

AltShares Merger Arbitrage ETF (ARB)

Monthly Commentary as of March 31, 2024



Manager Commentary

AltShares Merger Arbitrage ETF posted another gain for investors in March, adding a return of 0.82% for the month and 1.12% for the first quarter of 2024. Over the quarter, not all asset classes were beneficiaries of market and interest rate dynamics, with investment grade and government fixed income shedding -0.78% in the Bloomberg US Aggregate Bond Index. The top driver of the fund's performance for the month was its position in Everbridge, a global leader in critical event management and national public warning solutions, which entered an amended agreement to its previously announced merger from early February with Thoma Bravo, a leading private software investment firm. Following a "go-shop" period during which Everbridge was officially permitted to solicit offers from other bidders, Thoma Bravo increased the deal price for Everbridge to \$35 per share in cash, which was \$6.40 per share higher than the original transaction price, representing a 22% improvement, causing the stock to rally commensurately. This upside potential of topping bids - in this case as a result of significant interest the target company garnered during the go-shop period - is one of the potential attractive characteristics of investing in merger deals, serving as an important counterbalance to any surprises to the downside that may occur from broken transactions.

Given the general availability of financing in the market and an improving macroeconomic outlook, we believe buyers are well-positioned to continue to seek growth via mergers and acquisitions ("M&A") activity. Increasing optimism and comfort with the approaches of current antitrust regulatory regimes amongst corporate boards and management helped drive the total value of M&A in Q1 to surpass \$750 billion, climbing 30% compared to the year-ago period, according to Dealogic data. We anticipate the level of deal flow will continue to improve over the remainder of the year. With the equity market ending the quarter at its highs after adding another 10% to post its strongest Q1 performance since 2019, much optimism has already been priced into markets. In particular, the theme of exuberance related to artificial intelligence has continued to bolster headline indices as the "Magnificent 7" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla) has driven 40% of the S&P 500's gains year-to-date, while Nvidia alone has rallied another 80%+. Yet with tech valuations back at their 2020-2021 highs, there is a high bar for forward-looking returns. Federal Reserve ("Fed") Chair Jerome Powell's messaging in March was more of a dovish hold, leaving little doubt about the intent to start cutting short-term interest rates around midyear. However, following yet another surprise to the upside in the latest Consumer Price Index print, updated projections now imply a potentially shallower path for cuts, and the Fed is in no rush to lower rates until there is certainty that inflation is normalizing. Thus, that slower cadence lends itself to interest rates remaining generally higher-for-longer, which can be a tailwind for merger arbitrage returns, as the risk-free rate is a key building block of deal spreads. Additionally, recent moves suggest current levels of market optimism and overcrowding in momentum could be upended by risks from inflation, growth, or earnings disappointments, which reinforces the important role that can be played in a portfolio by uncorrelated investment strategies which seek to deliver consistent returns regardless of market direction, such as merger arbitrage.

Fund Facts

Inception Date	May 7, 2020
Assets Under Management	\$69 million
Ticker	ARB
Fund Structure	Passively Managed Index ETF
Expense Ratio	0.77%
Underlying Index	Water Island Merger Arbitrage USD Hedged Index (WIMARBH)

Deal Payment	# Deals	Long (%)	Short (%)
Cash	34	68.4	0.0
Stock	9	15.2	-15.8
Cash & Stock	5	12.4	-7.0

Portfolio Characteristics

Weighted Average Deal Duration	115 days
Weighted Average Gross Deal Spread	5.4%

Mo-End Returns (%)	1 Mo	YTD	1 Yr	3 Yr	ITD
ARB at NAV	0.82	1.12	6.53	3.84	3.89
ARB at Market Price	0.93	1.42	7.10	3.82	3.97
WIMARBH (Benchmark)	0.91	1.43	9.17	5.21	5.26

As of March 31, 2024.

Standardized Returns (%)	1 Yr	3 Yr	ITD
ARB at NAV	6.53	3.84	3.89
ARB at Market Price	7.10	3.82	3.97
WIMARBH (Benchmark)	9.17	5.21	5.26

As of March 31, 2024.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value 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 current to the most recent month end, visit <http://altsharesetfs.com> or call (855) 955-1607. Total Annual Fund Operating Expense for the fund is 0.76%. The performance quoted reflects fee waivers. Without such fee waivers, returns would have been lower. The Adviser has voluntarily agreed to reduce the fund's advisory fee from 0.75% to 0.55% when the fund's assets are under \$100 million and to 0.65% when the fund's assets are \$100 million or more but less than \$200 million. This voluntary arrangement may be eliminated by the Adviser at any time. A contractual fee waiver of 0.20% was previously in effect from January 31, 2022, to September 30, 2022.

