AlphaCentric Income Opportunities Fund
Quarterly Commentary 1Q2021

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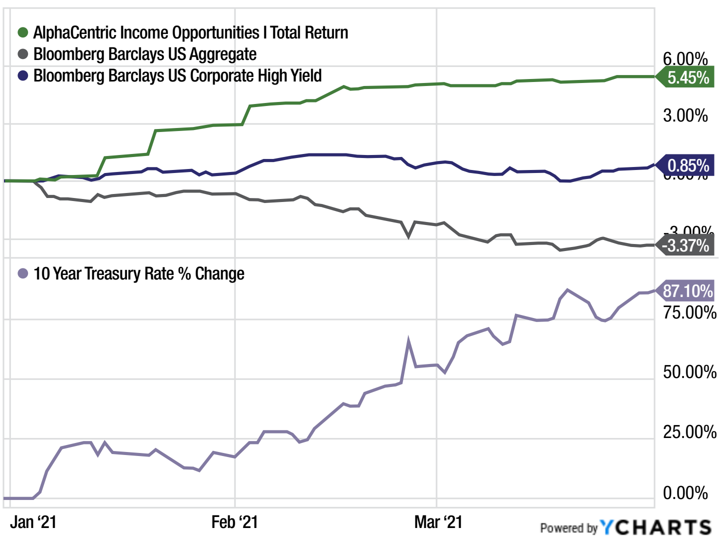
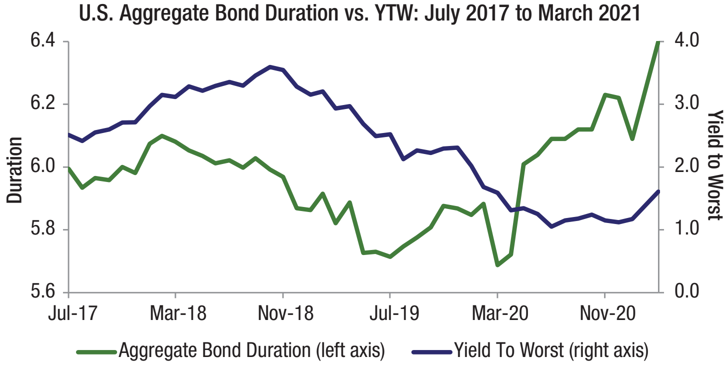
March 31, 2021 — 2021 is off to what we would consider a mixed start. Mostly, this is the result of rising rates, especially as seen in the 10-year treasury market. The 10-year rose about 87% in Q1 from 92bps to 174bps on March 31. For the quarter, the Fund was up 5.45% through 3/31/21, while the Bloomberg Barclays U.S. Aggregate was down -3.37%. Overall, the markets appear to be yield-starved as low yields and long duration are influencing the fixed income markets:

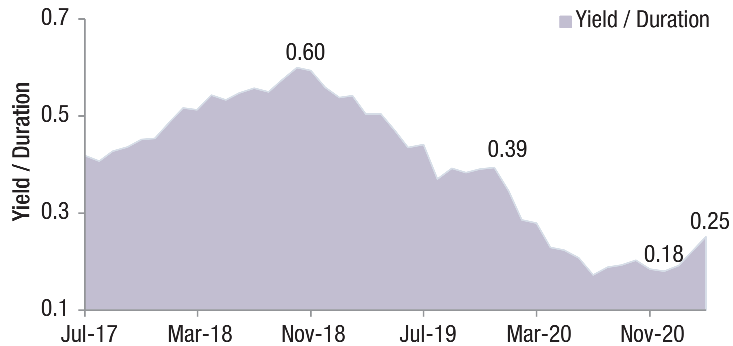


The 1-year return for the Fund through 3/31/21 was 47.76%, and the 5-year number 37.56%, compared to 0.71% and 16.51% respectively for the AGG. The current yield-starved environment can be difficult for fixed income investors and managers. At present, rates are more poised to sell off than to rally. Given the Income Opportunities Fund has 97% of its securities in floating rate instruments and nominal interest rate duration, the fund is not as prone to rate moves as other vehicles. In addition, if rates were to increase, our coupons would increase. Thus, overall, we have little interest rate risk in the portfolio:

U.S. Aggregate Bond Duration vs. YTW: July 2017 to March 2021



Source: Barclays and Bloomberg. Data as of 3/31/21.



Source: Barclays and Bloomberg. Data as of 3/31/21.

