

# AlphaCentric LifeSci Healthcare Fund

## Quarterly Commentary 2Q2021



**LYFIX  
LYFAX  
LYFCX**

June 30, 2021 — The Fund continued to stay ahead of the primary benchmark during the first quarter of 2021 (+3.72% 2Q, +37.35% since inception 11/29/2019), outpacing the S&P Biotechnology Select Industry Index (-0.05% 2Q, +26.54% since 11/29/2019). Notably, the S&P Biotechnology Select Industry Index continues to consolidate following the significant correction from the mid-February peak and has been trailing the broad S&P 500 Index by more than 25% YTD. Fundamentals in the sector remain favorable with recent reports of positive clinical data, new strategic partnerships and a continuation of robust capital markets activity. With many individual companies off materially from recent highs, the Fund is poised to capture upside should the sector rebound.

### Fund Performance as of 6/30/21 *(Annualized if greater than 1 year)*

Inception Date: 11/29/19	QTD	6 Mos	YTD	1 Year	Inception
LYFIX	3.72	5.62	5.62	46.79	37.35
LYFAX	3.66	5.49	5.49	46.43	37.13
LYFCX	3.41	5.10	5.10	45.79	36.76
S&P 500 Health Care Sector TR Index	8.40	11.85	11.85	27.92	31.45
S&P Biotechnology Select Industry Total Return Index	-0.05	-3.66	-3.66	21.19	26.54
Class A After Sales Charges	-2.30	-0.55	-0.55	37.98	32.11

Past performance is no guarantee of future results. There is no assurance that the Fund will achieve its investment objective. The maximum sales charge for Class "A" Shares is 5.75%. Total Operating Expenses are 2.61%, 3.36%, and 2.36%, for Class A, C, and I fund shares, respectively.

The advisor has contractually agreed to waive fees and/or reimburse expenses to maintain the Fund's total annual operating expense ratio at 1.65%, 2.40%, and 1.40% for Class A shares, Class C shares and Class I shares, respectively, excluding 12b-1 fees through July 31, 2021.

*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-ACFUND (844-223-8637). You can also obtain a prospectus at [www.AlphaCentricFunds.com](http://www.AlphaCentricFunds.com).*

### Market Overview

Innovative biotechnology remains one of the few industry segments that has undergone a significant correction and consolidation in 2021. The S&P

Biotechnology Select Industry Index has been trading off >10% for most of the second quarter with many individual companies down >50% from 2021 highs. Noise around inflation and drug pricing contributed to the decline, but underlying fundamentals remain intact. Disruptive life sciences innovators have never been better capitalized and continue to deliver unprecedented data. For example, during the quarter, Intellia Therapeutics and Regeneron announced positive results for the first ever in vivo gene editing clinical trial. Enthusiasm was apparent in Intellia's shares, which appreciated nearly 50% on the day and added over \$4 billion in market capitalization.



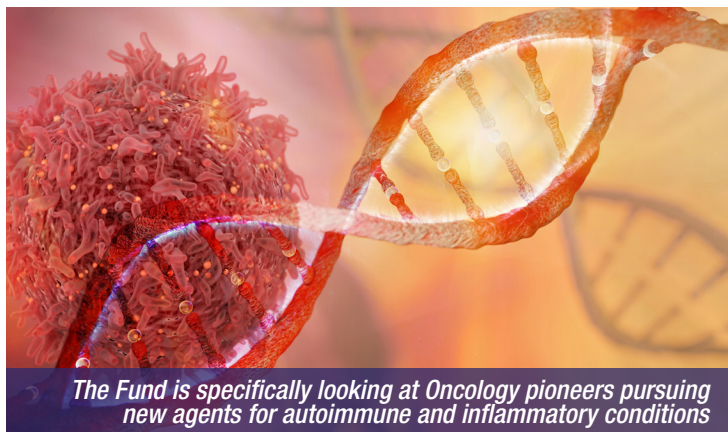
*FDA collaboration on the advancement of novel therapies has resulted in bright prospects for disruptive biotech innovators*

FDA shattered the perception that it's an anti-industry monolith and rallied biotech stocks with the June approval of Biogen's controversial drug application for Aduhelm, the first-ever therapy to address a defining pathology of Alzheimer's disease—amyloid beta plaque. It seems clear that the agency is being receptive and accommodative for novel therapies addressing critical unmet medical needs with limited or no therapeutic alternatives. This point was driven home by the fact the approval came on the heels of a negative Advisory Committee meeting of medical experts that shared mixed reviews of Aduhelm. Recent headlines scrutinizing the accelerated approval seem to be all bark and no bite. FDA collaborating with sponsors to advance novel therapies addressing critical unmet medical needs appears likely to continue. The prospects of every disruptive biotech innovator addressing critical unmet medical needs now seem brighter than ever.

