

## AlphaCentric LifeSci Healthcare Fund

LYFAX | LYFCX | LYFIX

April 15, 2020

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### Executive Summary

- Our review of clinical and medical literature enabled us to identify the risk posed by COVID 19 early and reposition our portfolio.
- We increased cash as a hedge and rotated into names more likely to offer superior performance in this emerging environment.
- We have materially outperformed the benchmark in the first quarter of 2020.
- We view the healthcare sector as relatively well-positioned to navigate the crisis and have been interviewing key stakeholders in the healthcare value chain to stress test this view and gain a better understanding of challenges / opportunities moving forward.
- Increased volatility is expected as the economic impact of the pandemic is better understood by markets.
- The Fund expects to maintain a larger than normal cash balance to provide a hedge and allow allocation to companies that become dislocated from fundamental value.

### Dear Fellow Shareholders:

We launched the fund in late 2019 with the goal of translating deep domain expertise and thought leader insights into a fundamental, thesis-driven healthcare portfolio. Our initial portfolio consisted primarily of companies in two thematic categories, specifically, innovative therapeutics companies and robust revenue / cash flow growth healthcare companies. A key part of our investment process is to perform ongoing diligence spanning trade / journal publications, regulatory filings, management team meetings, major medical conferences and thought leader interviews. Our review of the clinical / medical literature enabled us to be early to identify the risk posed by SARS-CoV-2 and reposition the portfolio proactively. Specifically, the manager increased the cash position of the fund as a hedge and rotated holdings into names that were expected to offer superior performance given the changing macro landscape. Generally, companies with larger market capitalizations with strong relative earnings fundamentals and balance sheet strength. This enabled the fund to materially outperform the benchmark in the first reported quarter of performance (1Q 2020).

We are closely following the COVID-19 therapeutic and vaccine programs in development and believe its more a question of when, not if, new treatment options will become available. The innovative power of the biopharmaceutical industry is on full display for the world to watch. We prepared a therapeutic and vaccine development summary for our shareholders in late February and today there are more than one hundred novel programs ongoing. Among these, we see near term opportunity from repurposing existing drugs to treat COVID-19. Several of these compounds have been shown to inhibit SARS-CoV-2 replication in vitro laboratory experiments and because they are already approved, or have been studied extensively in clinical trials, they can be dosed in patients immediately. Early patient case series have been published that suggest benefit from treating COVID-19 patients with hydroxychloroquine, remdesivir and others. Robust, randomized clinical trial data is expected in 2Q 2020 for several of these drugs to better define the efficacy profile.

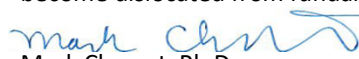
Medium-term, we are optimistic about the use of convalescent plasma and engineered antibodies to treat patients. Convalescent plasma treatment has been used successfully in other infectious diseases over many years. Key challenges are product supply and manufacturing consistency. There are efforts ongoing by several blood product

fraction companies to pool resources to advance efforts. It may be many months until more robust clinical data is available and perhaps many more months longer before any significant supply may be available. Engineered antibodies are a similar approach thematically, but are manufactured in a bioreactor allowing production to be consistent more easily scaled. This approach was used successfully to reduce the mortality of in a randomized clinical trial of Ebola patients providing strong recent precedent. The initial engineered antibodies are expected to begin clinical trials by late summer.

Longer term, vaccines offer the clearest path for a 'return to normal'. To be sure, there is longstanding precedent for vaccine development against infectious diseases. Further, laboratory experiments have shown various vaccine constructs are able to generate immune responses to SARS-CoV-2. Logistics of testing and evaluation are the key challenges. Early clinical evaluation of a vaccine candidate can be done in a few months and show it induces an immune response without acute safety issues. However, it then typically takes years of clinical testing to unambiguously show a vaccine candidate is effective at preventing actual infection and does not exhibit long term safety signals. Just because a vaccine candidate can induce an immune response does not necessarily guarantee protection against infection. This must be shown in a prospective trial. Ruling out potential rare, long term side effects often requires dosing many thousands of patients and following them over a year or longer. There is an argument to be made to allow earlier access to a COVID-19 vaccine based on early immune induction data given the clear risk from the disease. There are dozens of vaccine candidates in development and initial immunogenicity data from the first programs is expected later in Q2 2020. All eyes will be on regulators at that point to define the potential pathway for early access.

Against this therapeutics and vaccine development backdrop, we view the healthcare sector as relatively well-positioned to navigate the crisis. In general, healthcare demand is viewed as inelastic supported by the counter-cyclical nature of government and commercial insurance. We have been interviewing key stakeholders in the healthcare value chain to stress test this view and gain a better understanding of challenges / opportunities moving forward. We are hearing that many regular physician visits are being postponed or cancelled, including a large percentage of elective surgeries. Ongoing and planned clinical trials for indications beyond COVID-19 have been disrupted or delayed. Supply chains are being stressed and commercial efforts are limited by social restrictions. These factors are having a heterogenous impact of companies in the healthcare space as specific circumstances can mean a company is highly exposed or immune to a given challenge. Our rigorous fundamental diligence is focused on identifying the companies that are best positioned moving forward.

The COVID-19 pandemic is likely to continue near term with significant uncertainty regarding the ultimate course. Increased volatility is expected as the economic impact of the pandemic is better understood by markets. The Fund expects to maintain a larger than normal cash balance to provide a hedge and allow allocation to companies that become dislocated from fundamental value.



Mark Charest, Ph.D.

Founding Partner and Portfolio Manager  
LifeSci Fund Management

**Performance as of 3/31/20**

Share Class/Benchmark	QTD	YTD	Inception*
Class I	-5.63	-5.63	-5.63
Class A	-5.73	-5.73	-5.73
Class C	-5.73	-5.73	-5.73
S&P Biotechnology Select Industry Total Return Index	-18.52	-18.52	-18.52
Class A w/Sales Charge	-11.16	-11.16	-11.16

\*Inception 11/29/2019

Past Performance does not guarantee future results and there is no assurance that the Fund will achieve its investment objective.

The maximum sales charge for Class "A" Shares is 4.75%. Performance is historic and does not guarantee future results. Total Operating Expenses are 2.61%, 3.36%, and 2.36% for share classes A, C, and I, respectively. 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 the prospectus at [www.AlphaCentricFunds.com](http://www.AlphaCentricFunds.com).

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