

AlphaCentric SWBC Municipal Opportunities Fund

2022 Municipal Bond Market Outlook



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2021 was not an easy year for fixed income investors as interest rates were volatile and the mixed messages the economy was projecting were difficult to manage. Fortunately, taxable interest rates didn't go significantly higher which could have hurt the market value of fixed income investments.

For 2021 the total return of Bloomberg Treasury index, the corporate index and MBS index all showed slightly negative returns ranging from -2.32% for Treasuries to -1.04% for corporates and MBS. The standout fixed income market for 2021 was the Municipal bond market with a positive return of 1.52%.

We believe that 2022 will continue its pattern of volatility in the interest rate markets as the Federal Reserve will probably raise short-term interest rates one to three times if inflation continues to be an issue and the economy keeps sending out mixed indications of strength and weakness. While most investors don't like volatility, nimble investors with long-term views can use it to their benefit.

In retrospect, the 2021 Municipal bond market continued to benefit from the bounce back of its devastating reaction to the onset of COVID-19 in 2020. Credit spreads continued to narrow while credit quality continued to improve and, in the meantime, the constant threat of higher taxes resulted in record inflows into the Municipal market. These factors lead to a positive year for Municipal bonds and we believe they will continue to be a strong driver of performance in 2022.



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2022 brings the expectations of continued strong demand for Municipal bonds as the main drivers of the Municipal market are currently all positive.

Taxes

First and foremost are taxes. Quite a few investors are still worried about higher taxes and may do what they can to avoid them, which should keep demand strong.

Credit Quality

Credit quality of the majority of issuers continues to strengthen as many state and local balance sheets, which were robust going into COVID, look to have come out even stronger due to massive Federal stimulus.

New Issue Supply

New issue supply forecasts average approximately \$450 billion which looks to be lower than the \$470 billion in 2021. This projected lower issuance could lead to another supply shortage if cash inflows continue at its torrid pace of 2021.

Valuations

Finally, Municipal valuations relative to taxable counterparts are off their extreme high and looks to be settling into a more reasonable level, allowing room for the market to potentially outperform taxable bonds once again.

Considering all the factors mentioned, we believe the AlphaCentric SWBC Municipal Opportunities Fund is structured to perform well once again in 2022 due to its overall investment strategy. This strategy allows the Fund to invest in relatively cheap segments of the Municipal market that offer the best chance of positive returns and generate an exceptional tax-free income stream while the Fund's overlay adds alpha through its long/short positions in the taxable fixed income market. *α*

Important Risk Information

The Fund may be non-diversified and the value and/or volatility of a single issuer could have a greater impact on Fund performance. The Fund may be susceptible to an increased risk of loss due to adverse occurrences affecting the Fund more than the market as a whole, because the Fund's investments are concentrated. Some securities held by the Fund may be difficult to sell, or illiquid, particularly during times of market turmoil. There is a risk that issuers will not make payments on fixed income securities held by the Fund, resulting in losses. Issuers credit quality could be lowered if issuers financial condition changes and there is a risk that the issuer may default on its obligations. Legislative changes can adversely affect the value of the Fund's portfolio. Legislative risks including legal, tax, and other regulatory changes could occur over time and may adversely affect the Fund. The Fund may encounter derivative risk. The use of derivatives instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Changes in interest rates can also create risks for the Fund. Typically, a rise in interest rates causes a decline in value in fixed income securities. The Fund is subject to regulatory change and tax risks; changes to current rules could increase costs associated with investment in the Fund. These factors may affect the value of your investment. All investments involve risks, including possible loss of principal, 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.

The forecasts and/or opinions may not come to pass and are subject to change.



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