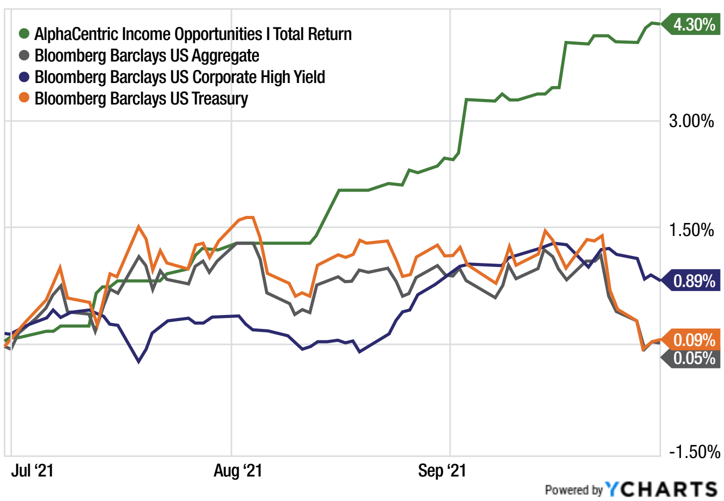
AlphaCentric Income Opportunities Fund
Quarterly Commentary 3Q2021

IOFIX
IOFAX
IOFCX

September 30, 2021 — Mixed performance continued in the third quarter for a broad section of the markets. Commodities and oil led the way in Q3 amidst debates around inflation and whether it is transitory. Real estate also continued its torrid pace in the quarter and for the year with annual home price growth moving to 17.7% and the median home price in the United States growing to $303K. For the quarter, the Fund was up 4.30% (compared to the Barclays US Agg. Bond TR Index at 0.05%), with YTD numbers through 9/30/2021 putting the Fund at 12.67% (Barclays US Agg. Bond TR Index, -1.55%).



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

Inception Date: 5/28/15	QTD	YTD	1 YR	3 YR	5 YR	Inception
IOFIX	4.30	12.67	18.21	3.82	6.38	8.02
IOFAX	4.24	12.58	17.93	3.56	6.12	7.76
IOFCX	4.06	11.91	17.03	2.78	5.33	6.97
Bloomberg US Agg. Bond TR Index	*0.05*	*-1.55*	*-0.90*	*5.36*	*2.94*	*3.18*
Class A After Sales Charges	-0.70	7.22	12.32	1.89	5.10	6.93

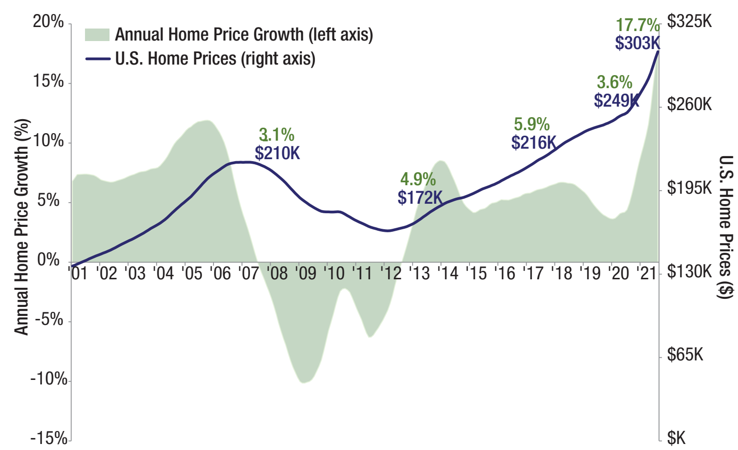
Performance is historic and does not guarantee future results. Investment return and principal value will fluctuate with changing market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. 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.

Gross Expense Ratio: 1.93%, 2.68%, and 1.68% for Class A, C, and I shares respectively (Net Expense Ratio: 1.75%, 2.50%, 1.50%). The maximum sales charge for Class "A" Shares is 4.75%. Past performance is no guarantee of future results. There is no assurance that the Fund will achieve its investment objective.

As stated, US home prices have rapidly accelerated over the past 12 months hitting a 17.7% annual growth rate. The median home price is now $303K with 96% of cities having positive year-over-year home price appreciation. This is being driven by a few key factors:

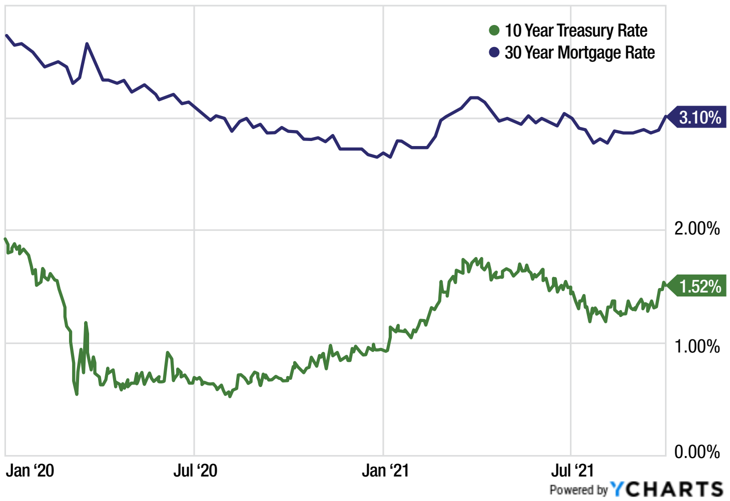
- **Housing inventory is the lowest on record.** Only about 0.5% of total US housing was available for sale, which is the lowest value since 1965.
- **The borrower balance sheet is strong!** Mortgage debt as a percentage of total assets fell from ~13% to ~7% and household net worth has basically doubled over the past 15 years.
- **Housing is becoming an investment asset.** Investors are investing in housing to supplement the fixed income portion of their portfolios (including institutional investors).
- **The prospect of inflation is driving prices.** About 40% of the CPI is made-up of housing.
- **People are spending more time in their homes** (e. g. work from home) and thus are investing in and developing their homes overall.

