AlphaCentric LifeSci Healthcare Fund
Quarterly Commentary 1Q2022

LYFIX
LYFAX
LYFCX

March 31, 2022 — We believe the management of risk/reward across the Portfolio enabled the Fund to outperform in 1Q2022 compared to the primary benchmark, the S&P Biotechnology Select Industry Index. Focus on valuations, exposure to robust cash flow/revenue growth companies, and sell discipline led the Fund to furnish a positive return in the quarter despite extreme selling pressure across the sector. Through 1Q2022, the Fund produced +16.79% outperformance relative to the primary benchmark.

Fund Performance as of 3/31/22 *(Annualized if greater than 1 year)*

Inception Date: 11/29/19	QTD	6 Mos	YTD	1 Year	2 Year	Inception
LYFIX	2.76	-2.21	2.76	-2.47	27.63	20.82
LYFAX	2.69	-2.37	2.69	-2.74	27.33	20.57
LYFCX	2.46	-2.73	2.46	-3.54	26.68	20.05
S&P Biotechnology Select Industry TR Index	*-19.55*	*-28.35*	*-19.55*	*-33.54*	*7.90*	*-1.47*
S&P 500 Health Care Sector TR Index	*-2.58*	*8.31*	*-2.58*	*19.10*	*26.35*	*17.03*
Class A After Sales Charges	-3.18	-8.00	-3.18	-8.34	23.63	17.55

The performance data quoted represents past performance, past performance does not guarantee future results, the investment return and principal value of an investment will fluctuate so that when redeemed, it may be worth more or less than their original cost, and current performance may be lower or higher than the performance data quoted. To obtain performance data current to the most recent month-end, please call 844-ACFUNDS (844-223-8637) or at our website www.AlphaCentricFunds.com.

The maximum sales charge for Class "A" Shares is 5.75%. The Fund's total operating expenses are 2.77%, 3.52%, and 2.52% for the Class A, C, and I Shares respectively.

Market Overview

The S&P Biotechnology Select Index started 2022 with one of the worst quarters on record, closing down 19.55%. This follows a challenging 2021 which was the worst absolute and relative performance year in its history, trailing the S&P 500 by nearly 50%. Tax loss selling and de-grossing seemingly gave way to incoming fund flows anticipating good news as the index briefly traded up into the JP Morgan Healthcare conference in early January. Sector upside was very short lived as the conference furnished numerous incremental positive program and strategic updates, but a blockbuster M&A or data release was nowhere to be seen. The bear market in biotech continued through the end of 1Q2022 as the longest on record at 13 months and counting. Volatility remained elevated with >15% swings in the index during each month of the quarter.

High profile negative clinical data updates continued and continued, in our opinion, to exemplify the pain from single stock drawdowns. Specifically, Kodiak Biosciences (KOD) traded down ~80%, losing ~$2 billion in market capitalization, upon reporting phase 2b/3 clinical results that fell short of analysts' expectations. Remarkably, the company was worth $7 billion last year and ended the quarter with a negative enterprise value (EV = market capitalization net of cash and debt). Similarly, Nektar Therapeutics (NKTR) traded down >60% to near cash on news their immuno-oncology combination trial in partnership with Bristol-Myers Squibb (BMY) failed to show a benefit in first-line treatment for previously untreated unresectable or metastatic melanoma. Prior failures in high profile immuno-oncology combination trials tempered expectations, but NKTR is still down 85% and nearly $4 billion in market cap since last year's peak.

Capital markets activity in the biotech sector was down substantially in 1Q2022 compared to past quarters