ITD (inception-to-date) return period begins May 7, 2020. Returns greater than one year are annualized. 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 Underlying Index is created and sponsored by Water Island Indices, LLC, an affiliate of the fund's Adviser. For more information on the Index, please visit <https://waterislandcapital.com>. Indexes are unmanaged and one cannot invest directly in an index.

Added Deals (Target/Acquirer)	Expected Close	Sector	Payment	Deal Value
Encavis AG / KKR & Co Inc	Q4 2024	Utilities	Cash	\$4,748 mln
Equitrans Midstream Corp / EQT Corp	Q4 2024	Energy	Stock	\$12,881 mln
Mattioli Woods PLC / Pollen Street Capital Ltd	Q3 2024	Financials	Cash	\$490 mln
Sterling Check Corp / First Advantage Corp	Q4 2024	Industrials	Cash & Stock	\$2,029 mln
Virgin Money UK PLC / Nationwide Building Society	Q4 2024	Financials	Cash	\$3,566 mln
Wincanton PLC / GXO Logistics Inc	Q2 2024	Industrials	Cash	\$1,201 mln

Exited Deals (Target/Acquirer)	Reason for Exit	Sector	Payment	Deal Value
Alteryx Inc / Clearlake Capital Group LP	Deal Closed	Information Technology	Cash	\$4,114 mln
Ambrx Biopharma Inc / Johnson & Johnson	Deal Closed	Health Care	Cash	\$1,544 mln
Cymbay Therapeutics Inc / Gilead Sciences Inc	Deal Closed	Health Care	Cash	\$3,247 mln
Harpoon Therapeutics Inc / Merck & Co Inc	Deal Closed	Health Care	Cash	\$381 mln
Karuna Therapeutics Inc / Bristol-Myers Squibb Co	Deal Closed	Health Care	Cash	\$11,124 mln
Opdenenergy Holdings SA / Antin Infrastructure Partners SA	No Longer Eligible	Utilities	Cash	\$1,328 mln
RayzeBio Inc / Bristol-Myers Squibb Co	Deal Closed	Health Care	Cash	\$3,215 mln
Societe pour l'Informatique Industrielle / Huvé Family Group	Deal Closed	Information Technology	Cash	\$657 mln
Sovos Brands Inc / Campbell Soup Co	Deal Closed	Consumer Staples	Cash	\$2,689 mln
Splunk Inc / Cisco Systems Inc	Deal Closed	Information Technology	Cash	\$27,951 mln
Wincanton PLC / CMA CGM SA	No Longer Eligible	Industrials	Cash	\$962 mln

GLOSSARY: A **deal spread** is the difference between the price at which the target company in a merger transaction trades and the price the acquirer has agreed to pay to complete the deal. **Deal flow** refers to the level of announced merger activity. **Dovish** refers to monetary policy that generally promotes lower interest rates, encourages economic growth, and prioritizes low unemployment. The **risk-free rate** is the theoretical rate of return of an investment with zero risk, commonly represented by the Federal Funds rate in the US.

Investors should carefully consider the fund's investment objectives, risks, and expenses before investing. To obtain a prospectus containing this and other important information, visit <http://altsharesetfs.com> or call (855) 955-1607. Read the prospectus carefully before investing.

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 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; market risk; high portfolio turnover risk (which may increase the fund's brokerage costs, which would reduce performance); hedging risk; concentration risk; sector risk; equity risk; derivatives risk; swap risk; foreign securities risk; currency risk; counterparty risk; ETF risks (which include premium-discount risk, secondary market trading risk, cash transactions risk, international closed market trading risk, flash crash risk, and authorized participants concentration risk); small and medium capitalization securities risk; investment company and ETF risk; non-diversification risk; tracking error risk; and large shareholder risk. Risks may increase volatility, increase costs, and lower performance.

AltShares Merger Arbitrage ETF top ten holdings as of March 31, 2024: Axonics Inc; Catalent Inc; Juniper Networks Inc; Masonite International Corp; McGrath RentCorp; MDC Holdings Inc; PGT Innovations Inc; Pioneer Natural Resources Co; Tricon Residential Inc; Vizio Holding Corp. Top ten holdings represent 34.0% of the portfolio. Holdings are subject to change. Current and future holdings are subject to risk.

Commentary represents the manager's opinion and may contain 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. Certain securities which were not, or are no longer, held in the portfolio may be discussed for informational purposes only.

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