AlphaCentric LifeSci Healthcare Fund

Quarterly Commentary 4Q2023

December 31, 2023 — The AlphaCentric LifeSci Healthcare Fund I Shares closed in the green to end 4Q 2023 as the Federal Reserve's "pivot party" violently increased the risk asset process. Performance for the year converged with the S&P Select Biotech Index in 4Q 2023 as the Fund was somewhat conservatively positioned relative to the strength of the rally. Fund holdings benefited from M&A activity, favorable earnings announcements, positive fundamental company-specific news, and avoidance of negative clinical or regulatory developments. The Fund is increasing exposure to companies with what we believe to be promising upcoming clinical or regulatory events and raised cash to participate in additional primary share transactions. The Fund is reducing exposure to commercial holdings that may be facing headwinds and companies that may face high dilution risk. In our view, the Fund remains nimble and continues to enrich the portfolio for asymmetric risk/reward opportunities that are poised to create value regardless of the trajectory of the broader economic environment.

Fund Performance as of 12/31/23 *(Annualized if greater than 1 year)*

Fund Inception: 11/29/19	QTD	6 Mos	YTD	1 YR	2 YR	3 YR	Inception
LYFIX	3.49	-2.72	7.17	7.17	3.10	0.90	12.34
LYFAX	3.44	-2.89	6.88	6.88	2.84	0.64	12.09
LYFCX	3.26	-3.23	6.14	6.14	2.08	-0.10	11.47
S&P 500 Total Return Index	11.69	8.04	26.29	26.29	1.69	10.00	12.59
S&P Biotechnology Select Industry Total Return Index	22.18	7.68	7.76	7.76	-10.47	-13.91	-0.94
LYFAX *After Sales Charges*	-2.53	-8.49	0.75	0.75	-0.15	-1.32	10.48

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.

Market Overview

The S&P Select Biotech Index remarkably ended the fourth quarter in the green after a blistering rally off retesting the pandemic lockdown lows as the broader market embraced a fed "pivot party". October was a brutal month for the index with >80% of the components in the red, with more than half of these down more than 10%. Remarkably, before the rally, a record >30% of the entire universe was trading below cash value and more than 70% had an enterprise value below $100 million. After a two-year downturn in 2021 and 2022, biotech's positive momentum to close out 2023 bodes well for the new year.

Biotech deal activity accelerated in the fourth quarter with several multi-billion transactions closing

The Federal Trade Commission (FTC) handed out a mixed bag of secret Santa gifts to investors last December with the successful closing of the $43 billion PFE/Seagen (SGEN) merger and unwinding of Sanofi's (SNY) $150 million upfront Phase 2 deal with Maze Therapeutics (private). It seems FTC put the latter deal on the naughty list to prevent SNY from controlling the potentially first oral glycogen synthase 1 inhibitor for Pompe disease given their existing dominant commercial Pompe market position with Lumizyme (alglucosidase alfa) and Nexviazyme (avalglucosidase alfa-ngpt). SNY announced they would be terminating the Maze deal following FTC's administrative

challenge. On balance, though, investors viewed the December closing of the large SGEN deal and the FTC's earlier failure to block Amgen (AMGN) from acquiring Horizon Therapeutics (HZNP) as signals M&A would continue apace.

Deal activity accelerated to close the quarter with several multi-billion transactions announced; notably including several mid-stage clinical companies. Specifically, Abbvie (ABBV) announced the acquisition of Cerevel Therapeutics (CERE) for $8.7 billion. Timing was interesting as CERE has yet to report registration-enabling clinical data with most such trials expected to read out over the next several quarters. Eyebrows were further raised as CERE shares gained ~40% on >8x average volume, adding $2 billion of market cap, during the two days prior to the public deal announcement. The proposed transaction is not expected to be accretive until 2030+ (assuming clinical success) given the earlier stage of the lead program making the price paid to appear to be quite high (4-5x 2030 consensus revenue). Likewise, Bristol Myers (BMY) acquired RayzeBio (RYZB) for $4.1 billion. RYZB was advancing an Actinium-based radiopharmaceutical platform that had achieved proof-of-concept data, but had yet to release pivotal data. These deals effectively drowned out competing headlines that the Biden administration unveiled a new framework to use "march-in rights" to repossess drug patents funded by taxpayer dollars to lower prices. Analysts expected litigation to ensue should this framework actually be utilized.