Capital markets activity was down substantially as valuations reset and deals became harder to get done. Through 1Q2022 there were 24 fundraising transactions raising just over $3 billion, compared with 138 transactions raising $24 billion in 2021. The 2021 life sciences IPO class showed the breadth of the selloff following last year's record transaction volume. Nearly 90% (out of n=129) of 2021 IPOs were down, and the median return from the IPO price was nearly negative 50%. The financing terms pendulum swung dramatically to favor buyers. Remarkably, former high flying commercial companies completed financings during the quarter at fire sale prices. In March, 2Seventy Bio (TSVT) raised $170 million in a private placement $12.20 per share corresponding to an enterprise value of approximately $0. TSVT was formed in 2021 by the spinout of the oncology portfolio from BlueBird Bio (BLUE). BLUE was a previous high flyer with a market cap over $8 billion at one time and cash of >$1 billion. TSVT received $440 million cash in the spinout along with Abcema®, the first FDA-approved chimeric antigen receptor technology (CAR T) cell therapy for multiple myeloma, and several other pipeline programs. Abcema is partnered with Bristol-Myers Squibb (BMY) and is one of the best-performing oncology launches in the past five years with 2022 revenue guidance of $250-300 million (first full year of sales following March 2021 approval). TSVT noted the raise will extend the company's cash runway into 2025 and shares rallied nearly 50% in the days following the deal highlighting the opportunity for investors to create alpha by removing a financing overhang.

Enterprise Value

Enterprise value (EV) is a measure of a company's total value, often used as a comprehensive alternative to equity market capitalization that includes debt.

EV = Market capitalization + Preferred stock + Outstanding debt + Minority interest – Cash and cash equivalents

The persistent selling led a record number of development stage life sciences innovators (nearly n=150!) to trade at a negative EV. Certainly, many of these companies may never create shareholder value, but a growing number were able to realized single day triple digit rallies as the quarter progresses showing clear signs of life for the sector.

In early March, **Atreca Inc (BCEL)** reported confirmed clinical responses from a phase 1b clinical trial of ARTC-101, an antibody targeting tumor-specific ribonucleoprotein (RNP) complex, in select solid tumor cancers. The stock was trading at negative EV before the news was announced and closed up >200% on the day.

The following week, **Kala Pharmaceuticals (KALA)** ripped 150% intraday on >25x average volume high volume and closed up 90% on the day the company announced expanded formulary coverage for their dry eye drug, EYSUVIS®.

Two weeks later, **Eiger Biopharmaceuticals (EIGR)** was up ~180% from the January low following the announcement that their experimental interferon showed clinical benefit in treating COVID-19 patients.

We believe the biotech bears may be looking for the next company to join the negative EV club, but the emerging bulls seemed to be looking for the next 100-200%+ single day stock rally.

Lack of positive sector news at the JP Morgan Healthcare Conference in Jan 2022 influenced the Fund's exposure to early stage biotech

Fund Overview

The Fund decreased exposure to early stage biotech following the lack of positive sector news at the JP Morgan Healthcare Conference in January. The Fund also minimized exposure to data events with what we believed would bring large potential drawdowns, and avoided companies such as KOD or NKTR into their news announcements. Pharma companies and SMID cap therapeutics companies with robust revenue and cash flow growth profiles were prioritized. Select development stage biotechs with strong balance sheets and differentiated clinical data with compelling risk/reward profiles were also added. As the quarter progressed, the Fund started to allocate to a basket of companies trading at negative EV that have the potential to materially change investor perception.

The Fund continued to benefit from mergers and acquisitions (M&A) and had exposure to all three biotech M&A deals announced during the quarter.

UCB SA's January acquisition of Zogenix Inc. (ZGNX) for $1.9 billion ($26 upfront + $2 CVR if lead drug Fintepla gets regulatory approval for Lennox-Gastaut syndrome, an orphan epilepsy indication, by the end of 2023) with the upfront portion representing ~70% premium to the prior days closing price. Fintepla had previously received regulatory approval for Dravet syndrome, another orphan epilepsy indication, in 2020 and was on a >$100 million revenue trajectory 1.5 years into the launch. UCB rationalized the deal based on strategic fit and near term accretion potential.

On Valentine's Day, Collegium Pharmaceutical's (COLL) announced the acquisition of BioDelivery Sciences (BDSI) for ~$600 million. COLL cited the deal will be highly accretive in both 2022 and 2023 with at least $75m in synergies expected within 12 months of closing. BDSI's lead pain program, BELBUCA, is estimated to generate revenue of ~$145 million in 2021 and $173 million in 2022. Pro forma, the combined business will have estimated revenue of >$500 million for 2022 with >$200 million of

EBITDA. Notably, both COLL and BDSI were trading at well below 2x EV/Revenue the day before the deal was announced.

