AltShares Merger Arbitrage ETF (ARB)

Manager Commentary as of August 31, 2020

Manager Commentary

AltShares Merger Arbitrage ETF returned 0.16% at NAV (net asset value) and 0.12% at market price, net of fees, for the month of August. This brings the fund's return since its launch on May 7 to 1.88% at NAV and 2.00% at market price.

The flow of newly announced mergers and acquisitions (M&A) transactions continued to be strong during the month. The fund established positions in fourteen deals across a diverse range of industries and market capitalizations, eight of which were newly announced during August. During the month, the fund invested in 42 separate transactions in total, with 21 contributing to returns and 21 detracting from returns over the period. The fund ended the month with 32 M&A transactions in the portfolio. Four deals exited the portfolio during the month – one of which closed successfully and three of which no longer met the index's eligibility criteria. Of the deals that were no longer eligible, two exited as they were trading above the deal value and no longer had a positive spread. The third transaction, Qiagen, was no longer eligible following the termination of the tender offer.

Our firm has been managing merger arbitrage portfolios for two decades, and our team is seeing many parallels between today's dealmaking environment and the period following the global financial crisis. At that time, public entities across many sectors were undergoing distress, which led to buying sprees on the part of well-capitalized leaders within those sectors. "Opportunistic" would be an apt characterization – and one that is very fitting now. Today's opportunistic M&A environment, combined with tailwinds stemming from optimism for a swift recovery from COVID-19, has prompted rumors of potential competing bidders in numerous transactions. This has caused the share prices of certain target companies held by the fund to trade above the takeout price of the pending definitive transaction to which the company contractually agreed. One of the core tenets of the Water Island Merger Arbitrage USD Hedged Index is to solely select M&A transactions with positive return opportunities. When a deal spread – that is, the return opportunity in a given transaction –

Fund Facts

Inception Date	May 7, 2020
Assets Under Management	$6.5 million
Ticker	ARB
Exchange	NYSE ARCA
CUSIP	02210T108
Total Operating Expense	0.75%
Underlying Index	Water Island Merger Arbitrage USD Hedged Index (WIMARBH)

Mo-End Returns (%)	One-Month	Since Inception
ARB at NAV	0.16	1.88
ARB at Market Price	0.12	2.00
WIMARBH (Benchmark)	0.45	2.51

As of August 31, 2020.

Qtr-End Returns (%)	One-Month	Since Inception
ARB at NAV	-0.25	-2.36
ARB at Market Price	-0.41	-2.16
WIMARBH (Benchmark)	-0.23	-2.28

As of June 30, 2020.

AltShares Merger Arbitrage ETF is new and has a limited operating history. Since inception return is cumulative as the fund has been active for less than one year.

Net asset value (NAV) represents the value of each share's portion of the fund's underlying net assets (including cash) at the end of the trading day. Market price represents the mid-point between the highest bid and the lowest offer on the listing exchange, as of the time that the fund's NAV is calculated (usually 4:00 pm Eastern time).

The performance quoted represents past performance and does not guarantee future results. *Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling (855) 955-1607. The Total Annual Fund Operating Expenses for the Fund is 0.75%. One cannot invest directly in an index.*

turns negative due to speculation, the index's construction rules dictate that the transaction is no longer eligible for inclusion, unless the spread widens to a point where it once again represents a positive return opportunity. This methodology potentially allows the fund to initiate a position and realize gains greater than the contractual deal terms if a topping bid does not materialize, and one of the fund's most profitable positions during August stemmed from just such a scenario.

In March 2020, Thermo Fisher Scientific announced an $11.5 billion tender offer for genetic testing company QIAGEN. When QIAGEN subsequently announced the successful development of a COVID-19 test, Thermo Fisher increased its offer to $12.5 billion, yet the company failed to secure the support of QIAGEN shareholders, who believed the improved offer still undervalued QIAGEN. QIAGEN shares had been trading above the tender offer, and as such the fund exited its position at a gain during August. Had the tender offer succeeded, the fund's position would have been taken out below the prevailing market price.

Before investing, carefully consider the fund's investment objectives, risks, and expenses. The fund's prospectus, which may be obtained at http://altsharesetfs.com, contains this and other important information. Read the prospectus carefully before you invest.

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 with risks that are different from those ordinarily associated with equity investments. Such risks include 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); passive investment risk; short sale risk (in that the fund will suffer a loss if it sells a security short and the value of the security rises rather than falls); concentration risk; high portfolio turnover risk (which may increase the fund's brokerage costs, which would reduce performance); equity risk; foreign securities risk (in that the securities of foreign issuers may be less liquid and more volatile than securities of comparable US issuers); market risk; derivatives risk; hedging risk; counterparty risk; swap risk; investment company risk; small and medium capitalization securities risk; currency risk; new fund risk; non-diversified fund risk; tracking error risk; and ETF risks. ETF risks include premium-discount risk; secondary market trading risk; cash transactions risk; international closed market trading risk; flash crash risk; authorized participants concentration risk; and large shareholder risk. Risks may increase volatility and may increase costs and lower performance.

Top 10 holdings as of 6/30/20: Acacia Communications Inc; Delphi Technologies PLC; E*TRADE Financial Corp; ForeScout Technologies Inc; Legg Mason Inc; LogMeIn Inc; QIAGEN NV; TD Ameritrade Holding Corp; Tech Data Corp; Wright Medical Group NV. Top 10 holdings represent 70.9% of the portfolio. Holdings are subject to change. Current and future holdings are subject to risk.

Commentary represents the manager's opinion and contains certain forward-looking statements which may be different than actual future results, is subject to change, and is under no obligation to be updated. Commentary should not be regarded as investment advice or a recommendation of any security or strategy.

Distributed by Foreside Fund Services, LLC, which is not affiliated with Water Island Capital, LLC or any of its affiliates.
[ALT000112 2021-03-01]