AlphaCentric Income Opportunities Fund
Quarterly Commentary 4Q2020

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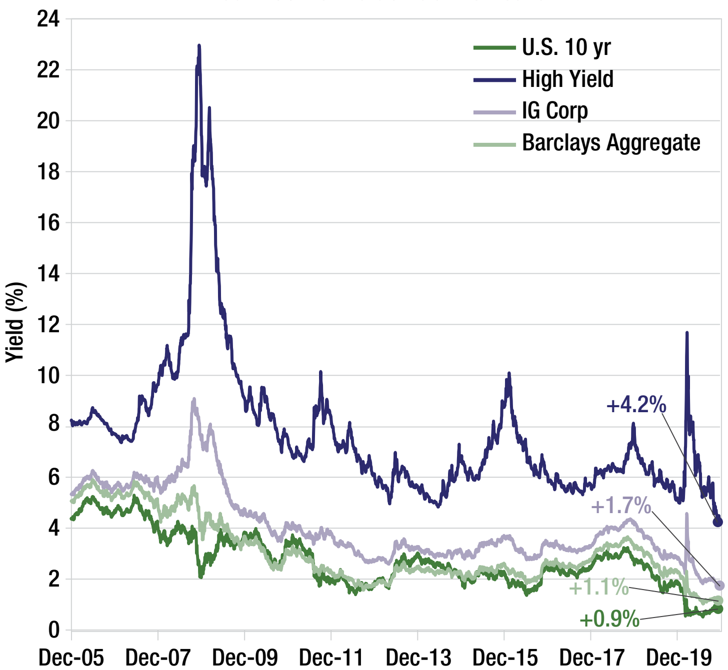
December 31, 2020 — The fourth quarter continued a sharp market reversal with broad gains across the board. The AlphaCentric Income Opportunities Fund had a solid fourth quarter as well, returning 4.91% compared to the Barclays AGG at 0.67%. Looking at the 5-year numbers, IOFIX has posted a +30.88% return compared to the Barclays Aggregate return of +24.23%. We feel that the fixed income markets present some interesting challenges for investors and think that our Fund is in a strong fundamental position heading into 2021.

Market Overview

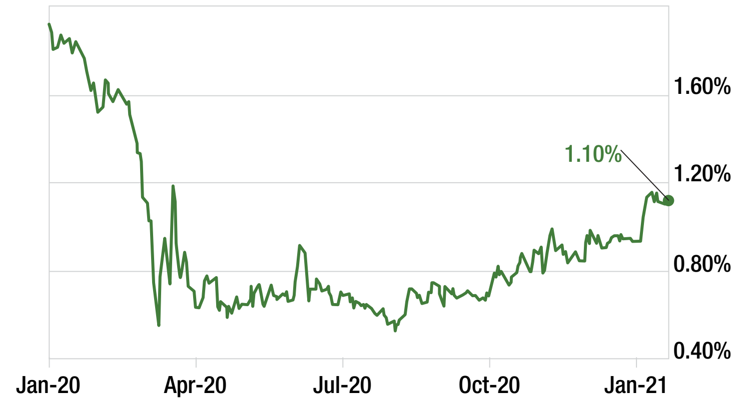
Looking at the fixed income yield landscape over the past 15 years, we see the recent high yield number of 4.2% to be historically low. Typically, when one considers high yield allocations, investors look for equity-like returns considering the amount of risk in those investments. Even with spreads around 300bps to the AGG, high yield defaults could really impact the reported, nominal yield. Low yield numbers do not provide a lot of flexibility or opportunity for income investments:

Fixed Income Yields Last 15 Years



At the end of 2020, the 10-year treasury rate stood at 0.93%. This represented a -51.56% decrease from the 1.92% rate that posted on 12/31/2019.

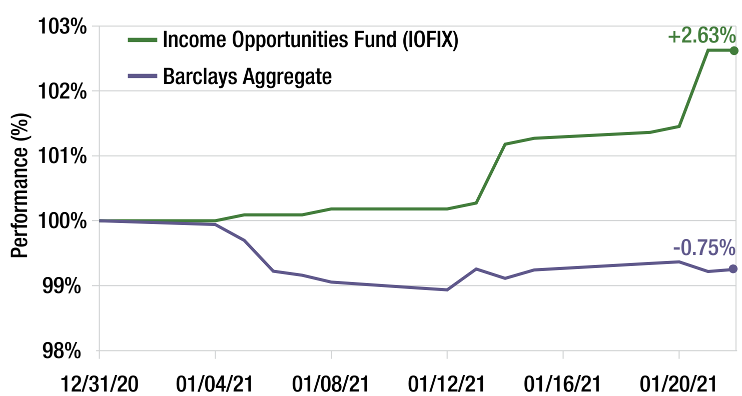
10 Year Treasury Rate



> "Never have interest rates been lower, duration longer, and interest rate risks been higher than they are right now in the fixed income markets."

