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**2021 brought investors headlines (and volatility) created by meme stocks, crypto currency, and SPACs, to name a few challenges.**

Certain challenges, like COVID, remain in place as we begin 2022, but the Fund's flexibility and diversified exposure across the real estate capital structure remain key elements in generating consistent attractive risk-adjusted returns.

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 could 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 to 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, that the structural dynamic in the mortgage markets is likely to remain strong, and generally, investors may be apt to focus more on value investments versus growth.

**We plan to avoid the following investments as we believe 2022 is likely to be a challenging year for them:**

- Equity REITs, which trade at high multiples
- MBS, which have long duration and low yields
- Deep mezzanine RMBS/CMBS bonds, which can suffer from illiquidity during macro volatility
- 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 (which provide an attractive margin of safety), tend to have longer term leverage in place, and pay high dividend yields

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. 

### 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.

**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.**

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