

Adding Alternatives: We Believe that 50/30/20 is the new 60/40

AlphaCentric Newsletter -- December 2017

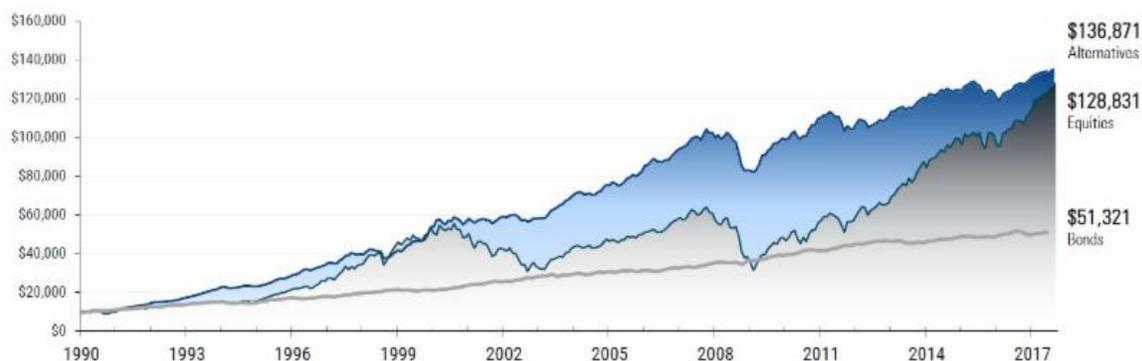
[AlphaCentric Hedged Market Opportunity Fund \(HMXAX, HMXCX, HMXIX\)](#)

At AlphaCentric, we believe that financial advisors should consider replacing the traditional 60/40 stock/bond portfolio with a 50/30/20 portfolio, dedicating at least 20% of the portfolio to alternatives to potentially generate a new and uncorrelated source of returns. Historically, allocating a portion of an investor's portfolio to alternatives would have led to dramatically better risk-adjusted returns while reducing drawdowns and volatility. HMXIX is an alternative strategy that could be a potential fit, generating significantly higher risk-adjusted returns than the S&P 500 TR Index since 2011 (Sharpe ratio of 2.05 vs. 1.30 for the S&P 500 TR Index).

Potential Benefits of Adding Alternatives to a Portfolio

Historical Return of Stocks & Bonds Vs. Alternatives

Growth of \$10,000 - December 31, 1989 through September 30, 2017



Past performance does not guarantee future results. Equities are represented by the S&P 500 Total Return Index, Bonds are represented by Barclays US Aggregate Bond TR Index and Alternatives are represented by the HFRI Fund Weighted Composite Index.

Historical Benefits of Integrating Alternatives into a Traditional 60/40 Portfolio: Comparing Risk/Return Profiles

Historical Annualized Return and Risk, December 31, 1989 through September 30, 2017



Alternative investments may not be suitable for all investors and an investment in alternative funds is suitable only for investors who can bear the risks associated with the illiquidity of the fund's shares and should be viewed as a long-term investment.

Past performance does not guarantee future results. Data from 12/31/1989 through 9/30/2017. Equities are represented by the S&P 500 Total Return Index, Bonds are represented by Barclays US Aggregate Bond TR Index, Alternatives are represented by the HFRI Fund Weighted Composite Index. The referenced indices are shown for general market comparisons and are not meant to represent the Fund. Investors cannot directly invest in an index; unmanaged index returns do not reflect any fees, expenses or sales charges.

The S&P 500 Total Return Index is used to represent the U.S. large-cap stock market. The Barclays US Aggregate Bond TR Index is designed to measure the performance of the U.S. investment grade bond market. The HFRI Fund

Weighted Composite Index is a global, equal-weighted index of over 2,000 single manager funds that report to HFR Database. The referenced indices are shown for general market comparisons and are not meant to represent the Fund. Index results do not represent actual trading as it is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses or sales charges. Alternative investments may not be suitable for all investors and an investment in alternative funds is suitable only for investors who can bear the risks associated with the illiquidity of the fund's shares and should be viewed as a long-term investment.

Integrating the AlphaCentric Hedged Market Opportunity Fund

To further illustrate the potential benefits of alternatives, we highlight an AlphaCentric alternative fund that could be a potentially good fit in your client's alternative allocation: the [AlphaCentric Hedged Market Opportunity Fund \(HMXIX\)](#).

HMXIX Investment Strategy:

- The Fund makes long and short investments in call and put options on instruments that reflect the S&P 500 and its volatility.
- The Fund employs a systematic, rules-based options strategy that includes Premium Collection, Volatility Trading, and Trend Following based on an algorithm developed by analyzing market data since 1985 with artificial intelligence programs.
- The Fund seeks to mitigate risk by staggering position maturity dates and utilizing exchange-traded options guaranteed for settlement.

