

# Exponential Technologies Fund Commentary

March 31, 2023

## AT A GLANCE

**Manager:** Anant Goel

**Fund Objective:** Seeks to provide long-term capital appreciation.

**About the Fund:** A concentrated mutual fund representing our thesis regarding long-term capital appreciation in the information technology, communications, internet and direct marketing retail, and healthcare technology and devices industries. (≥80%). The fund has a non-diversified approach in which ≥5% holdings cumulatively can be ≥25% of the fund. May invest in illiquid securities (≤15%).

**Benchmarks:** S&P North American Technology Sector Index, S&P 500 Total Return Index

**Morningstar Category:** US Fund Technology

**Lipper Category:** Technology

**Net Assets:** \$99.7 million

**Inception Date:** June 30, 2020

**Eventide Asset Management, LLC**

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Class I: ETIEX | Class A: ETAEX | Class C: ETCEX | Class N: ETNEX

## Review

The Eventide Exponential Technologies Fund (Class I) posted a total return of 11.39% for the first quarter of 2023, compared with the S&P North American Technology Sector Index of 21.45% and the S&P 500 Total Return Index total return of 7.50%. The Fund (Class I) posted a total return of -27.59% for the 12 months ending 03/31/2023 compared to the S&P North American Technology Sector Index of -11.73% and the S&P 500 Total Return Index of -7.73%. In the first quarter, the S&P tech sector benchmark was buoyed by its substantial exposure to large- and mega-cap technology companies. The Fund underperformed its benchmark largely as a function of its greater-than benchmark exposures to small- and mid-cap high-growth stocks, particularly those in the consumer segments and the Internet Software/ Services sub-industry, as well as the single stock we held in the Metal Fabrication segment—Xometry. Stock selection in Semiconductors proved a mixed bag, but overall our positioning detracted from benchmark-relative performance.

## Contributors

In the first quarter of 2023, the largest positive contributors to performance were: Palo Alto Networks Inc, Global-e Online Ltd, Flywire Corp, Lattice Semiconductor Corp, and Monolithic Power Systems Inc. Palo Alto Networks gained on solid top- and bottom-line results amid ongoing consolidation around key platforms in the cybersecurity industry. Global-E Online marked strong growth and profitability while continuing to build out its moat in cross-border e-commerce. Global payment facilitator Flywire's strong value proposition for education and other key verticals generated strong growth and profitability. U.S.-based Lattice Semiconductor enjoyed above-market growth and margins driven by strong product cycles. Semiconductor-maker Monolithic Power System enjoyed above-market growth during an industry downturn.

### Top Five Contributors<sup>1</sup> (%)

Q1 2023

Company	Ticker	Industry	Average Weight	Contribution to Return	Total Return <sup>2</sup>
Palo Alto Networks Inc	PANW	Systems Software	6.71	2.48	43.14
Global-e Online Ltd	GLBE	Broadline Retail	3.13	1.51	56.15
Flywire Corp	FLYW	Transaction & Payments	6.90	1.45	19.98
Lattice Semiconductor Corp	LSCC	Semiconductors	3.41	1.33	47.19
Monolithic Power Systems Inc	MPWR	Semiconductors	3.55	1.20	41.84

## Detractors

In the first quarter of 2023, the largest negative detractors to performance were: Enphase Energy Inc, ZipRecruiter Inc, ZoomInfo Technologies Inc, Bill Holdings Inc, and Xometry Inc. Enphase Energy came under pressure amid fears of slower residential solar growth as interest rates rise. Employment matchmaker ZipRecruiter declined as employers moderated hiring plans and reduced recruitment budgets. B2B data intelligencer ZoomInfo faced challenges amid tightening budgets and seat-count reductions. Another victim of potential economic slowdown, Bill Holdings—a back-office financial automator for small and midsize business—delivered disappointing guidance on growth in total payment volumes. Manufacturing matchmaker Xometry was challenged for a second quarter in a row, with the firm's lowered guidance leading to a loss of investor confidence.

