AlphaCentric Income Opportunities Fund
2020: The Year in Review

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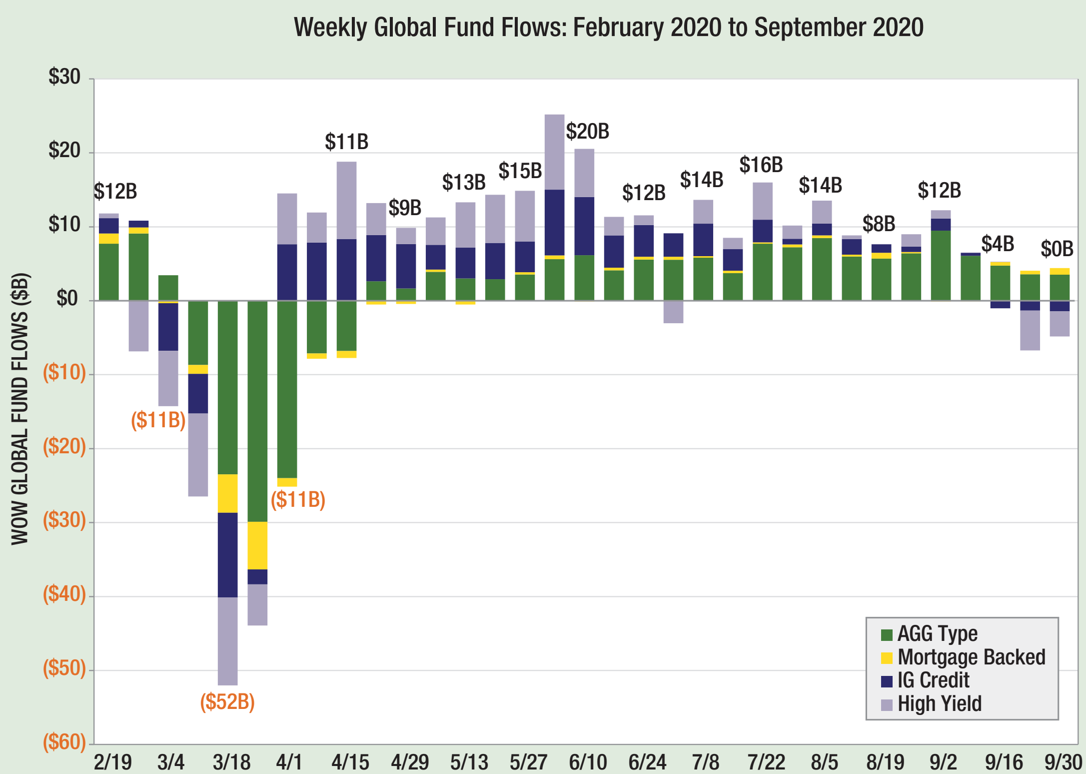
December 31, 2020 — As 2020 comes to a close, we find ourselves looking forward to the promise of a new year. The AlphaCentric Income Opportunities Fund was not immune to Covid-19. Year-to-date, through 12/31/20, the Fund is down -10.58%. The good news is that the Fund made its way back – up 58.89% – from its low point on 3/25/20.

March 2020 was tough for everyone. Unprecedented and historic outflows were seen across the bond fund universe: $108.9B in bond fund outflows including $55.3B outflows from investment-grade bond funds.



Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research. Data as of 9/30/20.There is no assurance that the Fund will achieve its investment objective, generate positive returns, or avoid losses.

These outflows spilled over into the RMBS sector as well. In a single day, 3/25/20, the market saw $11.5B in daily trade volume for non-agency RMBS. In comparison, the average daily trade volume in January and February was $581M. Between 3/15 to 4/15, $48B in total volume traded, representing 4x the $13B implied by January and February averages. These technical pressures forced selling and margin calls from leveraged holders, and large non-agency RMBS books were unwound. The Fund was not immune from this technical pressure and we were forced to sell bonds to meet redemptions.