BMY seemed to contribute to an emerging trend of big pharma partnering with private Chinese biopharma companies with an $800 million upfront payment to license SystImmune's BL-B01D1, an EGFR / HER3 bispecific ADC. Near-term contingent payments are expected to be an additional $500 million and future contingent payments (including sales milestones) may total up to $7.1 billion. Likewise, AstraZeneca (AZN) announcing a licensing deal in the obesity space with Eccogene (private) to develop an oral GLP-1 receptor agonist for a modest $185 million upfront. Limited data has been released on the program, leaving investors to speculate if AZN was able to capture a potentially best-in-class candidate from China-based Eccogene at a discounted valuation compared to western equivalents.

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FDA remains constructive given that 2023 was a banner year for new pharmaceutical products – with 55 approvals. This is more than all but two prior years since 1985 (59 new drug approvals in 2018 and 1996). Included in 2023 was the landmark approval of the first medicine incorporating gene editing technology. Crisper Therapeutics' (CRSP) Casgevy was approved for Sickle Cell Disease (SCD) and will be priced at $2.2 million per treatment. Investor sentiment for an accommodative FDA has become sanguine to the point where new approvals are even expected for certain drugs that fail to meet prespecified clinical criteria. Case in point is the ~100% rally in shares of Sarepta's (SRPT) after reporting highly anticipated EMBARK study data from gene therapy candidate ELEVIDYS in Duchenne Muscular Dystrophy (DMD) did not meet the prespecified primary endpoint. Usually this would be a death knell for a drug, but SRPT reported several of the secondary endpoints suggested clinical benefit and 'productive' talks with FDA given the limited other treatment options for this orphan disease and benign drug safety profile.

Not surprisingly, culling of the biotech herd continued with strategic reviews and reductions in force (RIF) from:

- Abcellera Biologics (ABCL, 10% RIF)
- Aclaris Therapeutics (ACRS, 46% RIF)
- Allogene Therapeutics (ALLO, 22% RIF)
- Atreca (BCEL, 40% RIF)
- Generation Bio (GBIO, 40% RIF)
- Hansa Biopharma (HNSA SS, 25% RIF)
- IGM Biosciences (IGMS, 22% RIF)
- Intellia Therapeutics (NTLA, 15% RIF)
- Kezar (KZR, 41% RIF)
- Pyxis Oncology (PYXS, 40% RIF)
- Regenxbio (RGNX, 15% RIF)
- Seres Therapeutics (MCRB, 41% RIF)
- Theseus Pharmaceuticals (THRX, 72% RIF)
- Travere Therapeutics (TVTX, 20% RIF)
- uniQure (QURE, 285 RIF)
- Ventyx (VTYX, 20% RIF)

Chapter 11 bankruptcy filings remain limited with Impel Pharmaceuticals (IMPL) being one of the few examples; however, private shareholder proposals seem to be on the rise. Theseus Pharmaceuticals (THRX) received multiple shareholder offers to take the company private. Likewise, Freeline Therapeutics (FRLN) accepted an investor proposal to take the company private at a >50% premium to the closing price prior to the announcement.

Fund Overview

The Fund continued to benefit from M&A activity in the quarter

with exposure to several acquisition targets. Specifically, Abbvie (ABBV) announced the acquisition of Immunogen (IMGN) for $31.26 per share in cash for a total equity value of approximately $10.1 billion. The deal represented a 95% premium to the prior closing price and is projected to be accretive in 2027. Valuation was ~5.5x consensus 2030 revenue estimates, in line with Pfizer's (PFE) pending purchase of Seagen (SGEN). The IMGN deal highlighted big pharma's interest to acquire Antibody-drug conjugates (ADC) with differentiated profiles.

Bristol Myers had a very busy fourth quarter in the M&A space, announcing multiple acquisitions

Bristol Myers (BMY) announced plans to acquire Karuna Therapeutics (KRTX) for $330 per share in an all-cash deal representing a 53% premium and $14 billion in value. The deal emphasized the value for novel mechanisms in established CNS indications such as schizophrenia. Bristol Myers (BMY) also announced the acquisition of Mirati Therapeutics (MRTX) for $4.9 billion cash upfront plus a contingent value right (CVR) for an additional $1 billion (upon acceptance by FDA of a new drug application for MRTX1719, a potential first-in-class MTA-cooperative PRMT5 in locally advanced or metastatic non-small cell lung cancer (NSCLC)). The deal was a 47% premium over the average of last 30-day trading price of MRTX, but a ~4% discount to the last closing price as takeout rumors rallied shares and a ~75% discount to the 2020 peak. Valuation was in line with recent oncology deals at approximately fine times 5-year forward revenue estimates for lead drug Krazati, available under accelerated approval for KRAS G12C-mutated NSCLC. BMY seems to be betting that they can leverage a substantial oncology commercial presence to maximize the value of Krazati.