For the Fund, there are 5 levels of defense built within the non-agency, legacy subprime RMBS sector that continue to build fundamental strength and create optimism. We feel that our experience and acumen allows us to effectively manage and invest in a way to further support these risk mitigating factors:

Homeowner Borrower	▪ Lower monthly payment ▪ Support from unemployment, stimulus checks, refundable tax credits, forbearance, loans, etc.
Loan-to-Values	▪ 51.9% LTV ($149K loan vs. $287k home value) ▪ Provides enough asset coverage in event of default/ liquidation
Excess Interest	▪ Equals Gross WAC –Servicing Fee –Avg. Weighted Bond Coupon ▪ 4.5% -54 bps –0.81% Avg. Coupon →315 bps excess
Deal Subordination	▪ Lower tranches in the capital structure will absorb losses first
Discount of Bond Price	▪ Purchase discount can provide an important component of total return ▪ Legacy RMBS Portfolio Avg. Current Price = $86.29

Source: Bloomberg and internal. Data as of 3/31/21.

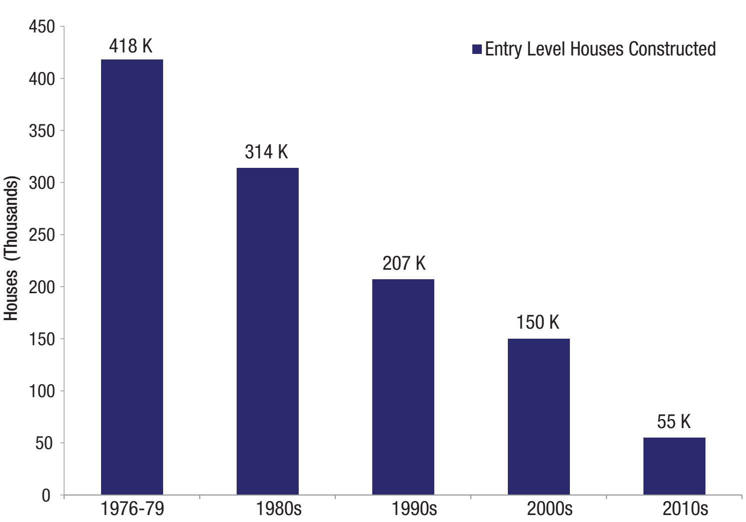

Homeownership rates continue to rise as potential homeowners can now afford a home for the first time, as rates remain low

Homeowner Borrower

Overall, housing remains as affordable as ever, even as home prices increase. This is mostly the result of low interest rates and wage increases. The homeownership rate has been increasing as potential homeowners can now afford a home for the first time as rates remain low. This is different from pre-2008, which was mostly driven by easy credit. In addition, most of these borrowers are in 30-year fixed rate mortgages.The borrowers have a fair amount of savings, and demographic changes are inviting newly formed households to enter the housing market.

All the while, housing prices have been increasing significantly across the board mostly as a result of supply issues. We estimate a national shortage of about 4 million homes. Most notably, the entry-level tier of the market, where demand is the highest, has experienced the largest supply glut as we are at a five decade low in terms of new housing supply:

Number of New Homes Constructed Annually Below 1,400SF



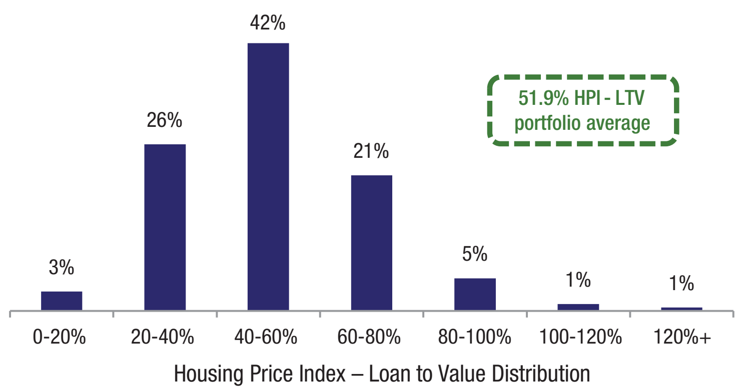
Source: Freddie Mac. Data as of 3/31/21.

This is a good outcome for the Fund overall as the Fund focuses on this starter home segment of the market.

Loan-to-Values

Inside of the portfolio, we have an average home value of $287K with an average loan value of $149K, which represents a 52% LTV. The portfolio is broadly distributed across the United States geographically. Moreover, these types of homeowners are most likely to receive support from government programs and are highly incentivized to remain in their homes. Not to mention, with rates as low as they are, the monthly payment has been decreasing as well.

