PIA SHORT TERM SECURITIES FUND FIRST QUARTER 2019

INVESTMENT COMMENTARY

Despite signs of a slowing economy, market sentiment turned extremely bullish during the first quarter. The U.S. stock market erased most of the losses from the prior quarter and the bond market produced strong returns as interest rates declined, while credit spreads tightened. The Federal Reserve (Fed) changed course and did not raise the Fed Funds rate like they had every alternating meeting since December 2017. Instead, the Fed signaled pause mode during the quarter and cited slowing economic growth, slower household spending and slower investment. China and the US continue to work on details of a trade agreement to move beyond the temporary truce and avoid an escalated trade war centered on intellectual property rights, access to the Chinese market and the trade imbalance.

Against this backdrop, the 2-year Treasury yield declined 23 basis points (bps) to 2.26%, while the yield on the 10-year Treasury decreased by 27 bps to 2.41%. The drop in interest rates led to a 2.11% Treasury sector quarterly return. Investment grade sector spreads tightened during the quarter leading to strong absolute returns for investment grade corporate bonds (+5.14%), Agency Securities (+2.54%), Mortgage-backed Securities (MBS) (+2.17%) and Asset-backed Securities (ABS) (+1.48%). High Yield corporate bonds rebounded even stronger and returned (+7.26%) for the quarter.

The PIA long-term economic outlook continued to trend negatively through the first quarter. However, our 2019 calendar outlook improved modestly following the substantial January pivot by the Fed, shifting from a projected two or more rate increases in 2019 to the potential for a rate cut. The markets responded bullishly to the Fed's dovish pivot, adding to the market optimism for a potential trade resolution with China, as well as strength in the dollar, the significant rebound in oil and the Commodity Research Bureau Index (CRB), reported full employment and minimal signs of inflation risk. For the past several quarters, we've referenced our concern that potential fiscal and/or monetary policy mistakes represent the greatest risks to an otherwise solid, slow-growth, low-inflation economy. We remain skeptical that the U.S. will benefit materially from a successful trade deal with China in 2019. Additionally, we don't entirely share the market's enthusiasm for the Fed's pivot, as we have questions about the efficacy of a Fed more market-driven than policy-driven. We continue to monitor several key economic indicators as many are currently trending downward including housing, consumer confidence, corporate profitability, economic growth, inflation and new business start-ups. The Pending Home Sales Index (PHSI) continued its decline from 109.8 at the beginning of 2018 to 101.9 through February. Coincidentally, there is a strong historical correlation between peaks in the housing and business cycles. The Consumer Confidence Index dropped from 128.1 at year-end to 124.1 and Gros Domestic Product (GDP) and inflation appear to be trending below 2%.

The global economy continues to face political and economic headwinds, most notably in China and the Euro region. The eight-month trade war continues to negatively impact U.S. consumers and corporate profits, while slowing global growth and a strong dollar continue to weigh on U.S. exports. We believe global economic weakness will sustain downward pressure on interest rates and keep rates low, even if the U.S. economy can again achieve compartmental growth. The level of negative interest rates and the overall demand for U.S. Treasuries worldwide should continue to outweigh the relative shrinking supply of U.S. long term debt. However, if a flat or inverted yield curve persists, it would likely portend greater U.S. economic weakness, which should also lead to greater credit risk and commensurate spread widening. Currently, in spite of the demand-supply imbalance for U.S. bonds, there is little relative value on the long-end of the yield curve. Therefore, we remain cautiously short in overall portfolio duration. However, we've utilized the strong current demand for corporate bonds to begin selectively de-risking our credit holdings.

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 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. We continue to overweight industrial credits that provide incremental risk-adjusted yield and also seek to selectively invest in high-quality, 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.

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.

Commodity Research Bureau (CRB) Index acts as a representative indicator of today's global commodity markets.

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.

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

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.

The Pending Home Sales Index (PHSI) is an index created by the National Association of REALTORS® (NAR) which tracks homes sales where a contract is signed, but the transaction has not yet closed.

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.

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.

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

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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