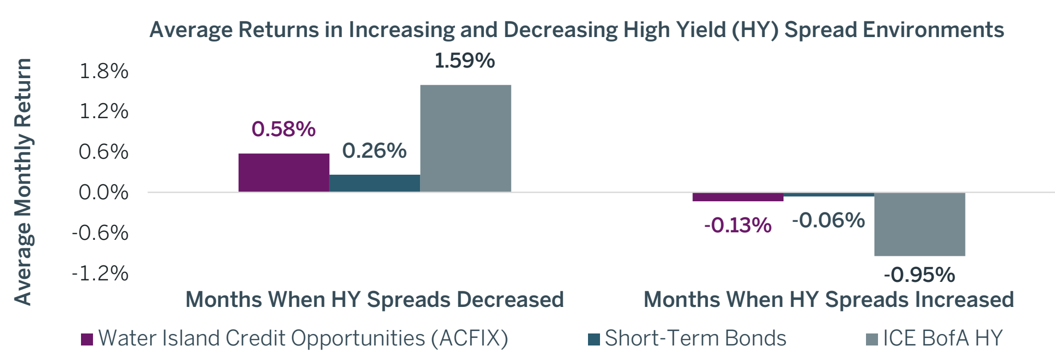


The performance quoted represents past performance and does not guarantee future results. *Date range: 10/1/12-12/31/23. Source: Morningstar, U.S. Department of the Treasury, Water Island Capital, LLC. ACFIX has limited availability and may not be accessible to all investors. Performance for other share classes will vary. Please see the fund prospectus for more details.*

Annualized performance through 12/31/23: ACFIX (I class), 7.39% (one year), 3.99% (five year), 2.79% (ten year); Bloomberg U.S. Aggregate Bond Index, 5.53% (one year), 1.10% (five year), 1.81% (ten year); ICE BofA U.S. High Yield Index, 13.46% (one year), 5.21% (five year), 4.51% (ten year); Morningstar Short-Term Bond Category, 5.73% (one year), 1.88% (five year), 1.58% (ten year); Credit Suisse Fixed Income Arbitrage Index, 7.71% (one year), 4.30% (five year), 3.82% (ten year). *The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. For performance data current to the most recent month end, visit http://arbitragefunds.com or call (800) 295-4485. Returns shown above include the reinvestment of all dividends and capital gains. Returns greater than one year are annualized. Total Annual Fund Operating Expense for ACFIX is 1.38%. The adviser has contractually agreed to limit the total annual operating expenses of ACFIX, not including taxes, interest, dividends on short positions, brokerage commissions, acquired fund fees and expenses, and other costs incurred in connection with the purchase or sale of portfolio securities, so that they do not exceed 0.98% of ACFIX's average daily net assets until September 30, 2024, unless terminated by the Board of Trustees. Without such fee waivers, performance numbers would have been reduced. Index returns are for illustrative purposes only and do not represent actual fund performance. Bloomberg Agg and ICE BofA U.S. High Yield Index returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Please see Glossary for index definitions. The indexes shown are not intended to, and do not, parallel the risk or investment style of the fund's investment strategy.*

Mitigating Credit Risk

High Yield Exposure with Increasing-Spread Mitigation: Due to a wide variety of credit metrics and creditor-friendly attributes, high yield bonds typically allow for a more diverse set of catalyst-driven investment opportunities than investment grade bonds. By maintaining a low Duration to Event, the portfolio can invest in lower-rated, high yield bonds (allowing the fund to potentially benefit more in decreasing spread environments than short-term bond funds) without being subjected to the same headwinds traditional high-yield bond funds face when credit spreads – a proxy for credit risk – increase.



