



## How are you hedging risk in your portfolio?

AlphaCentric Newsletter -- September 2017

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

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### **HMXIX Conference Call 1PM EST, September 25, 2017**

Hear from Portfolio Manager Russ Kellites about the Fund, a discussion on options, volatility, and trend following.

**Web-Ex:** <https://global.gotomeeting.com/join/571456909>

**Dial-In:** (872) 240-3212

**Access Code:** 571-456-909

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### **With stocks near all-time highs, what are you doing to protect your clients' portfolios?**

The [AlphaCentric Hedged Market Opportunity Fund \(HMXIX\)](#) takes a distinct approach to hedging risk and has generated **positive returns in 84% of months** with a **2.08 Sharpe ratio** (return per unit of risk) since inception in 2011. HMXIX utilizes a robust, algorithm-driven trading system across a broad options landscape with the goal of generating repeatable alpha-based appreciation with low correlation to the U.S. equity market. Historically, HMXIX has generated equity-like returns with lower volatility and drawdowns than the S&P 500 in all market conditions.

### **Hear from Portfolio Manager Russ Kellites discussing: Options, volatility, and trend following.**

Rather than relying on forecast, opinion, or intuition, all of our investment decisions are based on observing and analyzing quantifiable and relevant information, and then applying systematic models attempting to capture return and seeking to minimize risk - especially during periods of market turmoil.

### **HMXIX Performance During Varied Market Environments**



## 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 Fund Highlights:

- The Fund has **84% of months with positive performance since inception on 8/31/2011 as compared to IQ Hedge L/S Beta Index 58.57% and S&P 500 TR Index 71.43%**.
- The Fund seeks to deliver **equity-like returns with lower volatility** and drawdown in all markets making long and short investments in call and put options on instruments that reflect S&P 500 and its volatility.
- Option buyers typically have negative return expectations. HMXIX sells options seeking to realize a positive expected return.
- The strategy 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.
- We seek to **mitigate risk by staggering position maturity dates** and utilizing exchange-traded options guaranteed for settlement.

Download: [HMXIX Fact Sheet](#)

### PERFORMANCE & RISK STATISTICS

	HMXIX	IQ Hedge L/S Beta Index	S&P 500 TR Index
Cumulative Return	88.49%	35.82%	125.27%
Annualized Return	11.49%	5.39%	14.95%
Standard Deviation	5.03%	7.18%	11.05%
Sharpe Ratio	2.08	0.61	1.26
Risk-Adjusted Alpha (vs. S&P 500)	8.17%	-3.61%	-
Beta (vs. S&P 500)	0.17	0.57	-
R-squared (vs. S&P 500)	0.14	0.80	-
Worst Drawdown	-5.25%	-8.08%	-8.36%
% Positive Months	84.29%	58.57%	71.43%
Excess Return	10.48%	4.37%	13.94%

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

Share Class/Benchmark	QTD	YTD	1 YR	3 YR	5 YR	Inception*
Class I	1.35	2.90	6.16	4.64	9.32	11.49
S&P 500 TR Index	3.09	9.34	17.90	9.61	14.63	14.95
IQ Hedge L/S Beta Index	3.74	6.96	7.80	3.11	6.01	5.39
Class A	1.29	2.79	n/a	n/a	n/a	4.15
Class C	1.14	2.52	n/a	n/a	n/a	3.71
S&P 500 TR Index	3.09	9.34	n/a	n/a	n/a	13.52
IQ Hedge L/S Beta Index	3.74	6.96	n/a	n/a	n/a	5.56
Class A w/ Sales Charge	-4.52	-3.10	n/a	n/a	n/a	-1.83

### 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](http://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 October 31, 2017. Estimated gross expense ratios excluding acquired fund fees and expenses for the current fiscal year are 2.35%, 3.10% and 2.10% 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](http://www.alphacentricfunds.com)

E-mail: [info@alphacentricfunds.com](mailto:info@alphacentricfunds.com)

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

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**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](http://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.

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