

The Merger Fund®

U.S. Investors/Tax-exempt U.S. Investors

Fund Snapshot as of January 2012

| Fund Information | | | Current Performance | |
|--------------------|------------------|----------|---|--|
| Inception: | January 31, 1989 | Phone: | (914) 741 - 5600 | In January, the Fund returned 0.06%, equivalent to 0.06% YTD, and 7.07% annualized since inception. |
| Total Fund Assets: | USD 5.0 billion | Address: | 100 Summit Lake Drive Valhalla, NY 10595 | |
| Symbol: | MERFX | | | |

The Merger Fund® (the "Fund") is a merger arbitrage fund which principally invests in publicly announced mergers, acquisitions, takeovers and other corporate reorganizations, with the goal of profiting from the timely completion of these transactions. In each case, we purchase these securities at a discount to their expected value upon completion of the transaction, and employ a variety of hedging strategies to limit market-related risk.

The goal of this Fund is dual: to provide attractive risk-adjusted returns in virtually all market environments while preserving investor capital and minimizing volatility-based risk.

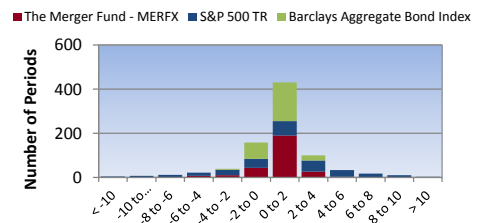
Historical Returns

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2012 | 0.06% | | | | | | | | | | | | 0.06% |
| 2011 | 0.95% | 0.44% | 1.00% | 0.56% | 0.18% | -0.25% | -1.23% | -2.00% | -0.83% | 1.80% | 0.76% | 0.33% | 1.66% |
| 2010 | 0.77% | 0.45% | 0.51% | -0.44% | -1.40% | 0.39% | 1.28% | 0.38% | 0.57% | 0.13% | 0.31% | 0.44% | 3.42% |
| 2009 | 0.21% | -0.28% | 2.59% | 0.68% | 0.00% | 1.49% | 0.33% | 0.80% | 0.59% | 0.79% | 0.39% | 0.65% | 8.53% |
| 2008 | -2.80% | 0.89% | -1.90% | 2.08% | 1.49% | -2.87% | 1.93% | 2.16% | -2.31% | -1.15% | -0.62% | 1.04% | -2.25% |
| 2007 | 1.02% | 0.82% | 0.88% | 0.69% | 1.11% | 0.18% | -0.61% | 1.48% | 0.24% | 1.21% | -2.99% | -1.03% | 2.95% |
| 2006 | 1.91% | 1.40% | 0.73% | 0.20% | 0.39% | 1.69% | 0.58% | 0.89% | 0.63% | 0.69% | 0.25% | 1.12% | 10.98% |
| 2005 | -0.45% | 0.07% | -0.07% | -0.52% | 1.31% | 0.13% | 1.42% | 0.45% | 0.00% | -3.11% | 0.78% | 0.87% | 0.81% |
| 2004 | 1.12% | 0.07% | 0.45% | -0.45% | 0.13% | -0.65% | -1.89% | 0.60% | -0.07% | 0.33% | 1.19% | 1.91% | 2.72% |
| 2003 | 0.51% | -0.14% | -0.07% | 1.60% | 1.64% | 1.76% | 1.11% | 0.75% | 0.68% | 0.88% | 0.80% | 1.03% | 11.05% |
| 2002 | 0.41% | -1.89% | 0.76% | -1.43% | 0.83% | -5.28% | -5.22% | 2.75% | 0.15% | 0.74% | 2.58% | 0.16% | -5.67% |
| 2001 | 1.61% | 0.82% | -1.38% | 1.21% | 1.64% | -1.55% | 1.89% | 0.80% | -3.43% | 1.52% | -0.75% | -0.24% | 2.01% |
| 2000 | 1.49% | 1.81% | 1.64% | 1.55% | 0.89% | 1.70% | 1.43% | 1.77% | 1.62% | 0.95% | 1.47% | -0.02% | 17.56% |
| 1999 | 0.59% | 1.76% | 1.15% | 1.56% | 1.54% | 2.69% | 1.54% | 0.53% | 1.05% | 1.11% | 2.77% | -0.12% | 17.38% |
| 1998 | -0.71% | 1.57% | 0.07% | 1.61% | -0.07% | 2.00% | -0.07% | -5.21% | -0.79% | 2.45% | 2.46% | 2.18% | 5.35% |
| 1997 | 0.64% | 0.00% | 0.49% | -0.14% | 2.46% | 1.51% | 0.94% | 1.80% | 0.79% | 0.46% | 1.49% | 0.67% | 11.66% |
| 1996 | 1.13% | 1.47% | 1.17% | 0.75% | 1.15% | 0.47% | -0.67% | 1.27% | 0.93% | 0.00% | 1.05% | 0.82% | 9.95% |
| 1995 | 1.90% | 1.19% | 0.66% | -0.66% | 0.66% | 1.68% | 1.94% | 1.34% | 1.60% | 0.27% | 1.64% | 1.10% | 14.13% |
| 1994 | 1.16% | -0.38% | 0.23% | 1.07% | 0.68% | 0.90% | 0.97% | 1.69% | 0.58% | -0.43% | -0.72% | 1.20% | 7.14% |
| 1993 | 2.09% | 0.66% | -0.49% | 1.31% | 1.29% | 2.79% | 1.96% | 1.14% | 0.68% | 1.50% | 1.11% | 2.40% | 17.69% |
| 1992 | 1.67% | 0.00% | 0.58% | -0.08% | -0.57% | -0.58% | 3.07% | 1.13% | 0.79% | 0.79% | -3.44% | 2.01% | 5.35% |
| 1991 | 0.46% | 0.28% | 2.93% | 2.76% | 0.61% | 1.55% | 1.87% | 0.58% | 0.17% | 0.83% | 2.54% | 1.14% | 16.84% |
| 1990 | -5.83% | 1.68% | 3.38% | 0.62% | 2.63% | 0.51% | -2.13% | -0.52% | -7.60% | 3.12% | 4.86% | 1.15% | 1.09% |
| 1989 | | 0.99% | 2.94% | 0.73% | 0.65% | 1.29% | 2.22% | 2.33% | -4.86% | -4.15% | 0.25% | 4.63% | 6.82% |

