AlphaCentric Strategic Income Fund
Quarterly Commentary 4Q2021

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December 31, 2021 — The AlphaCentric Strategic Income Fund I Shares returned 1.74% for 4Q2021 and 15.66% for the year *(compared to the Bloomberg US MBS Index at -0.37% QTD, -1.04 YTD).* As we have mentioned in previous updates, we are focused on finding deep value investment opportunities in the market for publicly traded real estate-related securities. We broadly define this segment of the investing universe as REITs, other real estate related equities, and structured credit securities (backed by real estate or mortgages). We believe the Fund's asset mix is differentiated and our flexibility to invest across these subsectors (and at different parts of the capital structure) is a key element in generating consistent attractive risk-adjusted returns.

Some of the themes that drove our portfolio positioning in 2021 included the following:

- Avoiding material commercial real estate risk
- Maintaining a bond allocation but limiting exposure due to suboptimal return opportunities
- Limiting exposure to equity REITs which trade at high multiples
- Staying overweight residential real estate related equities

While the Fund missed out on the substantial returns of some "recovery trade" parts of the commercial real estate market, we are satisfied with the Fund's performance in 2021 on a risk-adjusted basis and believe we are well-positioned to deal with some of the macro uncertainties in 2022.

Fund Performance as of 12/31/21 (Annualized if greater than 1 year)

Inception Date: 8/1/11	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Inception
Class I	1.74	15.66	15.66	22.86	18.20	14.36	13.77
Class A	1.68	-	-	-	-	-	3.59
Class C	1.50	-	-	-	-	-	3.17
Bloomberg U.S. Mortgage Backed Securities Index USD	*-0.37*	*-1.04*	*-1.04*	*3.01*	*2.50*	*2.28*	*2.39*
Class A After Sales Charges	-3.15	-	-	-	-	-	-1.32

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

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.

The maximum sales charge for Class "A" Shares is 4.75%. Total Operating expenses for the Fund are 2.12%, 2.87%, and 1.87% for Class A, C, and I shares, respectively.

The economy overheated throughout most of the year with ravenous demand facing COVID-related supply chain disruptions

Market Overview

While meme stocks, crypto currency, and SPACs grabbed headlines and caused volatility in 2021, behind the "noise" lurked some major economic surprises. Most economic prognostications for 2021 centered around slight improvements in growth, unemployment, and inflation. In actuality, the economy overheated throughout most of the year with ravenous demand being met with prolonged COVID-related supply chain disruptions. The labor market imbalance was likely exacerbated by a significant amount of fiscal stimulus which increased consumer spending power and likely decreased labor force participation. The fiscal stimulus, which was certainly temporarily helpful for many Americans, was teed up after Democrats swept the Georgia runoff elections and gained control of Congress in early January. This was another event which had an ambiguous outcome at the very start of the year.

Meanwhile, the markets navigated the COVID situation relatively well. We started 2021 with a massive COVID spike, which was quelled as vaccines rolled out in the spring. The Delta and then Omicron waves temporarily spooked the markets but by the end of the year, it became clear that the actual economic impact from each successive wave of the virus was dissipating. So, by the second half of the year, the story became much more about widespread inflation, labor market imbalances, and interest rate volatility – culminating in the Federal Reserve accelerating its timeline for tapering asset purchases and raising interest rates.

Concerns over a rising interest rate environment likely weighed on market prices for residential mortgage REITs, our most overweight subsector, in the second half of the year. The NAREIT Mortgage REIT Index, albeit a mix of both residential and commercial mortgage REITs, declined in price by 7% in the second half of the year. We believe we navigated this pullback well as the Fund's asset mix of debt and equity is designed for downside protection. In addition, our security selection helped us to outperform the market as New Residential (NRZ), the Fund's largest mortgage REIT position, posted a roughly 8% total return for the same period. As we have discussed in the past, many mortgage REIT managers have learned lessons from March 2020 and drastically reduced short-term borrowing. But as anxiety overtakes markets which have a large retail investor base, market pricing becomes at times, temporarily irrational as fundamentals are overlooked. Non-bank mortgage originators performed better for the year as the Fund's two largest positions in this subsector, Ocwen Financial (OCN) and Mr. Cooper (COOP), were up 38% and 34% respectfully.

In the structured credit market, prices for mortgage-backed securities (MBS) increased anywhere from 5-15% in 2021 depending on position in the capital structure and the composition of the underlying mortgages. Later in the year, credit spreads stagnated as the "rebound" trade from March 2020 ran its course. Fundamentals for Non-Agency RMBS improved throughout the year as loan to value (LTV) ratios declined and default rates remained low. Liquidity for both RMBS and CMBS felt thinner than usual in 4Q2021 as some mezzanine CMBS bonds exhibited slight price declines. Stability for mortgage loan and bond pricing pushed up book values for many mortgage REITs throughout the year. As we mentioned, leverage risk for many mortgage REITs (particularly non-agency mortgage REITs, our primary area of focus) has also been reduced since mark-to-market financing on non-government backed assets has been virtually eliminated. Securitization was a preferred form of financing for many mortgage entities throughout the year as bond yields remained low and long-term, non-mark-to-market financing was sought after.

"**Housing data** throughout the year **validated our decision to take risk** in the residential real estate market."

