AlphaCentric LifeSci Healthcare Fund

Quarterly Commentary 1Q2024

March 31, 2024 — The AlphaCentric LifeSci Healthcare Fund had a muted start to the year in 1Q 2024, as it did not chase the momentum factor that was a primary driver of returns in the period. To be sure, the MTUM ETF traded at the highest premium over its 200-day moving average in more than a decade during the quarter. The S&P Select Biotech Index had a number of holdings that experienced a violent increase in price, many of which were not driven by fundamental factors. In addition, the Fund had relatively low exposure to the companies that were the targets of mergers and acquisitions in 1Q 2024, contributing to the relative underperformance. The Fund remained somewhat conservatively positioned relative to the strength of the rally given the expectation for some consolidation. Fund holdings benefited from several favorable earnings announcements, underwritten follow-on offerings, positive fundamental company-specific news and avoidance of negative clinical or regulatory developments. The Fund is increasing exposure to companies with promising upcoming clinical or regulatory events and is looking to deploy cash should a pullback emerge. The Fund remains nimble and continues to enrich the portfolio for asymmetric risk/reward opportunities that are poised to create potential value regardless of the trajectory of the broader economic environment.

Fund Performance as of 3/31/24 *(Annualized if greater than 1 year)*

Fund Inception: 11/29/19	QTD	6 Mos	YTD	1 YR	2 YR	3 YR	Inception
LYFIX	-0.77	2.69	-0.77	-0.56	1.31	0.04	11.39
LYFAX	-0.78	2.63	-0.78	-0.79	1.09	-0.21	11.16
LYFCX	-0.95	2.27	-0.95	-1.50	0.36	-0.96	10.53
S&P 500 Total Return Index	10.56	23.48	10.56	29.88	9.47	11.49	14.44
S&P Biotechnology Select Industry Total Return Index	6.47	30.09	6.47	25.67	2.99	-11.00	0.56
LYFAX *After Sales Charges*	-6.47	-3.29	-6.47	-6.47	-1.88	-2.16	9.65

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.

The maximum sales charge for Class "A" Shares is 5.75%. The Fund's total operating expenses are 2.00%, 2.75%, and 1.75% for the Class A, C, and I Shares respectively.

1Q2024 was a tough quarter for small-cap stocks

Market Overview

The first quarter ended with the Financial Times reporting US small-cap stocks had the worst performance run vs large-cap peers in more than 20 years. Expectations are growing among strategists that the Federal Reserve intends to enact a soft removal of the 2% inflation target with Powell's comments that the goal will be reached "over time." This should be a tailwind for the many biotech stocks that remain left for dead, especially small-cap commercial companies. The Fed may be further motivated to start cutting rates despite some hotter economic data due to the $1.1 trillion in interest payments on US government debt made in the past 12 months. Additionally, government spending is now growing at ~10% year over year, adding ~$1.0 trillion to the debt every 100 days. Although uncertainty remains regarding the timing and magnitude of potential interest rate cuts, US 2s10s (the spread between the 10-year yield and the 2-year yield) have been inverted for a record 625 days (prior record was 624 in August '78) and it appears we are closer to the end of the interest rate cycle than the beginning.

Following half a decade of consecutive outperformance from 2011-2015, biotech has underperformed the Nasdaq from 2016-2023 for 8 years and the S&P 500 for 5 of those 8 years. Expectations for lower interest rates, sustained biotech M&A activity, continued new approvals of cutting-edge therapies and resurgent capital markets activity appear to be converging to reverse biotech's record relative underperformance. Specialists will be monitoring election year policy debates and earnings announcements for potential breaks in bullish sentiment. Pharma drug sales were +3% in 2023 and are forecasted to grow 7% through 2028, setting the backdrop for sustained demand for new innovations.

Fund Overview

The Fund did benefit from M&A activity in the quarter with exposure to one acquisition target. Gilead (GILD) announced the acquisition of Cymabay Therapeutics (CBAY) for $4.3 billion or $32.50 per share representing a ~25% premium to prior close. The deal was generally well received and values the company at 4-8x peak sales of lead drug, seladelpar, for primary biliary cirrhosis (PBC) with value estimated anywhere from below $500 million to $1 billion+ at peak. Analysts generally view the drug as a best in class second line agent, but debate the peak sales potential given competitor Intercept Pharmaceuticals (acquired by Alfasigma for $800 million or 2.3x current revenue) was only able to achieve a $350 million run rate after 8 years on the market. The deal emphasizes pharma's seemingly insatiable appetite for differentiated assets.

