

## AlphaCentric Prime Meridian Income Fund

Q2 2020 Commentary

PMIFX

### PERFORMANCE AS OF 6/30/20

We are pleased to report that the AlphaCentric Prime Meridian Income Fund (“the Fund” or “PMIFX”) had another successful quarter. Through June 30, the Fund’s performance was +2.99%, net of fees and charge offs (actual and accrued).

Date	AlphaCentric Prime Meridian Income Fund	Bloomberg Barclays 1-3 Yr Credit Index	Barclays U.S. High Yield Corporate Bond Index
April	-0.30%	1.78%	4.51%
May	1.42%	0.90%	4.41%
June	0.89%	0.56%	0.98%
Since inception*	2.99%	2.56%	-3.80%
<b>Total YTD</b>	<b>2.99%</b>	<b>2.56%</b>	<b>-3.80%</b>

\*Inception: 10/01/19

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

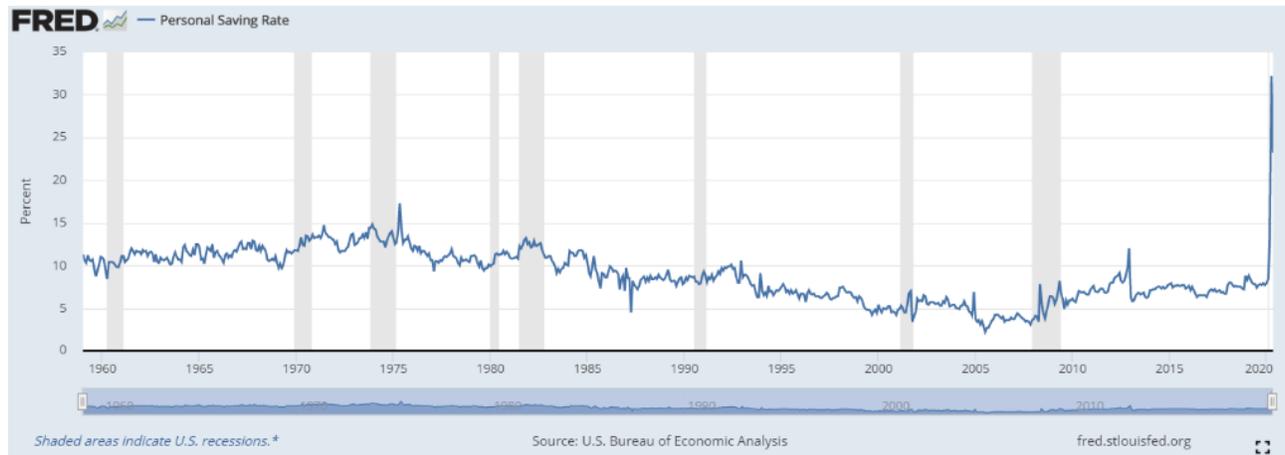
*The maximum sales charge for Class “A” Shares is 5.75%. The total operating expenses for the Fund are 4.33%. Performance is historic and does not guarantee future results. Investment return and principal value will fluctuate with changing market conditions so that when redeemed, shares may be worth 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 fund’s 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).*

### MARKET OVERVIEW

As the economy re-opens, markets of various types continue to recover from their lows made since the recession began in March. In addition to the significant fiscal and monetary stimulus discussed in the last letter, another reason for the continued bullish sentiment in markets is the amount of savings Americans have stockpiled. As can be seen in the associated chart, the Personal Savings Rate recently hit an all-time high since 1959 when the data began to be collected. Concerns about job security and invested asset performance have U.S. consumers sitting on cash.

The strong savings rate is a welcome sign of consumer stability, but it does not tell the full story. As economists have noted, the recent economic hardships have disproportionately fallen on low-income Americans.

The Congressional Budget Office (CBO) recently noted that almost 40 percent of those in households making less than \$40,000 a year had lost a job in March.<sup>1</sup> With further rounds of economic stimulus now being discussed in Congress, it seems increasingly likely that a lower income limit on the next round of stimulus checks may form part of the package, down substantially from the last version but suitable given the savings rate and general improvement in asset values. Either way we expect further monetary and fiscal stimulus, and which should continue to help bridge the economy to recovery.



## FUND OVERVIEW

At the end of June, PMIFX was approximately 96% invested in a diversified portfolio of consumer and real estate bridge loans and had roughly 4% cash. All of the invested assets continue to be sourced from four different originators across the consumer and real estate lending verticals. The two consumer verticals give the Fund exposure to three different types of consumer loans and the two real estate originators provide access to residential, multi-family and commercial bridge loans across the country. Overall, the Fund's portfolio had a McCauley duration of 12.51 months and 31+ day delinquency rate of 1.14%.