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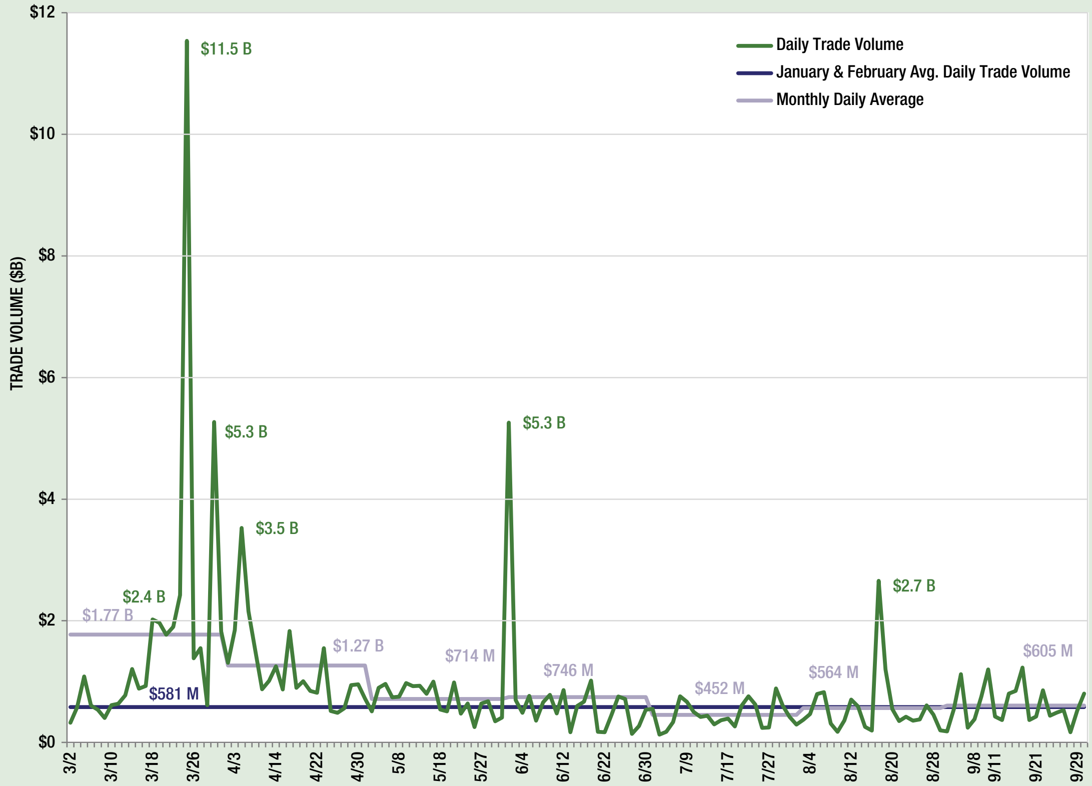
Daily and Average Trade Volume: Q3 2020



Source: TRACE FINRA. Data as of 9/30/20.There is no assurance that the Fund will achieve its investment objective, generate positive returns, or avoid losses.

As a result of the pandemic, we saw historic government stimulus prompt support across the economy with the noted exception of non-agency RMBS. In total, the Fed has offered over $2.3T in support. As illustrated by the chart on the right, sector spreads across the board were impacted, and yields dropped to significant lows while AGG duration increased to over 6 years (through 9/30/20).

2020 also brought significant changes in LIBOR and treasury rates. As of 12/31/20, the 1-Month LIBOR was 0.14% which represented a -92.05% decrease from 12/31/19. The 10-year on 12/31/20 was 0.93%. This represents a -51.56% drop from 12/31/19.

Categorical Change in Duration and YTW: Sept 2019 to Sept 2020

	Sept '20 Duration	Δ in Duration	Sept '20 YTW	Δ in YTW
U.S. Treasury & Govt Related	7.05	+0.56	0.58	-1.22
Corporate	8.68	+0.85	2.01	-0.90
CMBS	5.29	+0.03	1.44	-0.89
ABS	2.11	-0.12	0.54	-1.50
U.S. MBS	2.12	-0.61	1.29	-1.16
Total	**6.12**	**+0.34**	**1.18**	**-1.09**