Annual Median Home Prices & Home Price Growth: 2001 to Aug 2021



Source: Zillow. Data as of 8/31/21.

However, the major driver of housing over the past few years has been rates. Yields on the 10-year are around 1.5% (1.52% as of 9/30/2021) while duration has continued to increase. Duration gets longer as the coupon component shortens or gets smaller. But more impactful for the Fund, the 30-year mortgage rate has dropped and remains at near historic lows. Low mortgage rates have helped homeowners in terms of affordability, with monthly payments for existing homes comprising only 17.5% of income and for new homes sales 23.1%. It has also allowed home owners to buy significantly "more" home for a similar monthly rate:

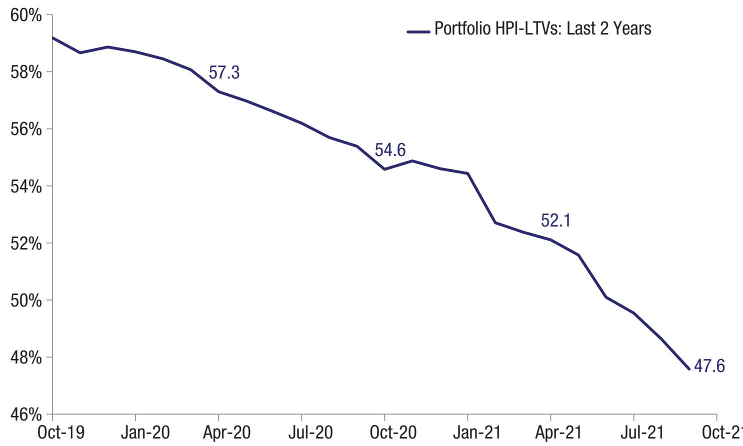


For the Fund, we are much less exposed to interest rate hikes in general than the AGG or other areas of housing. 97% of the Portfolio has floating rate coupons, so we do not pick up much of the interest rate risks. In addition, the Fund has around two years of duration overall.

"The Fund is **not exposed to newly issued mortgages**. Rather, the Fund is exposed to mortgages taken out between 2002-2007 (85% of the portfolio is of pre-2007 vintage)."

The Fund is not exposed to newly issued mortgages. Rather, the Fund is exposed to mortgages taken out between 2002-2007 (85% of the portfolio is of pre-2007 vintage). These borrowers have paid down 30-40% of their mortgages since that time. In fact, the portfolio averages almost 53% equity. 96% of the loans in the portfolio have at least 20% equity in them. In two years, equity ownership has increased nearly 12% (HPI-LTVs decreasing from 59.2% to 47.6%). With an average mortgage size of around $309K, these homeowners are now averaging about $162K worth of equity in their homes. This has a meaningful impact both in the short-term and the long-term as it creates a cushion and a level of defense in the mortgages and makes it less likely for people to default and/or walk away from their homes in cases of financial hardship. If, in unfortunate cases, a borrower does become delinquent and the home needs to be liquidated, it is far less likely that we would see a loss on that sale as a result of the equity having been built up and the home price having appreciated. Lastly, we buy some of the longer tranches and as a result have very little runoff in the Portfolio (only about 5% year). Thus, we do not need to constantly replace the securities in the Fund.

HPI-LTVs have decreased from 59.2% to 47.6% in two years, increasing equity ownership by 11.6%

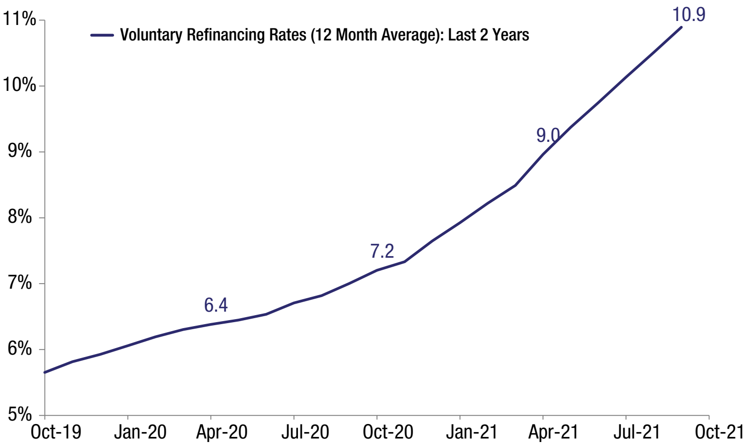


Source: Bloomberg. Data as of 9/30/21.