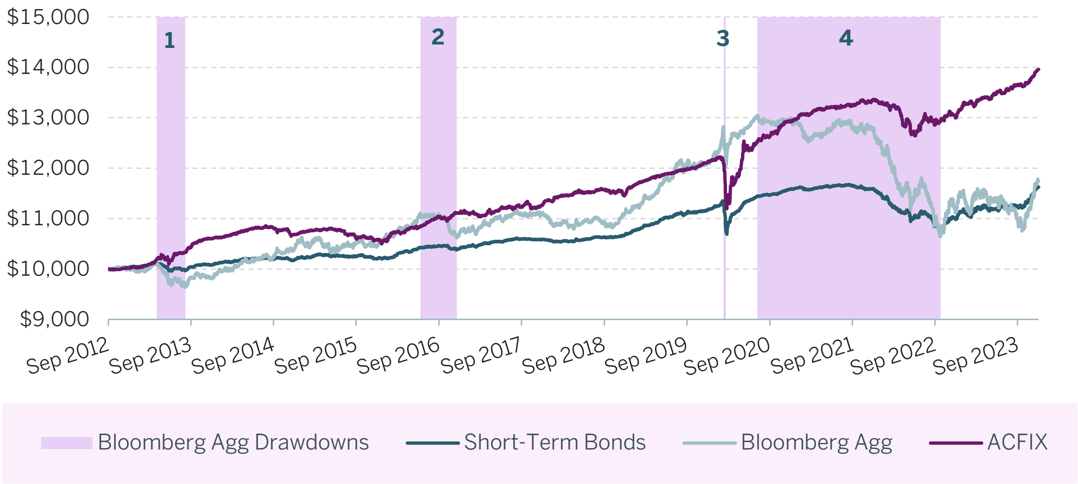
The performance quoted represents past performance and does not guarantee future results. *Date range: 10/1/12-12/31/23. Source: Morningstar, Bloomberg, Water Island Capital, LLC. Spread to Worst values of the ICE BofA U.S. High Yield Index are used to determine increasing or decreasing spreads on a monthly basis.*

Benefits of a Catalyst-Driven Approach

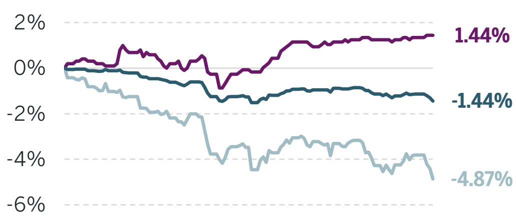
Performance During Drawdowns

Preservation During Times of Market Stress: During the four largest drawdowns in the Bloomberg U.S. Aggregate Bond Index, Water Island Credit Opportunities has preserved investor capital in all but one period. Contrast this with the performance of short-term bond funds, which failed to preserve investor capital in every period.

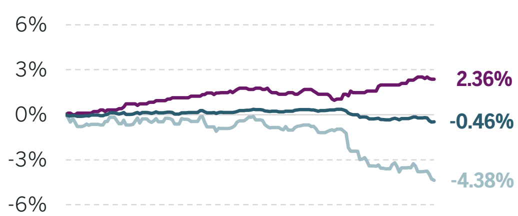
Growth of Hypothetical $10,000 Since ACFIX Inception (Date Range: 10/1/12-12/31/23)



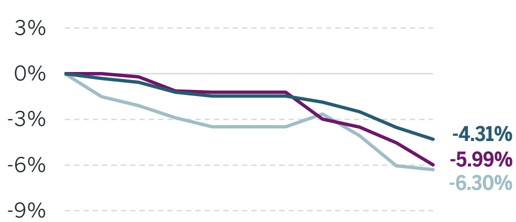
CUMULATIVE RETURN:
Taper Tantrum (1)
DATE RANGE: MAY 2, 2013 – SEPTEMBER 5, 2013 (126 DAYS)



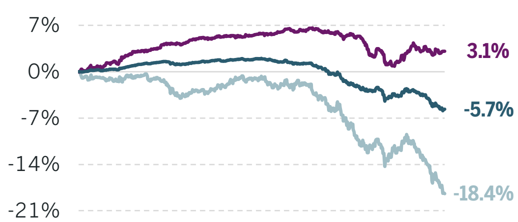
CUMULATIVE RETURN:
U.S. Election Volatility (2)
DATE RANGE: JULY 10, 2016 – DECEMBER 16, 2016 (159 DAYS)



CUMULATIVE RETURN:
COVID-19 Pandemic & Global Shutdown (3)
DATE RANGE: MARCH 9, 2020 – MARCH 19, 2020 (10 DAYS)



CUMULATIVE RETURN:
Post-COVID Economic Rebound & Rising Rates (4)
DATE RANGE: AUGUST 6, 2020 – OCTOBER 24, 2022 (809 DAYS)



__As of December 31, 2023.__ Source: Morningstar. Index returns are for illustrative purposes only and do not represent actual fund performance. Bloomberg Agg returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. The indexes shown are not intended to, and do not, parallel the risk or investment style of the fund's investment strategy. Please see Glossary for index definitions.