Eli Lilly (LLY) stepped in front of pivotal data with the $1.4 billion purchase of Point Biopharma (PNT). The deal was an 87% premium to the prior close, but PNT has ~$400 million in cash so the net price is closer to $1 billion. Valuation was estimated to be ~3x peak partner revenue of lead radiopharmaceutical PNT 2002 (net of share owed to partner Lantheus Holdings (LNTH)) plus a manufacturing site in Indianapolis. Curiously, the announcement came ahead of PNT2002's Phase III SPLASH and key competitor Novartis' (NVS) Phase III Pluvicto datasets in Q4 for pre-chemo prostate cancer. It turned out the SPLASH data came in below expectations and PNT would likely have faced a significant drawdown if it were not for the pending acquisition. The Fund was fortunate to benefit from LLY's apparent strategic interest in acquiring a radiopharmaceutical platform and manufacturing assets regardless of the outcome of the SPLASH trial.

The Fund also had exposure to Roivant (ROIV) which benefited from Roche's (RHHBY) $7.1 billion acquisition announcement for its Televant subsidiary, but the deal did not immediately translate into share price appreciation. RHHBY's Televant acquisition was their largest deal since the 2014 purchase of InterMune for $8.3 billion. Televant is jointly owned by Roivant (ROIV) and Pfizer (PFE) in a 75% / 25% structure. The company was founded in 2022 to develop Pfizer's TL1A asset RVT-3101 for the US and Japanese markets. The deal value was in line with Merck's (MRK) earlier purchase of global rights of competitor TL1A company Prometheus for $10.8 billion given the US / JP market is ~70% of the total. ROIV shares traded down 11% on the announcement despite the fact the company will have a pro forma cash balance of >$6 billion net of their 75% interest in Televant. Interestingly, ROIV ended the day of the deal announcement at ~$0 pro forma EV. The Fund continues to strive to increase exposure to holdings that might benefit from M&A transactions.

The Fund's companies with robust revenue and cash flow growth profiles continued to execute. Bright spots from 3Q earnings included top and/or bottom line beats from Acadia Pharmaceuticals (ACAD), Amicus Therapeutics (FOLD), Argenx (ARGX), Dynavax Technologies (DVAX), GSK (GSK), Harmony Biosciences (HRMY), Immunogen (IMGN), Intra-Cellular Therapeutics (ITCI), Kiniska Pharmaceuticals (KNSA), Neurocrine Biosciences (NBIX), and United Therapeutics (UTHR).

GSK's newly launched RSV vaccine Arexvy was a notable big pharma launch with $709 million reported coming in well ahead of consensus of $282 million. Acadia Pharmaceuticals (ACAD) notched a legal win in Delaware District Court confirming the validity of patent claims covering lead drug Nuplazid. ACAD shares rallied ~30% as investors bumped up revenue duration in their models. Not all of these positive financial updates translated into upward share price action; however, as shareholder positioning

and longer-term competitive outlooks weighed on several holdings. In addition, holdings that reported mixed quarters came under intense selling pressure. Amylyx Pharmaceuticals (AMLX), Coherus Biosciences (CHRS), Jazz Pharmaceuticals (JAZZ), and Revance Therapeutics (RVNC) each tumbled to new lows for the year, with some drawdowns exceeding 50%. The Fund is actively adding exposure to commercial companies that appear to be trading below fair value.

The Fund also participated in several primary share transactions providing capital to direct-funded R&D initiatives. Vyne Therapeutics (VYNE) that was trading at a ~$7 million market cap before announcing positive data from its Phase 1B trial evaluating once-daily dosing of VYN201 in patients with nonsegmental vitiligo, a private placement of $88 million and new preclinical data showing the positive effect of its oral small molecule BD2-selective BET inhibitor, VYN202, in preclinical models of psoriasis and rheumatoid arthritis. The financing provides the company with ample runway to reach the next set of clinical milestones. Likewise, Abivax (ABVX) raised $236 million in a US NASDAQ IPO that will fund the company through phase 3 clinical data for lead inflammatory drug obefazimod in Ulcerative colitis. The Fund continues to look for primary share purchase opportunities that fund companies through key development goals and potentially unlock value in the process.

The Fund's basket of development stage biotech assets provided a number of positive program updates in the quarter. Specifically, Coherus Biosciences (CHRS) received approval for closely watched PD-1 antibody Loqtorzi in nasopharyngeal carcinoma (NPC). Some have been skeptical of approval, given issues inspecting the manufacturing and clinical trial sites in China. Decipheria Pharmaceuticals (DCPH) treated investors to what appears to be the best in class treatment option for patients with Tenosynovial Giant Cell Tumor (TGCT). DCPH's Phase 3 pivotal MOTION trial met its primary endpoint with objective response rate (ORR) of 40% compared to 0% for placebo ($p<0.0001$) with an acceptable safety profile and only a treatment discontinuation rate of 6%. The Fund continues to source additional companies with what we see as promising upcoming clinical or regulatory events.