HPI-LTV Distribution

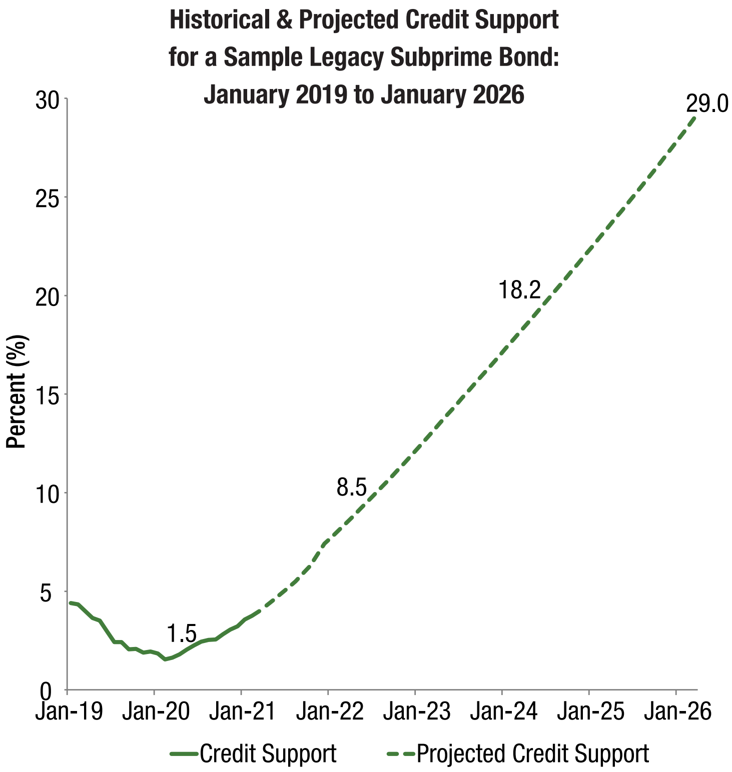


Calculations include legacy RMBS securities (82.4% of portfolio).
Source: Bloomberg, Intex, & Internal.

The 52% LTV means that homeowners almost have 50% equity in their homes. This equity has been impacted by rising home prices and also amortizations. After 15-years of monthly payments, a greater percentage of payments is going towards paying down principal at a natural 3%-5% clip. These homeowners will not want to walk away from that much equity and they do not have good housing alternatives if they were to lose their home.

Excess Interest and Deal Subordination

Further supporting the Fund is excess interest and credit support. The benefits of excess interest are most impactful to legacy, subprime RMBS investments. Excess interest occurs when mortgage payments coming into the trust exceed the payments going out to the bondholders. This excess interest provides credit support, covers delinquencies and late payments, and supports the bond subordination within the waterfall. As LIBOR rates have dropped, excess interest has increased. For our portfolio, where we target deals with a higher mortgage rate, we are seeing excess interest above 3%. As an example:



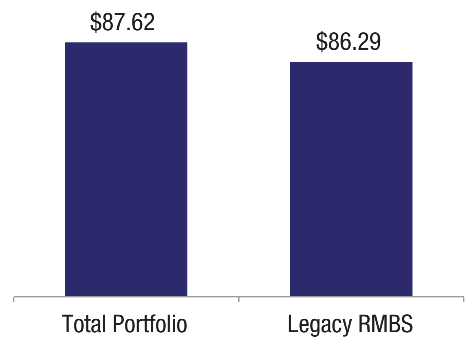
Source: Nomura. Data as of 3/31/21.

For the Portfolio, we are seeing delinquencies in the mid-teens and a decreasing trend. As delinquencies and foreclosures go down and credit support goes up, we are seeing 2-3x of extra support across the Fund. At the same time, voluntary pre-payments are increasing. Thus, bonds will get their principal back and have an increase amount of interest which, overall, will pay the securities back faster. Since the bonds of the Portfolio are still at a significant discount to par, yields will be higher and total returns will be pushed up. If you were to multiply the current 315bps of excess interest in the Portfolio by the 15+ years until mortgage maturity, you will see a significant amount of support and thus a defensive positioning. This improves deal subordination that will grow and improve subordinate tranches and their ability to absorb losses.

