

# AlphaCentric LifeSci Healthcare Fund

## Quarterly Commentary 1Q2021



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March 31, 2021 — The Fund performed well during the first quarter of 2021 (+1.83% 1Q, +41.79% since inception 11/29/2019), outpacing the S&P Biotechnology Select Industry Index (-3.61% 1Q, +32.27% since 11/29/2019).

Notably, the S&P Biotechnology Select Industry Index suffered a significant 30% pullback during the quarter from the mid-February peak. The Fund's cash balance, exposure to several robust cash flow/revenue growth companies, and avoidance of several early stage innovators with highly speculative valuations helped limit the drawdown while preserving the potential to capture upside should the sector rebound.

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

Inception Date: 11/29/19	QTD	6 Mos	YTD	1 Year	Inception
<b>Class I</b>	1.83	29.89	1.83	67.02	41.79
<b>Class A</b>	1.77	29.74	1.77	66.70	41.59
<b>Class C</b>	1.64	29.39	1.64	66.38	41.39
<i>S&amp;P Biotechnology Select Industry Total Return Index</i>	1.74	8.04	1.74	29.92	17.53
<i>S&amp;P 500 Health Care Sector TR Index</i>	-3.61	21.93	-3.61	75.20	32.27
<b>Class A After Sales Charges</b>	-4.07	22.27	-4.07	57.15	35.46

Past performance is no guarantee of future results. There is no assurance that the Fund will achieve its investment objective.

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

Passage of the \$1.9T COVID-19 stimulus package during the quarter was enough to rally the major indices to all-time record highs, while rising interest rate fears and the economic reopening narrative drove sector rotation. Vaccine rollout materially ramped up in the quarter, with over 100m doses administered in the US. At this rate, it is expected the

majority of the US population will be vaccinated in the coming months, fully enabling economic reopening.



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The halo effect from the development of science-driven solutions to the global pandemic helped propel the biotech sector to its mid-February peak while sector rotation and potential policy headwinds precipitated the sharp correction. In early March, the S&P Biotechnology Select Industry Index was down more than 10% in a single week, marking one of its worst declines in the past decade and the largest since COVID-19 lockdowns in March 2020. Qualitatively, we observed high flying 'story stocks' (including many preclinical companies with speculative multi-billion dollar valuations) selling off significantly, while several robust revenue and cash flow growth companies (especially those with strong financial metrics trading at nearly half of the broad market multiple) caught a bid. We expect fundamental factors will continue to assert themselves in the coming quarters and become the primary driver of individual stock performance in the sector

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as the tidal wave of liquidity begins to dissipate. Providing clear scientific and medical benefits to patients has been a central pillar of Western Medicine since the days of antiquity. Early Greek medical texts describe

the “Hippocratic Oath,” a pledge for physicians to prescribe only beneficial treatments and refrain from causing harm to patients. Contemporary physicians, regulators and healthcare reimbursement authorities continue to follow the spirit of this pledge and place significant emphasis on ‘value to patients’ as evidenced by rigorous, well-designed, clinical studies. True medical breakthroughs are defined by compelling data, not theoretical narratives, and tend to converge with valuations over time.



### Fund Overview

The Fund constructs the portfolio across three thematic buckets:

- 1) Disruptive Life Sciences Innovators
- 2) Robust Cash Flow/Revenue Growth Companies
- 3) Direct Funding of promising companies through private placements, IPOs or other structured transactions

**“Deep fundamental diligence and thought leader insights provide the basis for each investment thesis.”**

Deep fundamental diligence and thought leader insights provide the basis for each investment thesis. The collaboration with LifeSci Partners global network helps highlight differentiated solutions for critical unmet medical needs. Among the broad universe of therapy areas, particular attention is focused on Oncology pioneers based on the following strong fundamentals:

- 1) There is substantial unmet need for patients with untreatable cancers
- 2) Foundational advances in genetics and cancer biology have increased the quality and specificity of novel oncology therapeutic candidates
- 3) Regulators have been generally consistent with approval requirements

and often work closely with sponsors

- 4) Clear value to patients provides solid foundation for premium reimbursement

During the quarter the FDA approved the first cell based immunotherapy, idecabtagene vicleucel (ide-cel, Abecma), for patients with multiple myeloma, a form of blood cancer. The approval was based on robust clinical data showing high response rates in difficult to treat, late stage patients. Bristol Myers (NYSE: BMY) and Bluebird Bio (NASDAQ: BLUE) announced list pricing of Abecma would be \$419,500, reflecting the material benefit to patients with limited or no other therapeutic alternatives.

The Fund remains an active participant in the capital markets activity that enables life science innovators to move forward. During the first quarter of 2021, the Fund participated in several direct funding transactions that placed capital on the balance sheets of disruptive innovators.

### Outlook

Fundamentals for the life sciences sector remain attractive as 1) disruptive innovations generally have pricing power (especially breakthrough therapeutics treating critical unmet medical needs), 2) balance sheets are very strong following record capital markets activity in 2020 and 3) healthcare utilization is expected to rebound as the economy fully reopens. Remarkably, in 1Q 2021 there were 139 biotechnology transactions raising \$17 billion, compared to 59 raising \$9 billion in 1Q 2020, which was a record year (Source: LifeSci Capital). We see significant potential for value creation through a life sciences innovation boom as the record capital markets activity converges with leading science to address unmet medical needs. **α**

### Top Ten Holdings as of 12/31/20

Holding	% of Portfolio
Cash	5.90%
Regeneron Pharmaceuticals Inc	5.02%
Galapagos NV	4.97%
Bluebird Bio Inc	4.28%
Merck & Co Inc	4.24%
uniQure NV	4.15%
Vertex Pharmaceuticals Inc	3.26%
Viracta Therapeutics Inc	3.24%
Cogent Biosciences Inc	2.99%
Gilead Sciences Inc	2.89%

*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

- 10+ 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

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