Expectations are rising for M&A activity as the pullback is resetting valuations. Few deals have been announced year to date in 2021 as

full valuations left little room for acquirers to justify premiums and price momentum raised expectations of acquisition targets. In the boardroom, directors of acquisition targets may now be inclined to accept a deal priced at or below prior highs given the potential for a substantial premium over the recently reduced basis. Along these lines, MorphoSys announced the acquisition of Constellation Pharmaceuticals in June for \$34 per share or \$1.7B which was below the prior \$39 high for that stock, but a 70% premium to the prior day's closing price.

**“The pullback is providing opportunities to increase exposure to disruptive life sciences innovators trading at discounted prices despite maintaining attractive fundamentals.”**



*The Fund is specifically looking at Oncology pioneers pursuing new agents for autoimmune and inflammatory conditions*

### Fund Overview

The Fund continues to construct the portfolio across three thematic buckets: 1) disruptive life sciences innovators, 2) robust cash flow / revenue growth companies, and 3) direct funding of promising companies through private placements, IPOs or other structured transactions. The pullback is providing opportunities to increase exposure to disruptive life sciences innovators trading at discounted prices despite maintaining attractive fundamentals. The Fund is specifically looking at Oncology pioneers and companies pursuing new agents for autoimmune and inflammatory conditions. The Fund had filed indicating ownership of Oncology pioneer Constellation Pharmaceuticals before the acquisition was announced during the quarter. Good news also came from autoimmune and inflammatory innovator Celldex Therapeutics which rallied nearly 30% upon presenting positive data from a Phase 1b Study in Chronic Inducible Urticaria at the European Academy of Allergy and Clinical Immunology (EAACI) Annual Congress 2021.

The Fund remains an active participant in the capital markets activity that enables life science innovators to move forward. During the second quarter of 2021, the Fund participated in several IPOs and follow-on financing transactions that placed capital on the balance sheets of disruptive innovators.

### Outlook

The pullback and consolidation provides an attractive set-up moving into the second half of 2021. During the first half of 2021, there was approximately \$26B in capital raised by biotech companies in over 200 transactions which matched the record pace set in 2020. It is expected this capital will continue to accelerate the translation of breakthrough science into transformative clinical data in patients with a broad array of unmet needs. Regulators appear willing to partner with sponsors to enable exciting new therapies to reach the market while acquirers are looking to make strategic acquisitions and partnerships before year end. We expect the performance gap between the S&P Biotechnology Select Industry Index and the broad S&P 500 Index to narrow as positive developments are announced. *α*

### Top Ten Holdings as of 6/30/21

Holding	% of Portfolio
Cash	4.69%
Galapagos NV	4.59%
Vertex Pharmaceuticals Inc	4.53%
Regeneron Pharmaceuticals Inc	3.55%
Sarepta Therapeutics Inc	3.38%
Bluebird Bio Inc	3.27%
Viracta Therapeutics Inc	3.25%
Cogent Biosciences Inc	3.08%
Merck & Co Inc	2.89%
Traverre Therapeutics Inc	2.78%

*Holdings are subject to change and should not be considered investment advice.*

### Important Risk Information

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.

The S&P Biotechnology Select Industry Total Return Index represents the bio-technology sub-industry portion of the S&P Total Markets Index.

The S&P 500 Health Care Sector TR Index comprises those companies included in the S&P 500 that are classified as members of the GICS health care sector.

You cannot invest directly in an index. Unmanaged index returns do not reflect fees, expenses or sales charges. There is no assurance that the Fund will achieve its investment objective.

**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.**



**Investment Sub-Advisor**  
LifeSci Fund Management

**Portfolio Manager**  
Mark Charest, PhD

- 12+ year career as an investor at several specialized \$1B+ AUM healthcare funds
- Led Medicinal Chemistry Lab at the Novartis Institutes for BioMedical Research focused on Oncology drug discovery
- Inventor on 8 drug patents
- Portfolio Manager at New Leaf Venture Partners
- National Science Foundation Graduate Research Fellow
- PhD and MS in Chemistry and Chemical Biology from Harvard University

### Contact Us

 +1 855 674 FUND

 [www.alphacentricfunds.com](http://www.alphacentricfunds.com)

 [info@alphacentricfunds.com](mailto:info@alphacentricfunds.com)