Trailing Period Return

Distribution of Returns

| | 3 month | YTD | 1-year | 3-year | 5-year | 10-year | Since Inception |
|---------------------------|---------|-------|--------|--------|--------|---------|-----------------|
| The Merger Fund® | 1.15% | 0.06% | 0.76% | 4.44% | 2.61% | 3.25% | 7.07% |
| S&P 500 TR | 5.32% | 4.48% | 4.22% | 19.24% | 0.33% | 3.52% | 9.02% |
| Barclays Agg. Bond | 1.90% | 0.88% | 8.68% | 7.41% | 6.70% | 5.79% | 7.32% |



Statistical Analysis

| | Compound ROR | Standard Deviation | Sharpe Ratio | Alpha | Beta | R Squared | Max Drawdown | Max Drawdown Length | Months to Recover | Percent Profitable Periods |
|---------------------------|--------------|--------------------|--------------|-------|------|-----------|--------------|---------------------|-------------------|----------------------------|
| The Merger Fund® | 7.07% | 5.36% | 1.30 | 0.06 | 0.16 | 0.21 | -14.03% | 11 | 16 | 78.62% |
| S&P 500 TR | 9.02% | 15.09% | 0.65 | 0.00 | 1.00 | 1.00 | -50.95% | 16 | - | 63.41% |
| Barclays Agg. Bond | 7.32% | 3.82% | 1.87 | 0.07 | 0.04 | 0.02 | -5.15% | 5 | 8 | 71.74% |

Past performance is no guarantee of future results.

Total return and average annual returns are historical and reflect changes in share price, reinvestment of dividends and capital gains and are net of expenses. Current performance may be lower or higher than the figures shown. Discrepancies between totals and sum of individual months are due to rounding. Performance data included herein for periods prior to 2011 reflect that of Westchester Capital Management, Inc., the Fund's prior investment advisor. Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund before investing. To obtain the most recent month end performance information and a prospectus or summary prospectus, please call (800) 343-8959 or visit www.mergerfund.com.

Definitions: The **S&P 500** 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. Indices are unavailable for direct investment. **Beta** measures the volatility of the fund, as compared to that of the overall market. The market's beta is set at 1.00; a beta higher than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile; **Sharpe Ratio** measures reward vs. risk. 3-month T-Bill used for risk-free rate. A higher number is more favorable. **Standard Deviation** is the degree by which returns deviate relative to the average return. The higher the standard deviation, the greater the variability of the investment.