PIA SHORT TERM SECURITIES FUND SECOND QUARTER 2019

INVESTMENT COMMENTARY

The US economic expansion continues, albeit at a moderating pace, and now is the longest in U.S. history having grown for 121 consecutive months. However, the magnitude of the expansion continues to be less than some other economic expansions, measuring at 25% cumulative Gross Domestic Product (GDP) growth since starting in June 2009. Geopolitical concerns surrounding Iran's nuclear capabilities and economic concerns focused on trade tensions with China dominated much of the quarter. However, market sentiment once more turned bullish given yet another temporary trade truce with China as well as the potential for Federal Reserve (Fed) Rate cuts. The Fed stayed on hold during the quarter and did not change the Fed Funds rate target of 2.25-2.50%. The Fed's pause mode during the first half of the year may be short lived as the market is expecting cuts this year starting as early as July 31st.

The decline in interest rates accelerated this quarter as the yield on the 1-year Treasury declined 46 basis points to 1.93%, while the yield on the 3-year Treasury decreased by 50 basis points to 1.71%.

The PIA long-term economic outlook continued to trend negative through the second quarter. However, on balance, our 2019 calendar outlook remains unchanged as the market consensus for at least one Fed Fund rate cut prior to year-end elevated to 100%. PIA's outlook, in spite of the post-tax cut economic sugar rush, has been a sustainable slow growth, low inflation economy, regardless of global economic weakness, with the one major caveat being the potential disruption risk of U.S. fiscal and/or monetary policy mistakes. We now believe the self-inflicted wounds from ongoing trade tariffs will not be easily rectified and may have put us on a downward glide path toward economic contraction. Additionally, we see no successful U.S. – China trade resolution on the horizon. While we fully expect the markets to respond positively to any rate cuts, we don't believe the current cost of capital is inhibiting economic activity or growth. Core (Consumer Price Index (CPI) is approaching 16 months of approximately 2%, which means real rates are roughly 25-50 bps. Fundamentally, we believe Fed Fund futures should be pricing a rate cut at roughly 50% and the market is way out over its sentimental skis with expectations of future rate cuts. 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. Monthly New Home Sales declined 7.8% in May and were 3.7% lower than May 2018. Coincidentally, there is a strong historical correlation between peaks in the housing and business cycles. The Conference Board's June Consumer Confidence Index plunged to 121.5 versus an expected 131.3, while GDP and inflation appear to be trending below 2%.

The global economy now faces growing political, geopolitical, and economic headwinds, most notably in China, Iran and the Euro region. The ongoing U.S. – China 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 relatively low, even while the U.S. economy achieves compartmental growth. Additionally, there is roughly $11 trillion of foreign sovereign debt yielding negative interest rates, which produces strong demand for U.S. Treasuries worldwide. 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. We believe there is little relative value on the long-end of the yield curve, therefore, in spite of downward pressures on interest rates we remain cautiously short in overall portfolio duration. Additionally, we've utilized the strong current demand for corporate bonds to selectively de-risk our credit holdings.

We continue to maintain our modestly short duration position relative to our benchmark given our outlook for robust Treasury issuance and moderating economic growth. As the trade war rhetoric escalated in May,

we saw risk assets widen materially after the market questioned the effect on economic growth, only to turn around in June and tighten back to levels seen earlier this year following increased rate cut speculation. We maintain a corporate overweight focusing on high quality balance sheets, while we measure the risks of escalating economic weakness. Our credit sector selection focuses on Industrials that provide incremental risk-adjusted yield and 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.

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.

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.

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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