

AlphaCentric Municipal Opportunities Fund

Q2 2020 Commentary

MUNAX | MUNCX | MUNIX

2020 has been quite a ride so far; first Covid-19, then the lock-downs, followed by a near financial crisis and we are only 6 months in. While there are many negatives at play, I am a glass half full type of person and these disruptions have provided buying opportunities in the markets and the Municipal bond market is no different.

MARKET OVERVIEW

The record cash inflows into the Municipal market during 2019 drove Municipal bond values to richness levels versus other fixed income securities not seen in years. The liquidity crisis of 2020 reversed the relative value of Municipals to cheapness levels not seen in decades. While not as cheap as they were back in March, Municipals are still relatively cheap to Treasuries, as high-grade Municipals can be purchased above comparable Treasuries along the whole yield curve.

The other part of the Municipal market that caused significant heartburn this year was High Yield securities. Credit spreads on High yield bonds widened out to levels that go beyond my experience, which is a long time. While some of this concern may have been justified, we believe investors would have been smart to remember that the default rate in Municipal bonds is extremely low. There may be a small spike in small single issuers but the larger issuers should weather the storm. Even with the snap back of credit spreads, I believe that there is still significant value in some lower rated credits, but I would recommend that potential investors turn to professional money managers with strong research capabilities. This part of the market is not for weak stomachs right now.

Structured Municipal products such as closed end funds was another part of the market that saw significant declines in value and while they have performed well on the way back, there is still value in some of them. Out of all the Muni CEF's I follow, the average discount went from approximately 4% to approximately 23% in March with some of the best funds yielding above 7% tax-free. On top of the market price rebound, the discounts have closed approximately 15%. Fortunately, there are still funds out there with yields over 5% that offer value. Purchasing these funds is not risk free as there are many factors to consider, such as earning coverage, leverage ratios and undistributed income. The research involved in these funds is more like equity research than fixed income research, but we feel a knowledge of Municipal bond management is definitely needed.

PERFORMANCE

Fund Performance (6/30/20) (Annualized if greater than 1 year)

Share Class/Benchmark	QTD	YTD	Incp.*
Class I	1.94	2.24	2.24
Class A	1.93	1.93	1.93
Class C	1.72	2.03	2.03
Bloomberg Barclays Municipal Bond Index TR Value Unhedged USD	2.72	2.07	2.07
Class A w/ Sales Charge	-2.92	-2.92	-2.92

*Inception date: 12/31/2019

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. 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-ACFUND (844-223-8637). You can also obtain a prospectus at www.AlphaCentricFunds.com.*

Gross expense ratios for the fiscal year were 1.59%, 2.34%, and 1.24% for Class A, C and I shares, respectively.

FUND OVERVIEW

The Municipal Opportunities Fund (MUNIX) has weathered the financial storm well as it was one of the few municipal funds I am aware of that finished the first quarter with a positive return. The second quarter ending in June was another strong quarter with returns of approximately 2%. On a year to date basis as of 6/30/2020 the fund has returned 2.24% versus 2.07% for the Bloomberg Barclays Municipal Bond Index.

OUTLOOK

Looking forward to the 3rd quarter, while high grade Municipal bonds offer attractive relative value to other fixed income securities the excess spread from the 1st and 2nd quarter has tightened, although the fear of another shut down is still affecting bonds with lower credits. High yield credit spreads still offer significant value as spreads have not tightened like the high-grade market and the focus will be on those securities that will weather a slower economy. I expect lower rated securities with stronger balance sheets to outperform for the 3rd quarter and probably the rest of the year. I also expect closed end funds to perform well as the majority of them are still trading at discounts with some of them offering tax-exempt yields over 5%.

We look forward to connecting with you again next quarter.

The AlphaCentric Municipal Opportunities Fund Team

Important Risk Information

The Fund is a new mutual fund and has a limited history of operations for investors to evaluate. The fund may be non-diversified and the value and/or volatility of a single issuer could have a greater impact on fund performance. The Fund may be susceptible to an increased risk of loss due to adverse occurrences affecting the Fund more than the market as a whole, because the Funds investments are concentrated. Some securities held by the Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. There is a risk that issuers will not make payments on fixed income securities held by the fund, resulting in losses. Issuers credit quality could be lowered if issuers financial condition changes and there is a risk that the issuer may default on its obligations. Legislative changes can adversely affect the value of the Fund's portfolio. Legislative risks including legal, tax, and other regulatory changes could occur over time and may adversely affect the Fund. The fund may encounter derivative risk. The use of derivatives instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Changes in interest rates can also create risks for the fund. Typically, a rise in interest rates causes a decline in value in fixed income securities. The fund is subject to regulatory change and tax risks; changes to current rules could increase costs associated with investment in the fund. These factors may affect the value of your investment. All investments involve risks, including possible loss of principal, there is no assurance that the Fund will achieve its investment objective.

The Bloomberg Barclays Municipal Bond Index TR Value Unhedged Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. There is no assurance that the Fund will achieve its investment objective. You cannot invest directly in an index. Unmanaged index returns do not reflect fees, expenses or sales charges.

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.

4762-NLD-7/22/2020