PIA SHORT TERM SECURITIES FUND SECOND QUARTER 2017

INVESTMENT COMMENTARY

The second quarter was largely politically motivated by geopolitical events, Senate hearings, and the House passage of the Republican version of the Affordable Care Act (ACA). The Federal Reserve announced another 0.25% federal funds rate hike at the June Federal Open Market Committee (FOMC) meeting, raising the target funds rate to 1 – 1.25%; while also projecting another rate hike in 2017 and 3 additional hikes in 2018. Investor expectations for economic growth and fiscal policy reform have waned, and long term treasury yields did not appreciably move as the prospects of future inflation remained unchanged. The yield curve flattened while the spread between 2- and 10- year treasury yields narrowed as the 2- year treasury yield climbed 13 basis points and the 10- year yield declined 8 basis points. We remain skeptical whether market expectations about growth in the economy will materialize. With the reported unemployment rate below the 5% Fed target, market expectations are for the Federal Reserve to either continue or even accelerate the pace of rate hikes. However, we believe that the fragility of the financial system and the massive amounts of debt caused by years of zero rate policy and rounds of quantitative easings cannot be simply undone without caution, and as a result we expect a more measured pace of rate hikes for 2017 and beyond.

We believe the heightened political and economic uncertainty will continue to create opportunities in several high quality corporate names. We expect to add value investing in undervalued credits that should produce risk-adjusted value added as market valuations normalize. We believe continued Fed tightening in the absence of sustainable economic development should portend a near-term lower demand for "risk" assets, rather than reinforce a bullish market sentiment underpinned by growth prospects. Thus our strategy remains more defensive, electing to add value to our portfolios by investing in high quality corporate bonds, while maintaining the risk of our portfolios at acceptable levels. Because our process emphasizes risk-adjusted yields, we believe our portfolios will tend to have more yield than their respective benchmark, which should also benefit returns.

Given the future growth uncertainties, our duration has remained neutral relative to our respective benchmark, while we also maintained our barbell yield curve positioning with greater emphasis on longer corporate bonds and shorter government securities. Over the next few quarters we anticipate a flattening of the credit curve and expect ourlonger maturity corporate bonds will continue to outperform their shorter maturity counterparts.

We maintain our overweight in industrial bonds, which provide our portfolios with additional yield. We selectively invest in finance names whose yields more than fairly compensate for their risk, as we believe the spreads offered by the sector overall, still only fairly compensate for the sector volatility. We are overweight agency mortgage backed securities, as sector valuations improved after the recent rise in interest rates, which made their prepayment profile more predictable.

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.

Federal Open Market Committee (FOMC) - The branch of the Federal Reserve Board that determines the direction of monetary policy.

Fiscal Policy - The means by which a government adjusts its spending levels and tax rates to monitor and influence a nation's economy.

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.

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

Yield - The income return on an investment. This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost.

Zero Rate Policy - a method used, by the United States Federal Reserve, Japan and several EU memeber nations, for stimulating growth while keeping interest rates close to zero.

Basis point (bp)- A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

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.

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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