

# AlphaCentric Prime Meridian Income Fund

## Quarterly Commentary 3Q2021



### PMIFX

September 30, 2021 — Performance in the third quarter of 2021 was positive for the AlphaCentric Prime Meridian Income Fund (“the Fund”) as well as its comparable indexes. The Fund was +1.47% for the period, compared to +0.14% for the Bloomberg Barclays 1-3 year Credit Index and +0.89% for the Bloomberg Barclays U.S. High Yield Corporate Bond Index.

### Fund Performance as of 9/30/21 (Annualized if greater than 1 year)

Inception Date: 12/31/19*	QTD	6 Mos	YTD	1YR	Inception
<b>Class I</b>	1.47	3.59	5.61	7.08	7.83
<i>Bloomberg U.S. High Yield Corporate Bond Index</i>	0.89	3.65	4.53	11.28	6.67
<i>Bloomberg U.S. Credit 1-3 Year Index (USD)</i>	0.14	0.38	0.35	0.92	2.29

\*Inception: The Fund’s inception date was 10/01/19 but the Fund first began to invest assets on 12/31/19, which the data in the above table reflects.

Expense Ratio: Net 2.41% | Gross 32.46%. The Advisor has contractually agreed to limit certain fees and expenses until January 31, 2022.

Past performance does not guarantee future results and there is no assurance that the Fund will achieve its investment objective.

The maximum sales charge for Class “A” Shares is 5.75%. Past performance is no guarantee of 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 or the funds prospectus please visit [www.AlphaCentricFunds.com](http://www.AlphaCentricFunds.com), or call toll free at 1-844-ACFUND (844-223-8637).

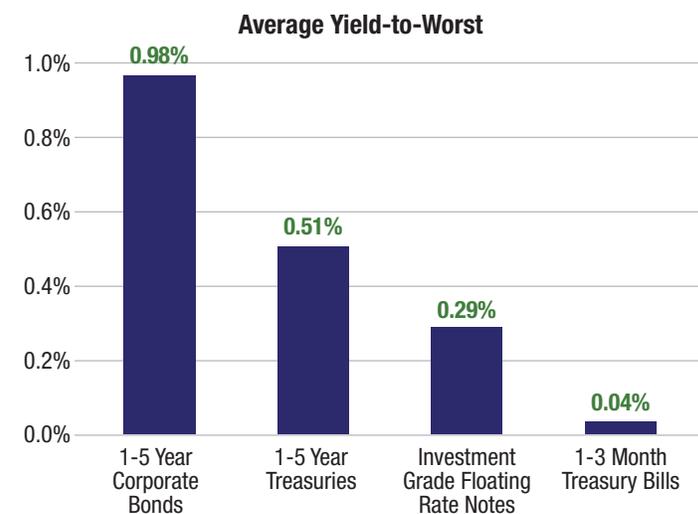
### Market Overview

Investors continue to search for yield in this low interest rate environment, and the prospect of rising rates has both positive and negative implications. The current expectation is that the Federal Reserve (“the Fed”) raises rates around 50 basis points starting in 2022 and continues the next year with a similar increase. On the plus side, rising interest rates will mean yields and associated income on new or variable-rate investments will go up. On the downside, prices of existing fixed income holdings will decline to equate to the new higher yield.

To manage the downside, some investors have move into either variable rate debt or very short duration instruments, such as 1-3 month Treasury Bills, to wait to buy new fixed-rate debt when yields are higher. But there are alternatives.

One alternative is to use short-term corporate bonds that yield significantly

more than treasuries (see chart) until the Fed raises short-term interest rates. Another approach is to pair the above strategy with short duration, high yield asset backed instruments, such as consumer and real estate loans that are held in the AlphaCentric Prime Meridian Income Fund. This strategy has the ability to significantly increase the income, and diversification, of a traditional fixed income portfolio but without materially increasing duration or interest rate risk.



Source: Bloomberg. Data as of 10/5/21. Bloomberg U.S. Corporate 1-5 Year Corporate Bond Index, Bloomberg U.S. Treasury 1-5 Year Index, Bloomberg U.S. Floating-Rate Notes Index, and the Bloomberg U.S. Treasury Bills 1-3 Month Index. Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

### Fund Overview

The third quarter was the Fund’s seventh consecutive profitable quarter, with positive performance coming from both of the Fund’s significant positions in consumer and real estate bridge loans. These two loan types continue to comprise the majority of the Fund’s assets, with the remainder held in cash and cash equivalents.

Roughly 52% of the Fund’s assets were invested in dozens of first lien real estate bridge loans, all with favorable fundamentals such as loan-to-value and loan-to-cost characteristics. These loans were geographically diversified and primarily multi-family (51%) and single-family (44%) loans, principally used to rehab these properties, and were also used for refinancing and construction purposes. Falling interest rates also impacted bridge loans, and which resulted in more selectivity in new loan purchases.



Performance of consumer loans, which made up roughly 30% of the Fund's assets at the end of the period, continued to perform well. During the period, the Fund's consumer loan portfolio was made up of hundreds of individual domestic loans across prime, near prime and emerging consumer loan types. At the end of the period, the Fund's individual consumer loans have an average weighted FICO of over 699 across both traditional prime and near prime loan holdings (near prime being defined as loans with FICO scores between 620 and 659). Additionally, within the consumer asset class the Fund had exposure to a portfolio of domestic emerging creditor loans originated by an innovative loan originator with digital banking services.