As the rate of refinancing climbs, it's become evident that many borrowers are actually refinancing to take out equity in their homes

Since October 2019, the rate of refinancing, or "voluntary prepayment rates" (VPR), has continued to climb almost doubling to about 11%. This has been driven by both the low interest rate environments as well as an increase in cash out refinancing. The average borrower in our portfolios borrows at a rate of 4%-6%. With rates now around 3%, some of these folks can gain economically from refinancing. However, it is also clear that some borrowers are not refinancing to lower their rates but rather to take out some equity in their home; essentially using their home as a source of capital or income. For the Fund, higher prepayments are better for us as these securities are still trading at a discount and the sooner the principal comes back the higher the yields are for the Fund. We anticipate refinancings to stay around 10% even if mortgage rates go up because of the equity people can "cash out" of their homes.

Uptick in VPRs driven by both the low interest rate environment as well as increase in cash out refinancing



Source: Bloomberg. Data as of 9/30/21.

We also see the benefits of low rates and the strength of the homeowners balance sheet in the decline of delinquencies with the number of 90 day+ delinquencies continuing to sharply decline as foreclosures and severe delinquencies also continue to move in a positive direction. We are now at a lower number of delinquencies than we saw pre-pandemic.

Credit Enhancements

One thing we also wanted to discuss this quarter were the forms of credit enhancement across the Portfolio. On the loan level, LTVs at 47% is a form of credit support for us. That equity is a great hedge and cushion in case of delinquencies, foreclosures, or other pressures. However, if losses still occurred when the home was sold, there are additional structural credit enhancements in place.

Excess interest has more than doubled over the past two years. Borrowers are paying in more than 300bps+ than is getting paid out in the individual tranches. Also, the natural subordination within the deal structure itself adds benefit as lower tranches in the capital structure absorb losses first. Both are providing strong coverage for losses and are growing. In fact, our default rates are lower, loss severity is lower, credit enhancements are going up, and excess interest will probably remain about the same and may decrease if rates end up increasing. This all leads to an inordinate amount of credit support that forecasts to grow and compound over time.

Current Loss Coverage

Losses = Severities (20.6%) * CDR (1.6%) = 32 bps

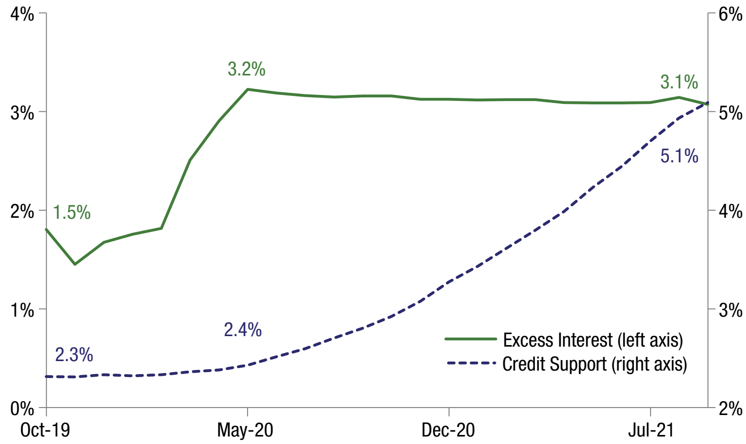
Excess Interest

Excess Interest (307 bps) / Losses (32 bps) = 9.6x coverage

Credit Support

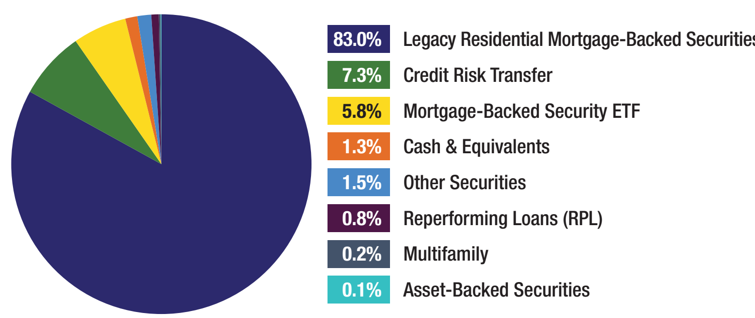
Credit Support (509 bps) / Losses (32 bps) = 15.6x coverage

IOFAX Portfolio Credit Support & Excess Interest: Oct-19 to Sep-21



Source: Bloomberg. Data as of 9/30/21.

Portfolio Allocation as of 9/30/21



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

As we enter into the 4th quarter, we feel that the Fund is fundamentally in a good position to take advantage of a very unique part of the investment universe. At the same time, we have worked hard to try and put the Fund in a position to weather any potential structural or macro- stresses that might arise outside of our control. The key feature of the investment that we continue to harken to is the seasoning of the securities that we purchase and the strength of the US homeowner. We are confident in our positioning and especially in the allocation of the Fund.

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

Bloomberg 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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