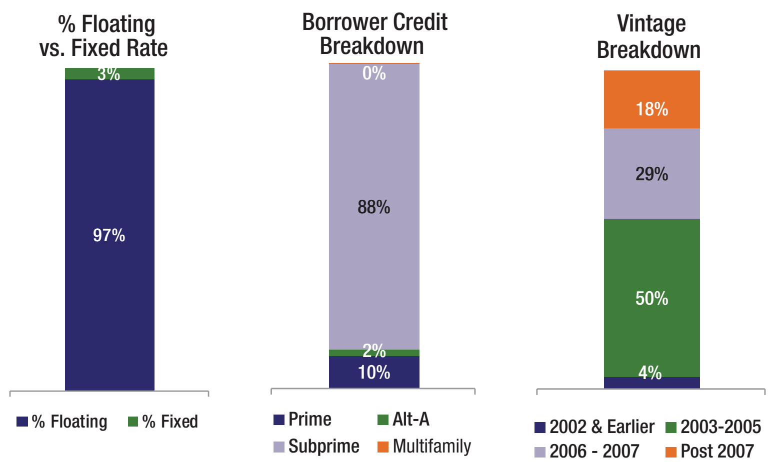
Discount of Bond Prices

Our last level of risk mitigation is the discount price of the bonds in the Fund. We do not know of any other portfolios that have access to these legacy securities at such a discount. We now have an average price distribution across the Portfolio of $87.62 with the legacy RMBS positions at $86.29. This represents a ~14% discount to par. However, as a result of loss write up provisions, many of these bonds have the ability to appreciate above par. We estimate that our Portfolio can see appreciation up to $105, which may result in an additional 22% return on these bonds. This discount could be realized over the next 3-10 years.

Current Price Distribution



Calculations excludes cash equivalents (1.9%), bond ETFs (4.8%), and other securities (1.5%); in aggregate exclusions total 8.2% of portfolio. Portfolio represented is for illustrative purposes only.
Source: Bloomberg, Intex, & Internal.



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Source: Bloomberg, Intex, & Internal.

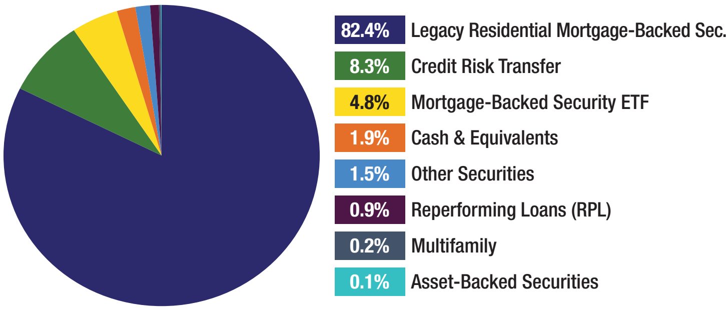
Outlook

Overall, we feel good about housing and good about the Portfolio. We are overweight housing. However, we remain optimistic because of technical indicators supporting higher prices and relative affordability. Furthermore, every good month that occurs results in an increase in credit support and excess interest to act as a cushion in case of housing issues. We continue to keep an eye on inflation, however, a great hedge to inflation is real assets and we believe housing remains a good long-term investment to defend the Fund from higher taxes, inflation and interest rates. With nearly 25% of the Portfolio in liquid assets, we also feel confident in our ability to weather another liquidity squeeze.

We remain grateful to our partners for their trust in us and their continued investment. We feel that our portfolio fundamentals are strong and continue to strengthen, especially in comparison to other fixed income investments.

Although we cannot predict the future, and there is no guarantee that the AlphaCentric Income Opportunities Fund will achieve its objectives, generate profits, or avoid losses, we feel that with the positive headwinds in the sector that the Fund has potential to grow. α

Portfolio Allocation as of 3/31/21



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

Fund Performance *as of 3/31/21 (Annualized if greater than 1 year)*

Inception Date: 5/28/15	QTD	YTD	1 YR	3 YR	5 YR	Inception
Class I	5.45	5.45	47.76	2.90	6.59	7.51
Class A	5.49	5.49	47.46	2.64	6.31	7.25
Class C	5.22	5.22	46.29	1.87	5.51	6.45
Barclays US Agg. Bond TR Index	*-3.37*	*-3.37*	*0.71*	*4.65*	*3.10*	*3.13*
Class A After Sales Charges	0.47	0.47	40.40	0.99	5.29	6.35

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.

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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Garrison Point

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- MBA, BA & BS University of Utah

Garrett Smith
Principal & Portfolio Manager
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- MBA & MEM, Northwestern; BS Engineering, US Naval Academy; BA, University of Maryland

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