In March, commercial stage company consolidation continued with the acquisition of Columbia Care Inc (CCHW CN) by Cresco Labs (CL CN) for an equity value of $2 billion. The acquisition price was a 19% premium to the 20-day volume weighted average price (VWAP) and the pro forma business will have estimated revenue of ~$1.4 billion. Similar to the ZGNX BDSI deals, it was expected to be synergistic and enable deleveraging from robust cash flows.

Top Ten Holdings as of 3/31/22

Holding	% of Portfolio
Galapagos NV	5.83%
Cash	5.01%
Aerie Pharmaceuticals Inc	4.98%
MorphoSys AG	3.88%
Puma Biotechnology Inc	3.74%
2seventy bio Inc	3.71%
Collegium Pharmaceutical Inc	3.70%
Aclaris Therapeutics Inc	3.51%
ACADIA Pharmaceuticals Inc	3.41%
Arcutis Biotherapeutics Inc	3.38%

Holdings are subject to change and should not be considered investment advice.

Outlook

Volatility is expected to remain elevated throughout 2022 as investors grapple with geopolitical risks and central bank policy tightening. The pullback in biotech that began in February 2021 is now the longest on record, at 13 months and counting, and has pushed many life sciences assets below historical standards of fair value. We see many compelling risk reward opportunities to invest in companies trading below asset value that appear to be one positive press release from a triple digit rally.

> "In aggregate, **COVID-19 revenues have added nearly $100B** to pharma and biotech balance sheets and counting."

M&A is expected to accelerate through the year as depressed valuations converge with strategic growth mandates and record large company cash balances. In aggregate, COVID-19 revenues have added nearly $100B to pharma and biotech balance sheets and counting. Given the short duration of some of these revenue streams (REGN, LLY) and uncertain duration of others (PFE, MRNA, MRK, JNJ) it seems more likely than not a significant portion of this capital will be deployed for M&A. In addition, we expect additional consolidation transactions similar to the deals seen in 1Q (UCB/ZGNX, COLL/BDSI and CL CN/CCHW CN) as synergistic bolt-on acquisitions.

The Fund's fundamental, thesis-driven portfolio attempts to capture alpha even in an environment where the broad sector may be under pressure. We continue to expect fundamentals will play an outsized role in the appreciation of many life sciences companies throughout 2022. Material upside is expected when the balance of sector news turns favorable. α

Important Risk Information

Investing in the Fund carries certain risks. The Fund will invest a percentage of its assets in derivatives, such as futures and options contracts. The use of such derivatives and the resulting high portfolio turn-over may expose the Fund to additional risks that it would not be subject to if it invested directly in the securities and commodities underlying those derivatives. The Fund may experience losses that exceed those experienced by funds that do not use futures contracts and options strategies. Investing in commodities markets may subject the Fund to greater volatility than investments in traditional securities. Currency trading risks include market risk, credit risk and country risk. Foreign investing involves risks not typically associated with U.S. investments. Changes in interest rates and the liquidity of certain investments could affect the Fund's overall performance. The Fund is non-diversified and as a result, changes in the value of a single security may have significant effect on the Fund's value. Other risks include U.S. Government securities risks and investments in fixed income securities.

Typically, a rise in interest rates causes a decline in the value of fixed income securities or derivatives owned by the Fund. Furthermore, the use of leveraging can magnify the potential for gain or loss and amplify the effects of market volatility on the Fund's share price. The Fund is subject to regulatory change and tax risks; changes to current rules could increase costs associated with an investment in the Fund. These factors may affect the value of your investment.

The S&P Biotechnology Select Industry Total Return Index represents the bio-technology sub-industry portion of the S&P Total Markets Index. The S&P 500 Health Care Sector TR Index comprises those companies included in the S&P 500 that are classified as members of the GICS health care sector. 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.

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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- 12+ year career as an investor at several specialized $1B+ AUM healthcare funds
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