PIA SHORT TERM SECURITIES FUND FOURTH QUARTER 2018

INVESTMENT COMMENTARY

Although the economy continues to expand and corporate earnings continue to grow, albeit at a slower rate, the equity markets had a swift and dramatic correction. The selloff accelerated into the last month of the year as the S&P 500 had its worst monthly decline since February 2009 and the Dow Jones Industrial Avergae (DJIA) had its worst December since the Great Depression. The Federal Reserve continued with incremental rate hikes, raising the Fed Funds Target Rate by 25 basis points to 2.25-2.50%. The raise was met with broad criticism, but strong employment and wage increases at bellwether retailers like Target continue to provide concern regarding future inflationary pressures. As mentioned last quarter, the potential for a trade war with China poses risks to the economy, and technology stocks suffered during the quarter, given the ongoing trade dispute regarding intellectual property rights and conditions necessary for U.S. tech firms to access the Chinese market.

Given the risk-off trade and the flight to quality, the 2-year Treasury decreased 36 basis points to 2.49% while the yield on the 10-year Treasury decreased by 38 basis points to 2.68%. Thanks to the non-correlating nature of bonds and the resulting declining yields, the Treasury sector generated a 2.57% quarterly return. Investment grade spread sectors underperformed US Treasuries for the quarter with Investment Grade corporate bonds (-0.18%), Asset-Backed Securities (+1.25%), Agency Securities (+1.13%) and Mortgage-Backed Securities (+2.08%) all lagging on an absolute return basis. Lipper reported that investment grade bond funds saw outflows of $4.4 billion for the week ending 12/26, which accelerated spread widening as bond fund liquidations from credit funds were heightened in a risk-off environment. High Yield corporate bonds erased gains from the year in the market selloff and were down (-4.53%) for the quarter.

The PIA long-term economic outlook continued to trend negative through the fourth quarter. Additionally, our 2019 economic outlook turned less positive following a downturn in some important economic indicators, an elevated risk of fiscal policy mistakes and the Federal Reserve's intention to continue removing liquidity. There were bright spots: a potential trade resolution with China, overall strength in the commodity complex, and ongoing strength in both labor market and wage growth (two closely followed lagging economic indicators) provided investors with optimism for sustainable growth and expectations of growing inflation. However, we're concerned with the downward trend in several leading economic indicators including the equity markets, inventory levels, the housing market and new business start-ups. The Consumer Confidence Index (CCI) declined to 128.1, albeit from an elevated 138.4 at the end of 3Q18. The Pending Home Sales Index ended 2019 at its lowest level since 2014, with a year-over-year decline of 7.7%, following eleven consecutive months in decline. Coincidentally, there is a strong historical correlation between peaks in the housing and business cycles. Oil and copper prices, key industrial commodities, ended the year down roughly 40%. Lastly, after stripping out the increase in inventories and based on final sales, strong third quarter GDP growth of 3.5% is reduced to approximately 1.2%.

While the global economy is clearly slowing, most notably in China and the Euro region, we still see reasonable growth potential in the U.S. economy and continue to believe the greatest risk is that of fiscal and/or monetary policy mistakes. Trade tariffs are inflationary and produce a negative drag on the global economy and although the damage to the U.S. economy is quantifiably ambiguous given only about 8% of U.S. Gross Domestic Product (GDP) is export driven, U.S. exports have declined eleven months in a row (another leading indicator). Another concern is the growing level of debt service at a time of economic uncertainty. In 2019, it's been reported that corporate debt re-financings may top $1 trillion. While we believe this historic level of corporate refinancing portends a potential period of corporate deleveraging, any meaningful increase in corporate debt service may create a crowding out effect on capital spending, which would be an added headwind to economic growth and development. Coincidentally, the U.S. budget deficit continues to rise at a time when the Federal Reserve is actually tightening monetary policy. We've seen a direct

correlation between the increase in national debt and GDP growth, which raises concerns about the efficacy of conflicting fiscal and monetary policies. As a result, our near-term interest rate outlook remains in a modest trading range.

We continue to maintain our moderately short duration position relative to the benchmark, given our intermediate/long-term interest rate outlook, as continued robust Treasury issuance and Fed balance sheet unwinding combined with moderating yet persistent economic growth place upward pressure on the Treasury yield curve. We continue to expect heightened near-term rate volatility due to market uncertainty surrounding additional Fed rate hikes going forward, as concerns surrounding economic growth surface, persistent global trade uncertainty remains and overall market volatility continues into the first half of 2019. Given more attractive credit valuations after the meaningful spread widening that occurred during 4Q18, we maintain our corporate overweight, as we believe the risk of recession remains low over the next twelve months. Additionally, we maintain our emphasis on high quality corporate names, given the current level of market volatility, focusing on corporations that have plans to actively deleverage during 2019. We continue to overweight industrial credits that provide incremental risk-adjusted yield and also seek to selectively invest in high-quality, domestic based Financial credits that we believe offer attractive compensation for the sector volatility.

PIA Investment Strategy Group

Pacific Income Advisers, Inc. (PIA) is an autonomous investment management firm registered under the Investment Advisers Act of 1940. PIA manages a variety of fixed income, equity, and balanced assets for primarily United States clients. The information contained herein is based on internal research derived from various sources and does not purport to be statements of all material facts relating to the securities mentioned. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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.

S&P 500 Index – The S&P 500 index includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. You can not invest directly in an index.

Dow Jones Industrial Average (DJIA) is an index used to measure the performance of the U.S. financial markets. Introduced on May 26, 1896 by Charles H. Dow, it is the oldest stock price measure in continuous use. Over the past century "the Dow" has become the most widely recognized stock market indication in the U.S. and probably in the entire world. Most of the stocks included in the index are listed on the New York Stock Exchange, and are all large blue-chip companies that reflect the health of the U.S. economy. All but a handful of these have major business operations throughout the world, thus providing some insight into the economic well-being of the global economy. You can not invest directly in an index.

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

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.

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

Consumer Confidence Index (CCI) is a monthly release from the Conference Board, a non-profit business group that is highly regarded by investors and the Federal Reserve. CCI is a distinctive indicator, formed from survey results of more than 5,000 households and designed to gauge the relative financial health, spending power and overall confidence of the average American consumer.

Monetary - consists of the actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

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.

Issuance - A reference to a security that has been registered, issued and is being sold on a market to the public for the first time.

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.

The Fund as of 12/31/18 holds 0% in Target Corp.

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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