PIA SHORT TERM SECURITIES FUND SECOND QUARTER 2016

INVESTMENT COMMENTARY

The unexpected "British exit" (Brexit) outcome of the UK referendum to leave the European Union (EU) created greater uncertainty about the future of the EU as well as the prospects for global economic growth. Nationalistic voices are now on the rise in Europe and we anticipate additional calls for similar referendums in other EU member countries. Adding to this uncertainty is the high level of non-performing bank loans of several Italian banks, which brings into question the viability of the banking support system.

Given the Brexit outcome, we believe the December Federal Reserve rate hike will prove to be the last hike for the foreseeable future. Looking beyond the reported unemployment rate at or below 5%; the elevated market volatility (albeit symptomatic of the protracted zero interest rate policy), heightened global geopolitical events such as Brexit, the wildly contentious upcoming presidential election, and the current corporate profits recession should cause the Federal Reserve to remain very cautious for the near term.

We believe the recent heightened market volatility and the related interest rate trajectory can continue for some time, which can create investment opportunities in several high quality corporate credits. We seek to exploit these market dislocations to add value through attractive risk-adjusted yields, while undervalued bond market sectors endure the process of normalization. When the time eventually comes for the Federal Reserve to resume raising rates, we believe credit spreads will surely have tightened and provided investors with significant excess returns. We seek to add value to our portfolios by remaining invested in high quality corporate bonds, that should continue to offer attractive risk-adjusted yields.

The duration of our portfolios is modestly shorter than the respective benchmark, and our yield curve positioning has a more barbelled structure. This barbell has more emphasis on longer corporate securities and shorter US Treasuries and agencies.

We maintain our overweight in industrial credits, which should continue to provide our portfolios with additional yield. We have a smaller allocation to financials, as we believe that the spreads offered by the sector still only fairly compensate for the increased sector volatility. We maintain our allocation to agency Mortgage Backed Securities, as sector valuations remain in a fair valued range.

Evangelos Karagiannis
Managing Director,
Senior Portfolio Manager

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The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contains this and other important information about the investment company, and it may be obtained by calling 800-251-1970 or visiting www.PIAMutualFunds.com. Read it carefully before investing.

Mutual Fund investing involves risk. Principal loss is possible. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in Asset Backed and Mortgage Backed Securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments. The Fund may invest in derivatives, which may involve risks greater than the risks presented by more traditional investments. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities that the ETF or mutual fund holds. It will also bear additional expenses, including operating expenses, brokerage costs and the potential duplication of management fees. These risks are fully disclosed in the Prospectus.

Brexit - an abbreviation of "British exit", which refers to the June 23, 2016 referendum by British voters to exit the European Union.

European Union (EU) is a group of 28 countries that operates as a cohesive economic and political block.

Nonperforming loan - the sum of borrowed money upon which the debtor has not made his scheduled payments for at least 90 days.

Bank loan - a debt financing obligation issued by a bank or similar financial institution to a company or individual that holds legal claim to the borrower's assets above all other debt obligations.

Duration - A commonly used measure of the potential volatility of the price of a debt security, or the aggregate market value of a portfolio of debt securities, prior to maturity. Securities with a longer duration generally have more volatile prices than securities of comparable quality with a shorter duration.

Spread - The difference in yields between two fixed-income securities with the same maturity, but originating from different investment sectors.

Yield Curve - A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but differing maturity dates. The most frequently reported yield curve compares the three-month, two-year, five-year and 30-year U.S. Treasury debt.

Barbell - An investment strategy primarily applicable to fixed-income investing, in which half the portfolio is made up of long-term bonds and the other half comprises very short-term bonds.

Past performance is not a guarantee of future results.

Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

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