

# AlphaCentric SWBC Municipal Opportunities Fund

## Quarterly Commentary 2Q2022



MUNAX  
MUNCX  
MUNIX

June 30, 2022 — The municipal bond market continued its downward trajectory in the second quarter, resulting in the worst first half in the history of the bond market, which dates to 1812. The rising fear of inflation and the uncertainty of how far the Federal Reserve needs to hike short-term interest rates injected massive uncertainty and fear, which is always a bad combination for fixed income markets. The municipal bond market, which usually outperforms in a rising rate environment, was hit even more than taxable markets as investors pulled out historic amounts of cash. This led to a negative return for the Fund of -5.38% versus -2.94% for the Bloomberg Municipal Bond Index, -6.59% for the Bloomberg Long Term Municipal Index, and -7.24% for the First Trust Municipal Closed End Fund Index.

### Fund Performance as of 6/30/22 (Annualized if greater than 1 year)

Inception Date: 12/31/19	QTD	6 Mos	YTD	1 Yr	2 Yr	Inception
Class I	-5.38	-14.33	-14.33	-15.38	-4.00	-2.35
Class A	-5.44	-14.43	-14.43	-15.51	-4.12	-2.57
Class C	-5.61	-14.75	-14.75	-16.20	-4.61	-2.93
Bloomberg Municipal Bond Index TR Value Unhedged USD	-2.94	-8.98	-8.98	-8.57	-2.41	-1.12
Class A After Sales Charges	-9.96	-18.51	-18.51	-19.55	-6.44	-4.45

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 visit [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.

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### Market Overview

The municipal market was decidedly negative for the second quarter which led to a significantly oversold condition. Retail investors were selling anything they could in a relatively illiquid market, which caused prices to

fall precipitously. The selling led to higher tax-exempt yields compared to their taxable counterparts and offered savvy buyers a discount on municipal bonds as too much negativity was priced into the market.



Closed-end funds were down over twice as much as the index and offered tax equivalent yields close to 11%

### Fund Overview

Due to the extremely negative environment and the relative discount that municipal bonds (and especially municipal closed-end funds) were offering, management focused on adding to the Fund's position in closed-end funds. As difficult as the market was for individual bonds, closed-end funds were down over twice as much as the index and offered tax equivalent yields close to 11%. Based on the lower-risk nature of municipal bonds, these types of yields are rarely achieved. Additionally, discounts on closed-end funds widened to levels not seen in over five years. We believe this should add to performance as the discounts narrow. Management also focused on increasing the Fund's positions in longer-dated bonds to increase the Fund's average yield, and in preparation for an expected inversion of the yield curve, which could lead to longer-dated bonds outperforming shorter-dated bonds.



### Bond Maturity

A bond's term, or years to maturity, can range from one day to 100 years. Once a bond matures, proceeds are usually paid. These bond maturities typically fall into one of three categories:

Short-term: less than five years

Intermediate-term: five to 10 years

Long-term: more than 10 years

## Outlook

Looking forward, management expects the Federal Reserve to continue hiking short-term interest rates to fight inflation. Unfortunately, we also believe that due to inflation and a relatively aggressive Federal Reserve, the economy is headed for a slow down if not an outright recession. Economic indicators are starting to come in weaker and economists are raising the chances of a recession every day. If this scenario does come to fruition and the economy weakens significantly or even goes into a recession, we would expect long-term yields to fall and for an inversion in the yield curve to occur. The municipal bond market should react in a similar fashion and could outperform the taxable market due to significant negativity already priced into tax-exempt bonds. **α**

## 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.**



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- Portfolio Manager since Fund inception



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