HMXIX Characteristics:

- Generated a 11.18% annualized return since inception, as of 9/30/2017.
- Has an incredible Sharpe Ratio of 2.05, as of 9/30/2017.
- Low Beta of 0.16 (compared to the S&P 500)
- Seeks equity-like returns with lower volatility and drawdown in all markets.
- Managed by Russ Kellites, highly experienced manager with track record since 2009.

Download: [HMXIX Fact Sheet](#)

PERFORMANCE ENDING September 30, 2017 (Annualized if greater than 1 year)

Share Class/Benchmark	QTD	YTD	1 YR	3 YR	5 YR	Inception*
Class I	1.06	3.99	5.49	4.21	8.58	11.18
S&P 500 TR Index	4.48	14.24	18.61	10.81	14.22	15.11
IQ Hedge L/S Beta Index	2.15	9.26	7.83	4.33	5.10	5.53
Class A	1.01	3.83	5.20	n/a	n/a	5.20
Class C	0.80	3.34	4.54	n/a	n/a	4.54
S&P 500 TR Index	4.48	14.24	18.61	n/a	n/a	18.61
IQ Hedge L/S Beta Index	2.15	9.26	7.83	n/a	n/a	7.83
Class A w/ Sales Charge	-4.82	-2.12	-0.84	n/a	n/a	-0.84

GROWTH OF \$10,000



* Fund Inception: 9/1/2011 (Class I) & 9/30/2016 (Class A & C). The Performance shown before September 30, 2016 is for the Fund's Predecessor Fund (Theta Funds, L.P.) The Fund's management practices, investment goals, policies, objectives, guidelines and restrictions are, in all material respects, equivalent to the predecessor limited partnership. From its inception date, the predecessor limited partnership was not subject to certain investment restrictions, diversification requirements and other restrictions of the 1940 Act of the Code, if they

had been applicable, it might have adversely affected its performance. In addition, the predecessor limited partnership was not subject to sales loads that would have adversely affected performance. Performance of the predecessor fund is not an indicator of future results.

The maximum sales charge for Class "A" Shares is 5.75%. Performance is historic and does not guarantee future results. Investment return and principal value will fluctuate with changing market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month end performance information or the funds prospectus please call the fund, toll free at 1-844-ACFUNDS (844-223-8637). You can also obtain a prospectus at www.AlphaCentricFunds.com.

**The advisor has contractually agreed to waive fees and/or reimburse expenses to maintain the Fund's total annual operating expense ratio at 1.99% excluding 12b-1 fees through July 31, 2018. Estimated gross expense ratios excluding acquired fund fees and expenses for the current fiscal year are 2.60%, 3.35% and 2.35% for the A, C and I shares, respectively.*

Contact Us

AlphaCentric Funds is proudly represented by Multi-Funds LLC. You can find your regional sales partner at our website, [here](#).

Website: www.alphacentricfunds.com

E-mail: info@alphacentricfunds.com

Phone: 844-ACFUNDS (844-223-8637)

For Broker/Dealer/Institutional Use Only, not to be used with the general public.

Investors should carefully consider the investment objectives, risks, charges and expenses of the AlphaCentric Funds. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling 844-ACFUNDS (844-223-8637) or at www.AlphaCentricFunds.com. The prospectus should be read carefully before investing. The AlphaCentric Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. AlphaCentric Advisors LLC is not affiliated with Northern Lights Distributors, LLC.

Sharpe Ratio: A risk-adjusted measure of a fund's performance that indicates a fund's return per unit of risk, defining risk as volatility (standard deviation).

Investing in the Fund carries certain risks. The Fund will invest a percentage of its assets in derivatives, such as futures and options contracts. The use of such derivatives and the resulting high portfolio turn-over may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Fund may experience losses that exceed those experienced by funds that do not use futures contracts and options strategies. Investing in commodities markets may subject the Fund to greater volatility than investments in traditional securities. Currency trading risks include market risk, credit risk and country risk. Foreign investing involves risks not typically associated with U.S. investments. Changes in interest rates and the liquidity of certain investments could affect the Fund's overall performance. The Fund is non-diversified and as a result, changes in the value of a single security may have significant effect on the Fund's value. Other risks include U.S. Government securities risks and investments in fixed income securities. Typically, a rise in interest rates causes a decline in the value of fixed income securities or derivatives owned by the Fund. Furthermore, the use of leveraging can magnify the potential for gain or loss and amplify the effects of market volatility on the Fund's share price. The Fund is subject to regulatory change and tax risks; changes to current rules could increase costs associated with an investment in the Fund. These factors may affect the value of your investment.

9115-NLD-11/30/2017