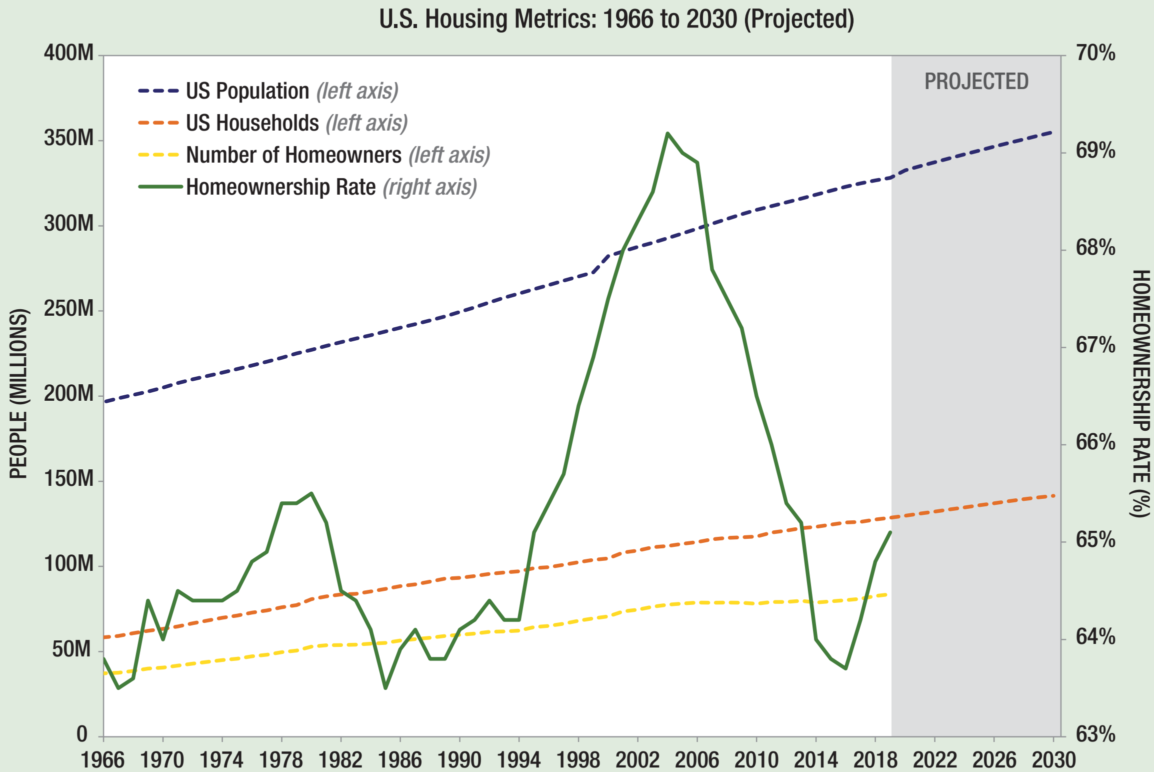
Source: Barclays. Data as of 9/30/20

Despite these many challenges, we were left with a portfolio that we are pleased with, and a Fund with great potential going forward.

We met redemptions in an orderly fashion and were able to hold onto the strongest legacy positions in the portfolio. The fundamentals of housing as well as the bonds in the portfolio left us very optimistic about the future.

We saw sharp performance reversals in Q2 and Q3 as the economy recovered and the Fund's performance edged up. The Fund was up 20.97% in Q2, and up again 10.41% in Q3.

During the pandemic, we did not predict the resilience of home prices and housing in general, as prices continue to increase. U.S. housing



Source: US Census Bureau and Joint Center for Housing Studies of Harvard University. Data as of 6/30/20. There is no assurance that the Fund will achieve its investment objective, generate positive returns, or avoid losses. The forecasts and/or opinions may not come to pass and are subject to change. More recent performance may alter the assessments or outcomes stated herein.

has tracked about 4% annual growth. During the last few years, housing has continued to converge around 4% growth. We also did not predict an improvement in credit scores over the past 6 months. This is a much different situation from 2005, when average FICO credit scores were at 688. Average scores today are at 711 as consumer balance sheets are in much better shape than during the Great Recession. People being able to make payments is one of the benefits of government stimulus programs.

Several factors have been driving home price appreciation and housing in general:

- There are more newly built homes sold at higher-priced tiers today than during the housing boom before the Great Recession.
- In 2005, there were more new homes sold in every single price tier compared to 2020, further exacerbating the housing inventory shortage.
- Homeownership peaked in 2002 and bottomed out in 2014. We are still near the lows in terms of homeownership rates while household formations and demand for housing have been steadily increasing.