"The Fund participated in a primary share transaction providing capital to **directly fund research and development initiatives** during the quarter."

The Fund also benefited from the all-stock merger of NuVation Bio (NUVB) with AnHeart Therapeutics (private). The acquisition adds taletrectinib, a next-generation, potentially best-in-class ROS1 inhibitor with Breakthrough Therapy Designations currently enrolling two pivotal studies for the treatment of patients with ROS1-positive NSCLC. The acquisition also adds safusidenib, a potentially best-in-class mutant IDH1 inhibitor currently being evaluated in a global Phase 2 study of patients with grades 2 and 3 IDH1-mutant glioma. NUVB had been trading at a negative enterprise value and rallied on the news of the deal.

The Fund participated in a primary share transaction providing capital to directly fund research and development initiatives during the quarter. Specifically, the Fund participated in the $87 million private placement in Perspective Therapeutics (CATX). The deal helped enable the company to advance its radiopharmaceutical pipeline focused on the alpha emitting isotope PB-212. The transaction was priced at $0.37 and shares closed the quarter at $1.19.

The Fund's companies with robust revenue and cash flow growth profiles continued to execute, but operational progress has not consistently translated into favorable share price performance as many small-to-mid-cap commercial companies remain under macro pressure. Notably, Argenx SE (ARGX), Medtronic (MDT), Acadia Pharmaceuticals (ACAD), BioMarin (BMRN), Neurocrine Biosciences (NBIX), BioCryst Pharmaceuticals (BCRX), Exact Sciences (EXAS), Mirum Pharmaceuticals (MIRM), Corcept Therapeutics (CORT), Embecta (EMBC), Inari Medical (NARI) and United Therapeutics (UTHR) reported top and or bottom-line beats. The Fund also benefited from shareholder capital return initiatives. For example, United Therapeutics (UTHR) announced a $1 billion accelerated share repurchase program (~9% of shares outstanding).

Minimizing exposure to negative clinical or regulatory events helps limit fund drawdowns. During the quarter, the Fund avoided all of the following situations where negative program updates resulted in dramatic share price declines. In some cases, the Fund initiated positions in the companies after the fact as the residual assets appeared to pass below fair value.

- **Disc Medicine (IRON)** fell ~50% after a P2 trial in orphan disease Erythropoietic Protoporphyria (EPP) failed to meet a key secondary clinical endpoint of cumulative total time in sunlight due to an apparently high placebo response.
- **Spruce Biosciences (SPRB)** fell ~75% after announcing negative topline results from the CAHmelia 203 study of Tildacerfont in CAH. SPRB will discontinue tildacerfont and cut workforce by ~21%.
- **Imuneering (IMRX)** was cut in half as IMM-1-104 failed to show any RECIST responses in a P1 trial in RAS-mutant solid tumors.
- **Rapt Therapeutics (RAPT)** fell >70% after lead program zelnecrion was placed on clinical hold by FDA for a serious adverse event of liver failure in the atopic dermatitis trial. Cause and effect has yet to be established, but some analysts had been concerned about potential safety issues and the crowded competitive landscape leaves no room for safety issues.

- **Amylyx Pharmaceuticals (AMLX)** fell 82% after announcing the Phase 3 PHOENIX trial for AMX0035 in ALS did not meet its primary endpoint. Analysts expect the drug will be pulled from the market given the failure to show clinical benefit.
- **An2 Therapeutics (ANTX)** fell >70% after pausing enrollment in a P3 trial for treatment-refractory MAC lung disease after a blinded analysis suggested lower than expected efficacy.
- **Synlogic (SYBX)** crashed >50% after discontinuing the Synpheny-3 study for lead drug SYNB1934 in PKU and announcing plans to conduct a strategic review. The company plans to cease operations and reduce the workforce by >90%.
- **Invitae Corp (NVTA)**, backed by SoftBank, is preparing for bankruptcy, according to reports by the Wall Street Journal. Shares sold off >70% on the news.
- **CANO Health (CANO)** filed for Chapter 11 bankruptcy. Stock sold off ~62%.