The Fund comprised approximately 50% consumer lending assets and 46% real estate lending assets at the end of the quarter. The Fund's individual consumer loans have an average FICO of 684 across both traditional prime and near prime loan holdings (near prime being defined as loans with FICO scores between 620 and 659). PMIFX also has exposure to a portfolio of domestic emerging creditor loans originated by an innovative FinTech platform with digital banking services. The Fund's real estate bridge loans are all first lien, with an average loan to value of less than 65% and are diversified by both geography and property type.

Due to the economic recession, PMIFX's holdings saw higher than usual delinquencies during the recent quarter. While consumer loan delinquency rates increased, they were materially better than initially expected thanks in large part to hardship programs instituted by lending platforms to aid borrowers with deferred and other payment programs. Real estate bridge loans saw a more significant increase in delinquencies, but also saw a dramatic improvement by the end of June that reflected the resumption of activity associated with the re-opening of the domestic economy.

<sup>1</sup> <https://www.forbes.com/sites/simonmoore/2020/07/07/more-stimulus-checks-now-more-likely-but-not-for-everyone/#3cd594e559af>

The difficult market environment also created opportunities. The Fund was able to buy both real estate and consumer loans at attractive prices and with higher associated yields than before the recession, and which contributed to the Fund's solid performance during the quarter.

## OUTLOOK

We continue to see new opportunities in consumer and real estate loans and expect this to be the case through the third quarter. We also expect that real estate loan delinquencies will likely improve more than those of consumer loans in the first part of the third quarter, due to recent collection rates trends in real estate coupled with the expiration of consumer loan hardship programs. While these and other issues will likely result in continued price volatility for the Fund in the near term, we plan to continue to have significant exposure to both asset classes as the diverse holdings, credit quality of the portfolio and the first lien real estate positions are expected to continue to provide stability.

We are pleased with the performance of the Fund and its resilience during these trying times. We believe the Fund's strategy provides both an attractive source of diversification for investment portfolios as well as exposure to unique lending verticals that have historically been a source of portfolio stability.

Sincerely,

AlphaCentric Prime Meridian Income Fund Team

## ***Important Risk Information***

**INVESTING IN THE FUND INVOLVES A HIGH DEGREE OF RISK, INCLUDING THE RISK THAT YOU MAY RECEIVE LITTLE OR NO RETURN ON YOUR INVESTMENT OR THAT YOU MAY LOSE PART OR ALL OF YOUR INVESTMENT. THIS IS A CONTINUOUSLY-OFFERED, NON-DIVERSIFIED, CLOSED-END INTERVAL FUND AND IS NOT INTENDED TO BE A TYPICAL TRADED INVESTMENT. LIMITED LIQUIDITY IS PROVIDED TO SHAREHOLDERS ONLY THROUGH THE FUND'S QUARTERLY REPURCHASE OFFERS FOR NO LESS THAN 5% OF THE FUND'S SHARES OUTSTANDING AT NET ASSET VALUE. REGARDLESS OF HOW THE FUND PERFORMS, THERE IS NO GUARANTEE THAT SHAREHOLDERS WILL BE ABLE TO SELL ALL OF THE SHARES THEY DESIRE IN A QUARTERLY REPURCHASE OFFER.**

*There currently is no secondary market for the Fund's shares and the Fund expects that no secondary market will develop. Shares of the Fund will not be listed on any securities exchange, which makes them inherently illiquid.*

*Investing involves risk. The Fund will invest in Marketplace Lending Instruments which are generally not rated and constitute a highly risky and speculative investment, similar to an investment in "junk" bonds. Below-investment-grade ("high yield" or "junk") bonds are more at risk of default and are subject to liquidity risk. There can be no assurance that payments due on underlying Marketplace Loans will be made. The Shares therefore should be purchased only by investors who could afford the loss of the entire amount of their investment.*

*Many of the Fund's investments are associated with loans that are unsecured obligations of borrowers. This means that they are not secured by any collateral, not insured by any third party, not backed by any governmental authority in any way and, except in the case of certain loans to businesses, not guaranteed by any third party.*

*Distressed credit investments are inherently speculative and are subject to a high degree of risk. Leverage (borrowing) may be considered speculative and involves transaction and interest costs on amounts borrowed, which may reduce performance. The Fund is classified as "non-diversified" and may invest a greater portion of its assets in the securities of a single issuer.*

Bloomberg Barclays U.S. Credit 1-3 Year Index measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 to 2.9999 years to maturity. It is composed of a corporate and a non-corporate component that includes non-US agencies, sovereigns, supnationals and local authorities. The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. 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.

### *Glossary:*

**Delinquency:** refers to the percentage of loans within a financial institution's loan portfolio whose payments are delinquent. When analyzing and investing in loans, the delinquency rate is an important metric to follow; it is easy to find comprehensive statistics on the delinquencies of all types of loans

**Duration:** is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

**McCauley duration:** The Macaulay duration is the weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Macaulay duration is frequently used by portfolio managers who use an immunization strategy.

**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 Fund is distributed by Foreside Fund Services, LLC**