With a duration of 6 years, it does not take much movement in interest rates to dramatically impact such low yields. In fact, just considering the timeframe this year from 12/31/20 to 1/22/21, with rates increasing nearly 20bps to 1.10%, you can see that this 20bps move has impacted the AGG. During this time, the Fund has seen a bump in performance as it is not tied to making correct calls on duration or traditional fixed income indicators. The securities in the Fund are backed by housing and RMBS and have more themes and layers than a typical AGG yield/duration analysis. Not to mention, the Fund has 97% of its securities as floating rate:

Total Return: 12/31/20 to 1/22/21



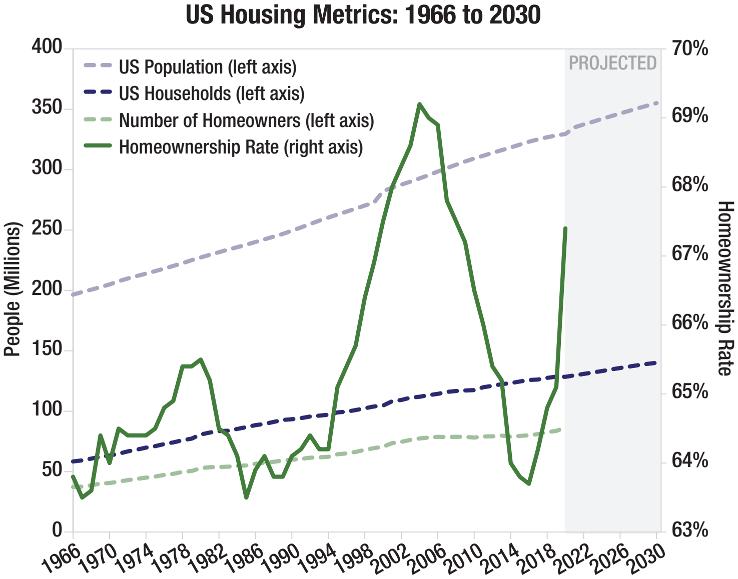
Never have interest rates been lower, duration longer, and interest rate risks been higher than they are right now in the fixed income markets.

At the same time, US housing has tracked around 4% annual growth since 1987 and even beyond. We see a consistent, long-term convergence of home price appreciation around 4%. It seems that historically, there are times when growth gets ahead or behind that 4% number, but over time, the market converges around 4%. Perhaps as AGG yields remain low, more fixed income investors will look to their own homes or housing as reasonable investments to replace traditional 60/40 fixed income allocations.

Home ownership rates continue to rise quickly

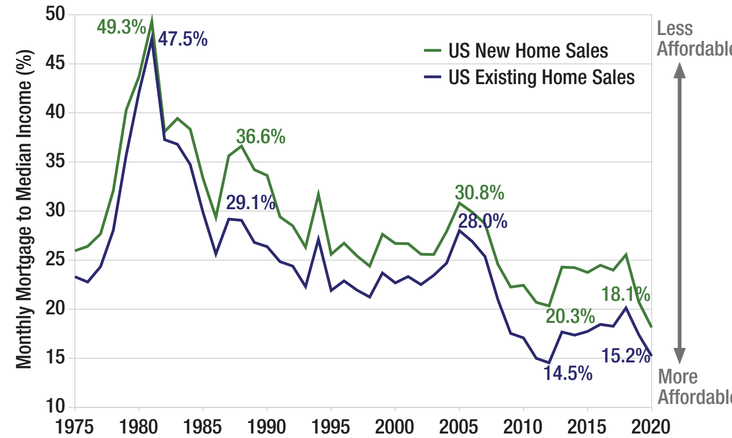
As savings increase, stimulus money makes its way through the economy, and vaccines are rolled-out, the economic landscape seems likely to improve. A number of factors in the housing market further boost our optimism about the sector and the Fund in particular. Home ownership rates continue to rise quickly and are forecasted to continue to rise:

US Housing Metrics: 1966 to 2030



Low mortgage rates and healthy wages continue to help new homeowners in terms of affordability with monthly payments for existing homes comprising only 15.2% of income making this one of the most affordable periods in history even as home prices continue to rise:

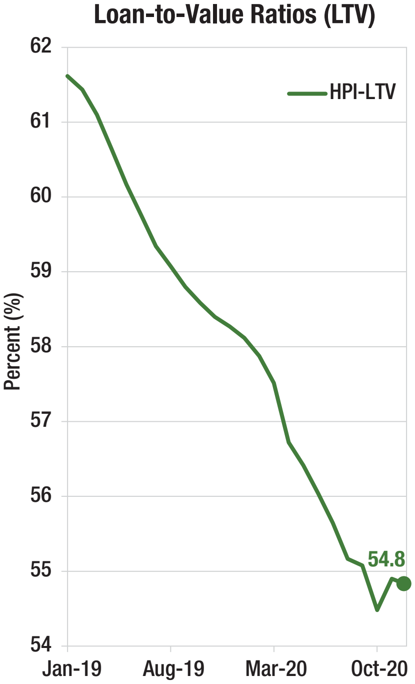
US Mortgage to Median Income



Lastly, on the supply side, US housing inventory for sale is at 50 year lows. The total of all US homes for sale is only 0.58% of total housing. At the same time, 89% of US cities (out of 29,000 cities and towns across the country) had positive year-over-year home price appreciation. This broad-based appreciation factors across housing tiers and locations. This, in particular, impacts the mortgages in the Fund's portfolio that are on the lower-end of the tier segmentation and predominantly in the suburbs.

The rate that borrowers are refinancing their homes has just about doubled in the past year. This is good for the portfolio given our bonds are purchased at a significant discount and still maintain an average price around $80. If a borrower refinances, we get our bonds back at par, the principal is returned sooner, and the yield to maturity bumps. This also bumps up the credit support in the portfolio and enhances the subordination. In the last two years, we have seen a roughly 18% improvement

Housing Price Index
Loan-to-Value Ratios (LTV)



in home-equity of the borrowers in our portfolio, as measured by Loan-to-Value Ratios (LTV). Consider that the average borrower in the portfolio has been in their homes for around 15 years; this is significant equity that is harder and harder for the borrower to walk away from. Through 12/31/2020, we are seeing the average LTV of the portfolio to be 54.5%. Lastly, we have seen a steady and significant decrease in the amount of borrowers in the last states of delinquencies. Our hunch is that this was influenced by stimulus packages along with forbearance and other programs.

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Outlook

With 82.3% of the portfolio concentrated in legacy, NARMBS positions, we feel confident. We do not know of any other portfolio that has such a high concentration of legacy securities at such a low price (and this is *current* price, not *purchase* price). We feel that there is a lot of convexity left in terms of upside over the next few years especially since 82% of the securities originated before 2007 and 97% of the securities are low duration and floating rate.

Overall, we are extremely grateful to our partners for their trust in us and their continued investment. We feel the portfolio is in a position to recover and has the potential to generate favorable returns for investors. We feel that the structural benefits of the non-agency subprime securities can provide additional enhancements to weather potential storms as well as volatility, should they arise. We feel the fundamentals are strong and continue to strengthen, especially in comparison to other potential fixed income investments. α

Fund Performance *as of 12/31/20 (Annualized if greater than 1 year)*

Inception Date: 5/28/15	QTD	YTD	1 YR	3 YR	5 YR	Inception
Class I	4.91	-10.58	-10.58	1.49	5.53	6.84
Class A	4.76	-10.84	-10.84	1.23	5.24	6.56
Class C	4.58	-11.48	-11.48	0.48	4.47	5.78
Barclays US Agg. Bond TR Index	*0.67*	*7.50*	*7.50*	*5.34*	*4.44*	*3.90*
Class A After Sales Charges	-0.22	-15.10	-15.10	-0.39	4.22	5.63

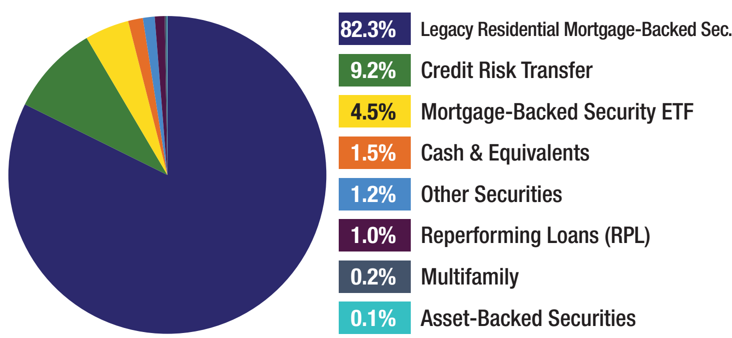
Past performance is no guarantee of future results. There is no assurance that the Fund will achieve its investment objective. Total annual fund operating expenses are 1.93%, 2.68%, and 1.68% for Class A, C, and I shares respectively.

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

Barclays US Aggregate Bond Index: A market capitalization-weighted index that is designed to measure the performance of the U.S. investment grade bond market with maturities of more than one year.

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.

Portfolio Allocation as of 12/31/20



Portfolio composition is subject to change and should not be considered investment advice.

Important Risk Information

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 Fund's 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.

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.

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