As of September 30, the Fund's overall portfolio continued to have a McCauley duration of 9.6 months and a 31+ day delinquency rate of 2.66%, which is consistent with expectations for a diversified and performing loan portfolio.

**“We remain pleased with the Fund's performance to date and believe it to be a quality, value added holding for a diversified fixed income portfolio.”**

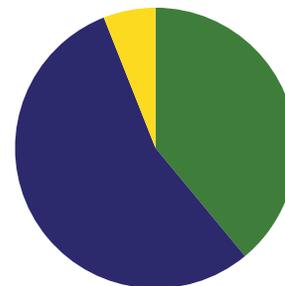
**Outlook**

As last quarter, we expect the bond market to remain volatile for the remainder of the year due to uncertainty associated with inflation and economic growth, and that quality asset backed investments with shorter durations, such as those held in the Fund, are likely to continue to do well relative to traditional holdings.

We remain pleased with the Fund's performance to date and believe it to be a quality, value added holding for a diversified fixed income portfolio. *α*

**Investment Allocation (Market Value) as of 6/30/21**

- 39% Consumer
- 55% Real Estate
- 6% Cash



**Important Risk Information**

**INVESTING IN THE FUND INVOLVES A HIGH DEGREE OF RISK, INCLUDING THE RISK THAT YOU MAY RECEIVE LITTLE OR NO RETURN ON YOUR INVESTMENT OR THAT YOU MAY LOSE PART OR ALL OF YOUR INVESTMENT. THIS IS A CONTINUOUSLY-OFFERED, NON-DIVERSIFIED, CLOSED-END INTERVAL FUND AND IS NOT INTENDED TO BE A TYPICAL TRADED INVESTMENT. LIMITED LIQUIDITY IS PROVIDED TO SHAREHOLDERS ONLY THROUGH THE FUND'S QUARTERLY REPURCHASE OFFERS FOR NO LESS THAN 5% OF THE FUND'S SHARES OUTSTANDING AT NET ASSET VALUE. REGARDLESS OF HOW THE FUND PERFORMS, THERE IS NO GUARANTEE THAT SHAREHOLDERS WILL BE ABLE TO SELL ALL OF THE SHARES THEY DESIRE IN A QUARTERLY REPURCHASE OFFER.**

There currently is no secondary market for the Fund's shares and the Fund expects that no secondary market will develop. Shares of the Fund will not be listed on any securities exchange, which makes them inherently illiquid.

Investing involves risk. The Fund will invest in Marketplace Lending Instruments which are generally not rated and constitute a highly risky and speculative investment, similar to an investment in "junk" bonds. Below-investment-grade ("high yield" or "junk") bonds are more at risk of default and are subject to liquidity risk. There can be no assurance that payments due on underlying Marketplace Loans will be made. The Shares therefore should be purchased only by investors who could afford the loss of the entire amount of their investment.

Many of the Fund's investments are associated with loans that are unsecured obligations of borrowers. This means that they are not secured by any collateral, not insured by any third party, not backed by any governmental authority in any way and, except in the case of certain loans to businesses, not guaranteed by any third party.

Distressed credit investments are inherently speculative and are subject to a high degree of risk. Leverage (borrowing) may be considered speculative and involves transaction and interest costs on amounts borrowed, which

may reduce performance. The Fund is classified as “non-diversified” and may invest a greater portion of its assets in the securities of a single issuer.

### Key Definitions

**Bloomberg US Credit 1-3 Year Index:** Measures the performance of investment grade, US dollar-denominated, fixed-rate, taxable corporate and government-related debt with 1 to 2.9999 years to maturity. It is composed of a corporate and a non-corporate component that includes non-US agencies, sovereigns, supranationals and local authorities.

**Bloomberg US Corporate High Yield Bond Index:** Measures the USD-denominated, high yield, fixed-rate corporate bond market. There is no assurance that the Fund will achieve its investment objective. You cannot invest directly in an index. Unmanaged index returns do not reflect fees, expenses or sales charges.

All data is as of the most recent quarter-end other than the annual return which is annualized.

**Delinquency:** The percentage of loans within a financial institution’s loan portfolio whose payments are delinquent. When analyzing and investing in loans, the delinquency rate is an important metric to follow; it is easy to find comprehensive statistics on the delinquencies of all types of loans.

**Duration:** A measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

**Macaulay Duration:** The weighted average term to maturity of the cash flows from a bond. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Macaulay duration is frequently used by portfolio managers who use an immunization strategy.

**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 Fund is distributed by Foreside Fund Services, LLC



Don Davis  
Portfolio Manager

**Investment Sub-Advisor**  
Prime Meridian Capital Management

**Portfolio Manager**  
Don Davis

- Portfolio Manager since Fund inception
- Managing Partner and Lead Portfolio Manager of Prime Meridian Capital Management
- Served as Principal and Portfolio Manager of Prime Meridian since 2012

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