Certain mortgage REITs and originators ended the year trading at a discount to book value which historically translates into a buying opportunity absent discernable fundamental risks. We also believe mortgage servicing rights (MSRs), a widely held asset by mortgage originators and REITs, remain undervalued on many balance sheets due to the rising interest rate environment that is likely to play out in 2022. Given muted equity price appreciation in the second half of 2021, dividend yields for many mortgage REITs ended the year in the range of 8-10%.

Millennials are likely to be a major driver of home price growth in the coming year

Housing data throughout the year validated our decision to take risk in the residential real estate market. The number of homes available for sale ended the year at less than half of the historical average. Despite the recent home price appreciation (the most recent S&P Case-Shiller index reading reported 19% year-over-year home price appreciation), homes will likely remain affordable even in the context of moderately higher mortgage rates. Mortgage underwriting standards continued to be strict which, in our mind, is one factor that precludes the possibility of unsustainable home price growth. On the demand side, we look for millennials to be a major driver of home price growth in the coming year. According to a report by Goldman Sachs, in 2020 there were 1.5mm additional adult children living with their parents versus the pre-pandemic average. While things slightly normalized in 2021, there were still more than 870,000 adult children living at home versus the average by the end of the year. The continued normalization of this trend is highly likely and should fuel further home price increases absent a significant spike in mortgage rates.

Fund Overview

In the Portfolio, we added to most of our mortgage related equities throughout the year. Our preference continued to be in names which had attractive investment portfolios as well as undervalued operating businesses. In addition to common shares of residential mortgage REITs and originator/servicers, we also diversified our exposure across the capital structure to include preferred equities and corporate debt. Our last purchase of the year was Enact Holdings' (ACT), a mortgage insurance company, common stock which trades at a significant discount to book value and has a long operating history. Our investments in equity REITs (REITs which invest in income-producing properties) remained limited to situations where we believed there was significant discount to intrinsic value. One example is iStar (STAR) which underwrites ground leases and which we believe trades at a sizeable discount to liquidation value after properly valuing its equity position in a related company. We continued to limit our exposure to commercial real estate, and our recent CMBS purchases have focused primarily on securities backed by the government.

In RMBS, we continued to search for discounted bonds that can either pay back previous losses or have upside to the deal being called prior to its anticipated maturity. Overall, we preferred to hold most of the Fund's debt exposure in the form of legacy non-agency RMBS, which we believe is an inherently dislocated market relative to new issue RMBS. Many parts of the legacy non-agency RMBS market also have floating rate coupons which help mitigate the Fund's interest rate risk.

Given low bond yields and rising interest rates, we are limiting future bond purchases until a more significant opportunity emerges.

Outlook

There are two major imbalances in the market which we are focused on – the overall labor market imbalance and the housing market imbalance. Ultimately, we believe the labor market could achieve more balance in 2022 as COVID effects fade and additional bouts of fiscal stimulus get political push back – especially around the time of mid-term elections. A more temporary labor market imbalance should ultimately limit the amount of monetary policy tightening in the future. On the other hand, we think the supply/demand imbalance in the housing market is likely to persist as the underlying components are more deep-seated. Although we expect home price appreciation to moderate in 2022, we believe residential real estate-related securities should continue to perform well over the year.

We expect more volatility across risk assets in 2022 as there is now a higher risk of economic fallout from rising interest rates. In the end, we believe a recession can be averted in 2022, the structural dynamic in the mortgage markets are likely to remain strong, and generally, investors will be apt to focus more on value investments versus growth. Likewise, we think 2022 may likely be a challenging year for both equity REITs which trade at high multiples and MBS which have long duration and low yields.

We also plan to avoid deep mezzanine RMBS/CMBS bonds which can suffer from illiquidity during macro volatility as well as common shares of Agency mortgage REITs which use short term leverage and are more vulnerable to rising interest rates. We will continue to favor non-agency residential mortgage REITs which offer discounts to book value (these provide an attractive margin of safety), and tend to have longer-term leverage in place and pay high dividend yields.

> "As always, we will attempt to be **nimble** as other **opportunities** across the **"real estate capital structure"** present themselves."

Overall, we believe the Fund is well-positioned to continue putting up attractive risk-adjusted returns in 2022. As always, we will attempt to be nimble as other opportunities across the "real estate capital structure" present themselves. α

Disclosure

Performance shown before May 28, 2021 is for the Fund's Predecessor Fund (Strategos Deep Value Fund LP). The prior performance is net of management fees and other expenses including the effect of the performance fee. The Predecessor Fund had an investment objective and strategies that were, in all material respects, the same as those of the Fund, and was managed in a manner that, in all material respects, complied with the investment guidelines and restrictions of the Fund. From its inception to May 28, 2021, the Predecessor Fund was not subject to certain investment restrictions, diversification requirements and other restrictions of the 1940 Act or the Code, which if they had been applicable, might have adversely affected its performance. In addition, the Predecessor Fund was not subject to sales loads that would have adversely affected performance. Performance of the Predecessor Fund is not an indicator of future results.

The **Bloomberg US Mortgage Backed Securities (MBS) Index** tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. Starting July 2019, Freddie pools are separated into 45-day and 55-day delay generics. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. 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. 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.

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.

The Fund is subject to foreign securities risk and industry concentration risk. The Fund's investments may be concentrated in an industry or group of industries that are more vulnerable to adverse market, economic, regulatory, political or other developments affecting the industry or group of industries than a fund that invests its assets more broadly. These factors may affect the value of your investment.

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