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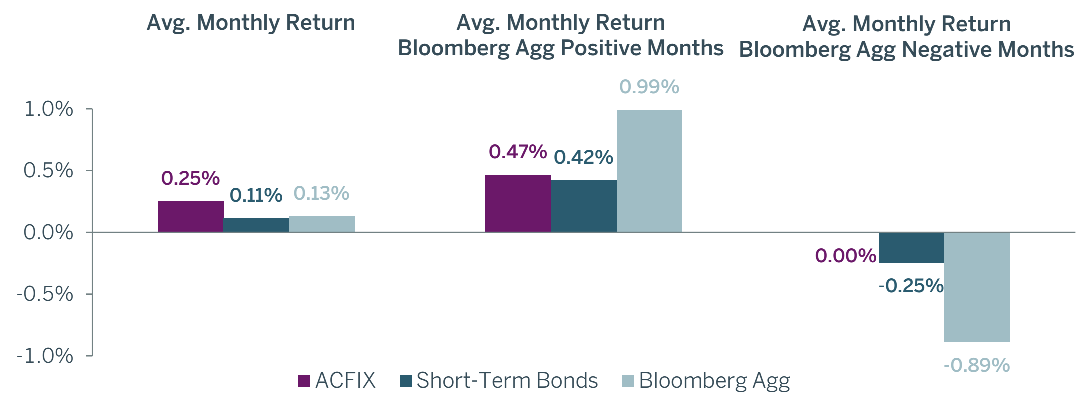
Potential Benefits for Your Portfolio

Asymmetric Returns vs. Traditional Bonds

Benefiting from Asymmetric Returns: Water Island Credit Opportunities has historically demonstrated the ability to generate positive returns and mitigate losses in bull and bear markets for traditional bonds (as represented by the Bloomberg U.S. Aggregate Bond Index). The same cannot be said for short-term bond funds, which have traditionally struggled during times of market stress.

ACFIX & Short-Term Bonds vs. Bloomberg Agg: October 1, 2012-December 31, 2023

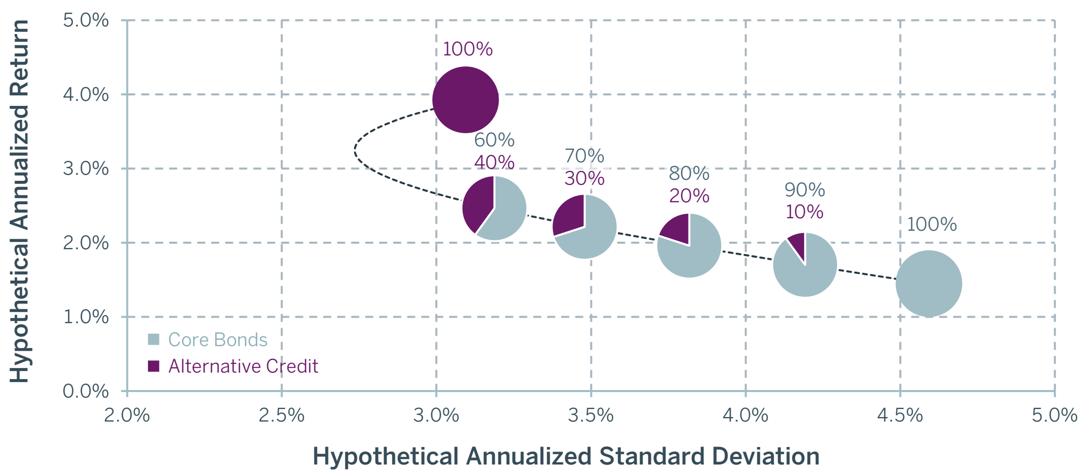


As of December 31, 2023. Source: Morningstar. See below for additional performance disclosure.

Diversification

Enhancing the risk/return profile: Historically, a catalyst-driven credit strategy has diversified a traditional bond portfolio by reducing risk and enhancing risk-adjusted return.

Historical Risk/Return Profile



Source: Morningstar Direct. Date range: 10/1/2012 - 12/31/2023. Core Bonds represented by the Bloomberg U.S. Aggregate Bond Index. Alternative Credit represented by the Credit Suisse Fixed Income Arbitrage Index. Allocations are for illustration only and are not indicative of any recommendation or investment. Hypothetical performance results are inherently limited and should not be considered a reliable indicator of future results. **No investor received the indicated hypothetical performance***. See important disclosures for additional information regarding hypothetical performance on the final page of this presentation.*

