PIA SHORT TERM SECURITIES FUND SECOND QUARTER 2018

INVESTMENT COMMENTARY

The third longest U.S. economic expansion on record continued as U.S. Gross Domestic Product (GDP) grew at a 2.0% rate for the 12 months ending March 31st. Consumer Price Index (CPI) climbed to 2.8%, while Core Inflation (ex-food and energy) was measured at 2.0%. Wage growth continues at a more tepid pace, despite the lowest unemployment rate (3.8%) in two decades sparking some inflation concerns. Trade war fears subsided briefly during the quarter when U.S. Treasury Secretary Steven Mnuchin stated in late May that the U.S. was "putting the trade war on hold". However, the White House continued to publicly discuss a series of economic actions and tariffs against key trading partners, which portend commensurate retaliatory measures by significant global economic partners. As previously stated, we estimate a global trade war could reduce U.S. GDP by as much as 50 basis points. The Federal Reserve continued with incremental rate hikes, raising the Fed Funds Target Rate by 25 basis points to 1.75 - 2.00% and signaling additional rate hikes in response to continued economic strength and rising inflation. The yield on the 2-year Treasury climbed 26 basis points to 2.53% resulting in additional flattening of the yield curve, albeit less dramatic than in the previous quarter. The yield on the 10-year Treasury increased by 12 basis points to 2.86%, producing a negative quarterly return (-0.28) for the benchmark Treasury. However, positive returns in short and long Treasury maturities allowed the overall Treasury sector to generate a 0.10% quarterly return. U.S. Agency Securities underperformed (-0.19%) as did investment grade Corporate bonds (-0.98%) as investment grade corporate spreads widened by 13 bps to 126 bps, while Mortgage-Backed Securities (+0.24%) and Asset-Backed Securities (+0.42%) were the strongest performing sectors of the U.S. investment grade bond market. High Yield corporate bonds outperformed (+1.03%) relative to investment grade bonds as their shorter duration, incremental yield and lack of rating migration were positives.

Our economic and interest rate outlooks remain cautious as we weigh strong corporate earnings, employment and the capitalization of the U.S. economy against the efficacy of current U.S. policy. While investors seem intent on navigating the Harry Potter-like twists and turns of the current administration's rhetoric, an increasing number of companies have considered delays in investment and hiring due to uncertainties surrounding the on-again off-again proposed tariffs with several key U.S. trading partners including Canada, China and the European Union (EU). To further complicate our concerns, trade tariffs are clearly inflationary. A median measure of the goods currently subject to the proposed tariffs is roughly 5% of Core CPI, which means a 10% tariff could add 0.5% to the Core CPI Index. We believe fiscal policy aimed at attacking the trade deficit is economically misguided, as these deficits are essentially a mirror image of the capital account surplus. Given the obvious economic risks, we remain cautiously optimistic that trade tariff talks will prove more bark than bite, but the potential for additional inflation pressure lends some explanation to why Chairman Powell's statement following the June 12-13 Federal Open Market Committee (FOMC) meeting appeared a bit more hawkish than market consensus. Chairman Powell remained on message by reaffirming the Fed's projected gradual rate path of four rate increases in 2018 (two remaining), while also affirming the Fed's commitment to their program to reduce the Fed's balance sheet. The Fed Chairman's statement referenced continued strength in labor conditions, solid GDP growth with expectations of 2.8% growth in 2018 and 2.4% growth in 2019, driven largely by a bounce in household spending. Additionally, the Chairman credited the growth trend to both tax cuts and increased spending. While the positive economic backdrop outlined by the Fed has raised concerns of inflation, we believe the global demand for long-term safe assets accompanied with very low government bond yields worldwide may continue to keep the longer end of the yield curve range bound. As such, we remain hopeful the Fed will soften from the current 2.4% median fed funds year-end target rate, as we continue to believe a flat or inverted yield curve portends a real risk to our capital intensive economy.

Our portfolio duration is short relative to our respective

benchmark. We anticipate continued near-term market volatility due to the potential risks of additional Fed rate hikes, escalating global trade tensions and increasing Mergers and Acquisitions (M&A) activity. We believe the risk of recession remains low over the next twelve months, and we have maintained our Credit overweight, given risk-adjusted valuations. While corporate issuance remains strong, we believe the rise in overall corporate leverage is manageable for high quality investment grade borrowers with strong revenue/EBITDA (earnings before interest, taxed, depreciation and amortization) growth. We continue to overweight Industrial credits that provide incremental risk-adjusted yield and also seek to selectively invest in high-quality, senior Financial credits that we believe offer attractive compensation for the sector volatility. Lastly, we remain modestly overweight agency mortgage-backed securities, as sector valuations continue to offer value on a risk-adjusted basis.

PIA Macro Strategy Group

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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.

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.

Core inflation is the change in prices of goods and services except those from the food and energy sectors.

Tariff is a tax imposed on imported goods and services. Basis points (bps)- A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument.

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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.

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.

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.

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.

EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is one indicator of a company's financial performance and is used as a proxy for the earning potential of a business.

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

Benchmark - The ICE BofAML 1-Year US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date. You cannot invest directly in an index.

Mergers and Acquisitions (M&A) - type of restructuring in that they result in some entity reorganization with the aim to provide growth or positive value.

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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