

# AlphaCentric SWBC Municipal Opportunities Fund

## Quarterly Commentary 1Q2022



MUNAX  
MUNCX  
MUNIX

March 31, 2022 — Saying the first quarter of 2022 did not start well for the municipal market would be a massive understatement. *Historic declines* is how we would describe what happened, as it was the worst quarter for the market in approximately 40 years and the worst beginning of a year in the history of the municipal market.



### Market Overview

The municipal market's total return for the quarter was -6.23% (as measured by Bloomberg Municipal Bond Index) versus -5.58% for the Bloomberg US Treasury Index. For the municipal market to underperform Treasuries in an environment where the Federal Reserve is preparing to raise or raising rates is rare. Municipal bonds typically outperform all other fixed income asset classes in a tightening environment.

### Fund Overview

The Alphacentric SWBC Municipal Opportunities Fund (MUNIX) experienced a difficult quarter. As bad as the municipal market performed for the quarter, closed-end funds experienced declines of almost three times as much with a negative return of -16.50% (as measured by the First Trust Municipal Closed-End Fund Index) which caused the Fund to underperform for the quarter. During the fourth quarter of 2021, management lowered the Fund's position in closed-end funds due to high valuations, but it wasn't enough to effectively control the sell-off. The bond position of the Fund was structured to maximize income and to capitalize the yield curve flattening that occurred during the first quarter, and due to the callable nature of municipal bonds, the duration was below the Fund's index. The overlay strategy employed by the Portfolio was additive to the

Fund's return as the strategy was short Treasury bonds as interest rates rose for the quarter. Additionally, the overlay was also short credit spreads which was also added to the return of the Fund as credit spread widened out for the quarter. In conclusion, two of the three main components of the Fund had strong relative performance while one component was responsible for the underperformance.

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

| Inception Date: 12/31/19                                    | QTD    | 6 Mos  | YTD    | 1 Yr   | 2 Yr  | Inception |
|---|--------|--------|--------|--------|-------|-----------|
| <b>Class I</b>  | -9.46  | -8.24  | -9.46  | -8.63  | -0.35 | -0.18     |
| <b>Class A</b>  | -9.51  | -8.36  | -9.51  | -8.84  | -0.46 | -0.41     |
| <b>Class C</b>  | -9.68  | -8.69  | -9.68  | -9.51  | -0.97 | -0.73     |
| <i>Bloomberg Municipal Bond Index TR Value Unhedged USD</i> | -6.23  | -5.55  | -6.23  | -4.47  | 0.40  | 0.07      |
| <b>Class A After Sales Charges</b>                          | -13.82 | -12.74 | -13.82 | -13.17 | -2.86 | -2.54     |

*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](http://www.AlphaCentricFunds.com).*

*The maximum sales charge for Class "A" Shares is 5.75%. The Fund's total operating expenses are 19.11%, 19.86%, and 18.86% for the Class A, C, and I Shares respectively.*

**"...the difficult first quarter has opened potentially significant opportunities that should be taken advantage of."**

### Outlook

Looking forward to the rest of the year, the difficult first quarter has opened potentially significant opportunities that we believe should be taken advantage of. The underperformance of municipal bonds has given investors the opportunity to purchase federally tax-free bonds at yields that are equal or higher than taxable bonds. Most closed-end funds are now trading at discounts below their 5-year average and are offering yields as high as 6.00% tax free which is a taxable equivalent of approximately 10%. These types of cash flows are rarely seen in the municipal market. The cheap valuations of both individual bonds and specifically closed-end

funds has presented opportunities to increase positions. This should add to an already-strong income stream and potentially add to return as the discounts on closed-end funds return to a more normal level.  $\alpha$

### Share Class Information

| Share Class   | Net Expense* | Gross Expense |
|---------------|--------------|---------------|
| Class A MUNAX | 2.11%        | 19.11%        |
| Class C MUNCX | 2.86%        | 19.86%        |
| Class I MUNIX | 1.86%        | 18.86%        |

Inception date: 12/31/19

\*The advisor has contractually agreed to waive fees and/or reimburse expenses of the Fund to the extent necessary to limit operating expenses (excluding brokerage costs; underlying fund expenses; borrowing costs such as (a) interest and (b) dividends on securities sold short; taxes and, extraordinary expenses) at 1.25%, 1.50% and 2.25% for Class A shares, Class C shares and Class I shares, respectively, through July 31, 2022.

### 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.

The Bloomberg Municipal Bond Index TR Value Unhedged Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. There is no assurance that the Fund will achieve its investment objective. You cannot invest directly in an index.

Unmanaged index returns do not reflect fees, expenses or sales charges.

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.



Investment Sub-Advisor  
SWBC Investment Company

Portfolio Manager  
Roberto Roffo

- Portfolio Manager since Fund inception



Mount Lucas Management  
Timothy J. Rudderow Sr.

- CEO, CIO and Portfolio Manager

Gerald L. Prior III  
■ COO and Portfolio Manager

David Aspell  
■ Portfolio Manager

### Contact Us

+1 855 674 FUND

[www.alphacentricfunds.com](http://www.alphacentricfunds.com)

[info@alphacentricfunds.com](mailto:info@alphacentricfunds.com)