### Top Five Detractors<sup>1</sup> (%)

Q1 2023

Company	Ticker	Industry	Average Weight	Contribution to Return	Total Return <sup>2</sup>
Enphase Energy Inc	ENPH	Semiconductor Materials & Equip.	1.65	-0.46	-20.64
ZipRecruiter Inc	ZIP	Interactive Media & Services	1.00	-0.61	-24.15
ZoomInfo Technologies Inc	ZI	Interactive Media & Services	1.34	-0.61	-28.86
Bill Holdings Inc	BILL	Application Software	2.80	-0.68	-25.53
Xometry Inc	XMTR	Trading Companies & Distrib.	3.56	-2.05	-53.55

## Macro Commentary and Outlook

U.S. stocks finished the quarter on a high note, with the broad-market S&P 500<sup>®</sup> gaining 7.5% for the three months ended March 31, 2023, but the ride was anything but smooth. January jumped more than 10 percentage points off December lows, but February beat a sharp retreat on fears of further Fed rate hikes and the near ruin of First Republic Bank and collapse of Silicon Valley Bank (SVB). SVB backed a number of fintech firms, and its failure—along with increasing uncertainty regarding inflation and recession—quelled investor appetite for smaller, “growthier” companies. The S&P 500 regrouped in March, as the Fed and other large banks stepped in to stem potential financial contagion.

*Performance is historical and does not guarantee future results.*

Despite market anxiety—and weak corporate earnings—growth-oriented stocks finished well ahead of their value counterparts across the market-cap range, a reversal from quarterly outcomes over 2022. Size, too, mattered this quarter, as results ramped in nearly a straight line from -2.8% for the Russell Microcap to +12.9% for the Russell Top 50<sup>®</sup> Mega Cap Index.

We continue to advocate a neutral equity stance. At a fundamental level, we expect that once the macro animal spirits return, many high-quality companies that suffered, indiscriminately along with everything else, to be re-rated up to historical valuations. We maintain a long-term investment perspective that requires a disciplined, process-driven approach to discern the differences between short-term risks and long-term opportunities. As always, the Adviser's investment team reviews the investment theses and relative valuations for each of the strategy's investments.

Trailing Returns <sup>3</sup> (%)	31 Mar 2023							
	YTD	3-mos	1-year	3-year	5-year	10-year	Since Inception <sup>4</sup>	Inception Date <sup>4</sup>
<i>Eventide Exponential Technologies Fund</i>								
Class I	11.39	11.39	-27.59	—	—	—	4.24	06/30/2020
Class A without load	11.25	11.25	-27.76	—	—	—	4.00	06/30/2020
Class A with 5.75% load <sup>5</sup>	4.87	4.87	-31.93	—	—	—	1.78	06/30/2020
Class C <sup>6</sup>	11.16	11.16	-28.31	—	—	—	3.24	06/30/2020
Class N	11.25	11.25	-27.76	—	—	—	4.00	06/30/2020
<i>Benchmarks</i>								
S&P North American Technology Sector Index <sup>7</sup>	21.45	21.45	-11.73	—	—	—	8.40	06/30/2020
S&P 500 Total Return Index <sup>7</sup>	7.50	7.50	-7.73	—	—	—	12.54	06/30/2020

**Performance is historical and does not guarantee future results. Investment return and principal value will fluctuate with changing market conditions so that when redeemed, shares may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Investors cannot directly invest in an index, and unmanaged index returns do not reflect any fees, expenses, or sales charges. The volatility of an index may be materially different than that of the Fund, and investors should not expect the Fund to achieve the same results as a listed index. Performance data current to the most recent month-end may be obtained by calling 1-877-771-EVEN (3836).**

*Eventide Exponential Technologies Fund expenses: Class I, Gross Expenses 1.43%, Net Expenses 1.43%; Class A, Gross Expenses 1.68%, Net Expenses 1.68%; Class C, Gross Expenses 2.43%, Net Expenses 2.43%; Class N, Gross Expenses 1.63%, Net Expenses 1.63%.*