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.

- AADI Bioscience (AADI) crashed >50% on initial data of nab-sirolimus that showed response rates below expectations.
- Acelyrin (SLRN) reached an all-time-low on clinical trial integrity issues. The company made the shocking disclosure some patients in the late stage trial for lead drug Izokibep incorrectly were dosed active drug or placebo due to an error in dose programming. It appears SLRN's massive $540 million IPO proceeds may be wasted given the apparent ~2 years needed to redo these trials and current burn rate of >$1 million per day.
- Aclaris Therapeutics (ACRS) was down even more, falling ~85% to a negative $140 million EV on announcing the Phase 2B trial of oral Zunsemetinib (ATI-450) for moderate to severe rheumatoid arthritis did not meet the primary or any secondary efficacy endpoints. ACRS will discontinue the program.
- Aldeyra Therapeutics (ALDX) as shares crashed 75% on the announcement FDA had major issues with the company's new drug application and rejection of the application was anticipated.
- Atara Biotherapeutics (ATRA) also traded to a negative EV on announcing the phase 2 EMBOLD study of ATA188 in multiple sclerosis failed and the trial will be discontinued.
- Bayer (BAYN GY) posted its worst day in its 70-year history as a public company, falling nearly 20% on mounting damage awards related to litigation for weed killer Roundup (acquired in Monsanto deal) and the discontinuation of late stage anti-thrombotic factor XI drug asundexian that was expected to be a blockbuster for the pharma division. The IDMC (Independent Data Monitoring Committee) recommended stopping the 19,000 patient OCEANIC-AF phase 3 study evaluating asundexian in stroke prevention and systemic embolism in patients with atrial fibrillation due to a lack of efficacy. BAYN shares are now trading at nearly half the $63 billion they paid to acquire Monsanto in 2018.
- Biovie (BIVI) fell >60% on announcing the Phase 3 NM101 trial in Alzheimer's failed to meet the primary endpoint. Investors were unconvinced by management's arguments to exclude a majority of the patients in the trial due to apparent protocol violations.
- Cogent Biosciences (COGT) came under pressure after presenting data at the American Society of Hematology

(ASH) Conference from the Phase 2 SUMMIT trial evaluating Bezuclastinib in patients with nonadvanced systemic mastocytosis that was not clearly differentiated from leading competitor Blueprint medicines (BPMC).

- Durect Corporation (DRRX) fell >75% after disclosing the Phase 2B AHFIRM trial of Larsucosterol in alcohol-associated hepatitis failed to meet the primary endpoint.
- Ikena Oncology (IKNA) fell ~75% when reporting their phase 1 oncology program IK-930 failed to show any responses.
- Mirum Pharmaceuticals (MIRM) was also under pressure after announcing the EMBARK P2 trial in Biliary Atresia did not meet the primary endpoint.
- Reneo Pharmaceuticals (RPHM) was down 86% on the failure of the Ph2b STRIDE trial for mavodelpar in primary mitochondrial myopathies (PMM). Mavodelpar did not clearly separate from placebo in the trial leading to program discontinuation and a 70% reduction in force.
- REPL announced the CERPASS trial missed both primary endpoints in locally advanced/metastatic CSCC and will discontinues related indications to extend the cash runway into early 2026.
- Verve Therapeutics (VERV) fell ~40% after reporting two cardiovascular serious adverse events (SAEs) in initial data for VERVE-101 gene-editing therapy in Heterozygous Familial Hypercholesterolemia (HeFH) patients. Investors debated whether the signal was real, given only n=9 patients were dosed or simply bad luck given these patients were at high risk for such events.

Top Ten Holdings

Holding	% of Portfolio
Cash	11.45%
Galapagos NV	4.14%
BioCryst Pharmaceuticals Inc	3.92%
Pacira BioSciences Inc	3.84%
United Therapeutics Corp	3.83%
Harmony Biosciences Holdings I	3.82%
Embecta Corp	3.67%
ImmunoGen Inc	3.66%
Coherus Biosciences Inc	3.23%
Walgreens Boots Alliance Inc	3.04%

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

Outlook

Biotech ended the fourth quarter in the green after big down years in 2021 and 2022. 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. Market expectations for lower interest rates in 2024, sustained biotech M&A activity, continued new approvals of cutting edge new therapies, and resurgent capital markets activity appear to be converging to reverse biotech's record relative underperformance. After twelve quarters in a ferocious biotech bear market, the risk may finally be to the upside once again.. 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.

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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

- *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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