Top Ten Holdings

Holding	% of Portfolio
Cash & Cash Equivalents	11.42%
Pfizer Inc	5.02%
Harmony Biosciences Holdings I	4.23%
United Therapeutics Corp	3.80%
Pacira BioSciences Inc	3.55%
BioCryst Pharmaceuticals Inc	3.54%
Galapagos NV	3.49%
Argenx SE	3.25%
Inari Medical Inc	3.12%
DocGo Inc	2.71%

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

Kate Middleton's recent diagnosis has thrust biotech and pharmaceuticals into the spotlight.

Outlook

Biotech continues to show signs of life as the Relative Strength Index (RSI - a momentum indicator that measures the magnitude of recent price changes to analyze overbought or oversold conditions) for the group went from 25 to 75 in less than four months, taking less than half the time as the last such move from the pandemic lockdowns. The pharma sector remains in the forefront of investor consciousness with headlines of Kate Middleton's cancer diagnosis. The Duchess of Cambridge is apparently undergoing preventative chemotherapy for an undisclosed cancer. In addition, several news outlets including the Wall Street Journal are indicating Medicare could cover obesity drugs for patients with comorbidities, such as cardiovascular disease (CVD). Medicare is prevented from covering drugs for obesity alone, but analysts are projecting $100-150 billion plus of peak revenue for obesity therapies with upside from additional insurance coverage. We continue to believe the development of innovative medical therapies will create value over time. α

Disclosure

S&P Biotechnology Select Industry Total Return Index represents the bio-technology sub-industry portion of the S&P Total Markets.

S&P 500 Index is considered to be generally representative of the U.S. large capitalization stock market as a whole. There is no assurance that the Fund will achieve its investment objective. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

This information is for use with concurrent or prior delivery of a fund prospectus. Investors should consider the investment objective, risks, and charges and expenses of the Fund(s) before investing. The prospectus and, the summary prospectus, contains this and other information about the Fund and should be read carefully before investing. The prospectus may be obtained by calling 844-ACFUNDS (844-223-8637) or by visiting www.AlphaCentricFunds.com.

The AlphaCentric Funds are distributed by Northern Lights Distributors, LLC, member FINRA/SIPC. AlphaCentric Advisors, LLC is not affiliated with Northern Lights Distributors, LLC.

Important Risk Information

The Fund may be susceptible to an increased risk of loss, including losses due to adverse occurrences affecting the Fund more than the market as a whole because the Fund's investments are concentrated in the biotech, pharmaceutical, healthcare facilities and other life science services. Companies in the healthcare sector, including drug and biotech-related companies, may be heavily dependent on clinical trials with uncertain outcomes and decisions made by the governments and regulatory authorities. Please see the prospectus for all of the principal risks of investing in the Fund.

Mutual Fund Investing involves additional risk, principal loss is possible. Investment in the Fund(s) is subject to investment risks, including, without limitation, concentration risk, equity risk, market risk, management risk, small company risk, mid cap stock risk, large redemption risk. Funds that invest in small and mid cap stocks are often more volatile than large cap stocks. Smaller companies generally face higher risks due to their limited product lines, markets and financial resources.

For more information about the Funds, including their objectives, charges, expenses and risks (including more information about the risks listed above), please read the funds' prospectus. Distributed by Northern Lights Distributors, LLC. (Member FINRA)..

Please see the prospectus for all of the principal risks of investing in the Fund.

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Fund Management

Investment Advisor
AlphaCentric Funds

Investment Sub-Advisor
LifeSci Fund Management

Portfolio Manager
Mark Charest, PhD

Mark Charest, PhD
Portfolio Manager

- *14+ years as an investor at several specialized $1B+ AUM healthcare funds*
- *Led Medicinal Chemistry Lab at the Novartis Institutes for BioMedical Research focused on Oncology drug discovery*
- *Inventor on 8 drug patents*
- *Portfolio Manager at New Leaf Venture Partners*
- *National Science Foundation Graduate Research Fellow*
- *PhD and MS in Chemistry and Chemical Biology from Harvard University*

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