AlphaCentric SWBC Municipal Opportunities Fund

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February 2020—Is it time to buy the AlphaCentric SWBC Municipal Opportunities Fund?

According to Bloomberg, January 2022 has been the worst start to a year in 30 years. The Bloomberg Municipal Index underperformed the Bloomberg Treasury Index by almost 100 basis points, -2.74% vs -1.89%. There are many reasons for the performance of Municipals so far this year but historically, tightening cycles are a period where Municipal bonds typically outperform Treasuries. Looking ahead, I believe that this underperformance has set up what could be a favorable environment for the Municipal market going forward, and in particular the Fund.

The circumstances may be different, but the pattern is the same.

Investors don't have to look back very far to see how the Municipal bond market typically snaps back after drawdowns like we experienced recently. From March 9, 2020 to March 20, 2020, the Bloomberg Municipal Index was down -10.86% due to COVID. From March 20, 2020 to the end of the year, the Municipal bond market (according to the same index) returned +13.78%. While the sell off in the market may be due to difference circumstances, the pattern is same. Municipal bond investors are typically retail investors and are heavily driven by fear. They tend to toss everything overboard and drive the market to levels that create good buying opportunities.

As I mentioned, Municipal bonds have historically outperformed Treasuries in tightening cycles. The underperformance we have experienced so far this year leads me to believe that, going forward, Municipals should perform well versus Treasuries. In addition, issuance this year is predicted to be anywhere between $420B and $520B, according to many different broker-dealers. With State and Local government being flush with cash from stimulus payments from the Federal governments and slightly higher rates, I would expect issuance to fall in the middle of the range. Goldman Sachs is estimating approximately $520B from bonds maturing, being called, and dividend reinvestment. If this is the case, even the top forecast puts the market a net negative issuance going forward with any cash inflows into the market. I believe this scenario should keep Municipal bonds well bid.

The difference in the MUNIX strategy.

The closed-end fund market is an extremely important part of the Fund's strategy, but (unfortunately due to various structural differences from bonds) can more volatile. The good part of investing in closed-end funds is they typically follow the same path as bonds in terms of drawdowns and snap-backs. According to the First Trust CEF Index from March 9, 2020 to March 20, 2020, closed-end funds saw losses of -18.98%. From March 20, 2020 to December 31, 2020, the same index returned +29.86%. These drawdowns may offer opportunities to purchase funds at significantly cheaper valuations and offer even stronger return potential than bonds during these periods. With significantly higher income streams and discounts that could narrow going forward, **the addition of these funds as an investment vehicle for the Fund is a strong differentiator, not only in terms of income but also capital appreciation.**

The other differentiator in the Fund, the overlay, has performed well so far this year as the model is short Treasuries. The gain in the Treasury short position was slightly offset by the loss on the credit default swaps but was still additive to performance. Unfortunately, correlations between the overlay and the Fund are not 100%, but over time, the overlay is designed to smooth out the volatility we have seen. If the Municipal bond market will outperform the Treasury market going forward, the overlay should continue to be additive to performance.

There is no guarantee that any investment strategy will achieve its objectives, generate profits, or avoid losses.

The old market fears may be gone, but new ones have taken their place.

2022 hasn't produced the same kind of fear the market experienced in 2020 due to the uncertainty that COVID created, and I don't believe it will. The fear created in 2022 is due to the Federal Reserve raising interest rates. This fear may price in 6 or 7 interest rate hikes in the coming year. My prediction is that Federal Reserve may be more restrained and raise short term rates 4, maybe 5 times since most of the economic drivers created by the various stimulus packages are almost gone. This will cause the economy to grow at a slower pace than expected and limit interest rate hikes going forward. Various economists are already revising GDP estimates lower going forward. We believe this scenario could keep the Treasury market on edge for the time being, but we also believe the fear in the Municipal market should dissipate in the coming months, resulting in stronger returns for the Municipal market and in particular for the Fund, for the remainder of the year.

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

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. Some investors may be subject to federal or state income taxes or the Alternative Minimum Tax (AMT). 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.

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