> "In our view, the **fundamentals** are what will lead to the Fund **recapturing its NAV loss** and delivering total return over time."

- Mortgage applications are outpacing the supply of single-family listings as there has been a surge in recent purchase applications and home inventory has not kept up.
- Home prices have reached the second most affordable since 1975 with annual payments for existing homes comprising only 15.7% of income.
- US housing inventory is at a 55-year low as there is about half the inventory available as there typically has been. This is especially so at

lower-tiered pricing segments.

- The 30-year fixed mortgage rate is below 2% to 1.97%.
- Rates have been cut by more than half over the past two years, translating to a homeowner being able to purchase 30% more home today than could be done two years ago at the same payment. Mortgage and interest rates will continue to stay low for the foreseeable future.

Looking inside the portfolio, there are two frequently highlighted areas that merit continued attention:

Excess Interest

As discussed in our thought paper from June 2020, excess interest is unique to subprime legacy non-agency residential mortgage backed securities. Excess interest is the residual cash flow after scheduled payments to servicers, agents, and tranche (bond) holders.

Excess interest is available to cover things such as delinquencies, missed interest payments, loss, etc. It benefits bondholders by mitigating losses and paying down bonds faster.

- Excess interest is usually the greatest in subprime structures by design and enhances internal credit of deal structure
- Excess interest serves as the first line of defense against losses from delinquencies and defaults, and potentially for repair credit support and write back losses

Through 9/30, our portfolio has seen a roughly 127bps increase in excess interest ticking over 3% that continues to improve and strengthen the portfolio.

Current Price Distribution of the Fund's Bonds

Through 9/30, the average price of the bonds in the portfolio at large were $78.77. For the legacy RMBS positions, the average price was $77.17. Our expectation is that these bonds will continue to increase towards par and beyond. Thus, with an average coupon in the portfolio of 4% and another 20+ points to go until par, the potential exists for 30%+ total return in the portfolio. Our Q1 2019 presentation had the average price of the bonds at $77.53. We are optimistic about the return potential of the portfolio. Through 9/30, 78.4% of the portfolio was composed of legacy RMBS.

We believe these fundamentals will carry the day for the Fund. In our view, the fundamentals are what will lead to the Fund recapturing its NAV loss and delivering total return over time. The Federal Reserve has shown its commitment to housing, a major component of the financial markets and overall economy, which should support homeowners while supply-and-demand issues continue to increase the value of homes. With an eye towards risk management and total return, we remain positive about the position of the portfolio and our thesis.

Thank you for your continued support and trust. We are along side you in investing in the Fund and remain vigilant as ever in our focus. If there is anything that you need or if you would ever like to have a conversation, please let us know. α

Levels of Protection

1	Homeowner Borrower	▪ Lower $794 monthly payment ▪ Support from unemployment, stimulus checks, refundable tax credits, forbearance, loans, etc.
2	Loan -to-Values	▪ 55.8% LTV ($151K loan vs. $270k home value) ▪ Provides enough asset coverage in event of default/liquidation
3	Excess Interest	▪ Equals Gross WAC – Servicing Fee – Avg. Weighted Bond Coupon ▪ 4.5% -50 bps –0.85% Avg. Coupon → 315 bps excess
4	Deal Subordination	▪ Lower tranches in the capital structure will absorb losses first
5	Discount of Bond Price	▪ Purchase discount can provide margin of safety, an important component of total return ▪ Legacy RMBS Portfolio Avg. Current Price = $77.17

Source: Bloomberg and internal. Data as of 9/30/20.

Risk Considerations

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.

Investing in the Fund carries certain risks. The value of the Fund may decrease in response to the activities and financial prospects of an individual security in the Funds' portfolio. The Fund is non-diversified and may invest a greater percentage of its assets in a particular issue and may own fewer securities than other mutual funds; the Fund is subject to concentration risk. Credit risk is the risk that the issuer of a security will not be able to make principal and interest payments when due. The use of derivatives and futures involves risks different from, or possibly greater than, the risk associated with investing directly in securities.

Fixed income securities will fluctuate with changes in interest rates. Lower-quality bonds, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality. The performance of the Fund may be subject to substantial short term changes. There are risks associated with the sale and purchase of call and put options. These factors may affect the value of your investment.

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