1. Source: Bloomberg PORT Attribution Report. Allocation percentages are subject to change at any time, and should not be considered investment advice.
2. The total return percentage listed is impacted by the Fund's transactions and transacted price levels of the holding during the quarter.
3. The returns shown do not reflect the deduction of taxes that a shareholder would pay on fund distributions or on the redemption of fund shares. Because of ongoing market volatility, fund performance may be subject to substantial short-term changes.
4. Performance figures for periods greater than 1 year are annualized. Annualized since inception figures use an inception date of 06/30/2020.
5. In the case of investments at or above the \$1 million breakpoint (where you do not pay an initial sales charge), a 1.00% contingent deferred sales charge ("CDSC") may be assessed on shares redeemed within eighteen months of purchase. The CDSC for these Class A shares is based on the NAV at the time

of purchase. The holding period for the CDSC begins on the day you buy your shares. Some intermediaries may waive or discount the CDSC under certain circumstances.

6. A 1.00% contingent deferred sales charge ("CDSC") may be assessed on C-shares redeemed within twelve months of purchase.
7. On 04/01/2023, the Fund's primary benchmark to compare its performance was changed from the S&P 500 Total Return Index to the S&P North American Technology Sector Index because the Fund's Adviser believes it is more reflective of the Fund's portfolio. The S&P North American Technology Sector Index represents U.S. securities classified under the GICS<sup>®</sup> information technology sector as well as the internet & direct marketing retail, interactive home entertainment, and interactive media & services sub-industries. The S&P 500 is an index created by Standard & Poor's of American stocks with the largest market capitalization.

The opinions expressed herein are those of the Fund's portfolio management team as of 03/31/2023 and are subject to change. There is no guarantee that such views are correct or that the outlook opinions will come to pass. Specific companies mentioned are for performance attribution informational purposes only and should not be construed as buy or sell advice. Reliance upon the views expressed herein is at the sole discretion of the reader.

**Mutual funds involve risk including the possible loss of principal. Past performance does not guarantee future results.** The Fund typically invests at least 80% of its net assets in technology companies defined as those in the information technology, communications, internet and direct marketing retail and healthcare technology and devices industries. The Fund invests primarily in companies that Eventide believes are participating in and benefiting from technologies, innovations, themes, or trends that have long-term exponential characteristics. The term "exponential" means the potential for accelerated advancements in underlying technologies that can positively impact capabilities and development cycles of a company's products and services. Not every company in the Fund's portfolio will experience exponential growth, and the

Fund is not expected to deliver exponential returns. The Fund's ethical values screening criteria could cause it to under-perform similar funds that do not have such screening criteria. The Fund can invest in smaller-sized companies which may experience higher failure rates than larger companies and normally have a lower trading volume than larger companies. The Fund may experience higher volatility than the general market due to being concentrated in the technology industries. Companies in the technology industries have different risks including but not limited to products becoming obsolete, and entrance of competing products. Communications companies may underperform due to legislative or increased competition. Internet and Direct Marketing Retail companies may underperform due to legislative or increased government supervision. Healthcare Technology and Devices Companies may be heavily dependent on clinical trials with uncertain outcomes and decisions made by the governments and regulatory authorities. Further, these companies are dependent on patent protection. The Fund has non-diversification risk as a high percentage of Fund assets may be invested in a limited number of companies. The Fund can have risk related to option investing. There are special risks associated with investments in foreign

companies including exposure to currency fluctuations, less efficient trading markets, political instability and differing auditing and legal standards. The Fund can invest in private companies. Private investments include various risks including but not limited to lack of liquidity, capital commitment risk, and valuation risk. Private companies may not be financially profitable and have uncertain futures, subjecting them to additional risks. The Fund has no history of operations prior to its inception date.

**This information is for use with concurrent or prior delivery of a fund prospectus, which can be obtained at <https://www.eventidefunds.com/prospectus> or by calling 1-877-771-EVEN (3836). Investors should consider a fund's investment objectives, risks, charges and expenses carefully before investing or sending money. Eventide Mutual Funds are distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC, which is not affiliated with Eventide Asset Management, LLC.**