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GLOSSARY

Asymmetric Returns: Refers to a risk/reward profile that is imbalanced, or skewed toward the upside rather than the downside. **Bloomberg U.S. Aggregate Bond Index (Bloomberg Agg):** An index that represents the U.S. investment-grade fixed rate bond market. **Callable:** A callable bond is a bond that the issuer may redeem before it reaches maturity. **Coupon:** A coupon is the annual interest rate paid on a bond, expressed as a percentage of the bond's face value. **Covenant Violation:** A violation of the terms of the covenants of a bond which can be found in the bond's indenture. **Credit Spread:** The difference in yield between U.S. Treasury bonds and debt securities with the same maturity but of lesser quality.**Credit Spread Risk:** The risk that changes in credit spreads will affect the value of certain debt instruments, whose prices typically move in an inverse fashion. **Credit Suisse Fixed Income Arbitrage Index (Alternative Credit):** An index of funds that typically attempt to generate profits by exploiting inefficiencies and price anomalies between related fixed income securities. **Effective Duration:** A duration calculation for bonds with embedded options that takes into account the fact that expected cash flows will fluctuate as interest rates change. **ICE BofA U.S. High Yield Total Return Index (ICE BofA HY):** An index that represents the U.S. high yield market, commonly used as a benchmark for high yield corporate bonds. **Interest Rate Risk:** The risk that changes in interest rate will affect the value of certain debt instruments, whose prices typically move in an inverse fashion. **Morningstar Short-Term Bond Category (Short-Term Bond):** Comprised of portfolios which invest primarily in corporate and other investment-grade U.S. fixed income issues and typically have durations of 1.0 to 3.5 years. **Spin-Off:** The creation of an independent company through the sale or distribution of new shares of an existing unit of a parent company. **Spread-to-Worst:** In this instance, it measures the difference between the yield-to-worst of a bond or bond index and the yield-to-worst of a U.S. Treasury security with similar duration. **Standard Deviation:** Measures the degree of variation of returns around the average return. **Taper Tantrum:** A period during the summer of 2013 when investor fear caused market volatility and Treasury yields to spike in response to the Federal Reserve publicly discussing plans to potentially taper its quantitative easing program, a bond buying program designed to stimulate the economy. **Tender Offer:** A public, open offer by a prospective acquirer to stockholders of a publicly traded corporation to tender their stock for sale at a specified price over a specified time, subject to a minimum and maximum number of shares.

HYPOTHETICAL PERFORMANCE: The information generated regarding various portfolio allocations and investment outcomes is hypothetical in nature and does not reflect actual investment results. It is presented for illustrative purposes only. Other investments not considered may have characteristics similar or superior to those being analyzed. No representation is being made that any investment will achieve performance similar to the hypothetical portfolios shown. The information provided is not intended for trading purposes and should not be considered investment advice.

Hypothetical performance results are inherently limited and should not be considered a reliable indicator of future results. No investor received the indicated hypothetical performance. Different hypothetical scenarios will provide different results. Index returns were used to derive the hypothetical performance. Indexes are unmanaged, and one cannot invest directly in an index. Index performance assumes reinvestment of dividends, but does not reflect any management fees, transaction costs or other expenses that could be incurred by, or when investing in, an actual fund or other portfolio. Such fees and expenses would reduce returns. An actual fund or portfolio may differ significantly from the securities included in the indexes, and thus the hypothetical portfolios. Certain factors related to the markets and specific trading strategies of an actual portfolio cannot be fully captured in hypothetical returns. For example, the hypothetical portfolios do not reflect holdings in cash and/or short-term instruments. An actual portfolio would hold cash and/or short-term instruments. Different portfolio construction, rebalancing methodology, risk controls, trade implementation, and transaction costs in an actual portfolio may result in materially different performance results than those shown for the hypothetical portfolios. The results presented for the hypothetical portfolios should not be considered a substitute for the investment performance of an actual portfolio. The hypothetical returns presented are unaudited.

IMPORTANT INFORMATION

An investor should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. The current prospectus contains this and other information about the fund. To obtain a prospectus, please call (800) 295-4485 or visit our website at http://arbitragefunds.com. Please read the prospectus carefully before investing. There is no guarantee the fund will meet its stated objective.

RISKS: Investments are subject to risk, including possible loss of principal. There can be no assurance that the fund will achieve its investment objectives. The fund uses investment techniques and strategies with risks that are different from the risks ordinarily associated with credit investments. Such risks include event-driven risk; merger arbitrage risk (in that the proposed reorganizations in which the fund invests may be renegotiated or terminated, in which case the fund may realize losses); active management risk; credit risk; convertible security risk; liquidity risk; market risk; sector risk; interest rate risk; short sale risk; hedging transaction risk; large shareholder transaction risk; leverage risk; high portfolio turnover risk (which may increase the fund's brokerage costs, which would reduce performance); counterparty risk; temporary investment/cash management risk; swap risk; options risk; preferred security risk; investment company and ETF risk; derivatives risk; LIBOR rate risk; currency risk; and foreign securities risk. Risks may increase volatility, increase costs, and lower performance.