INVESTMENT COMMENTARY

The Covid-19 Coronavirus hit American shores and impacted all facets of life. From an economic standpoint, there was a severe contraction with the length and depth yet to be determined. There was also a rapid reversal from risk-on to risk-off in the financial markets. Equity markets declined from their peaks to a bear market in only 16 days, the most violent downward correction on record. The main beneficiary was the U.S. Treasury bond market, as longer maturities hit all-time lows during the quarter. In order to support the economy and the markets, Monetary and Fiscal policy were swift and built upon the lessons learned during the Global Financial Recession (GFR). The Federal Reserve (Fed) aggressively lowered the Fed Funds rate by 150 bps to a range of 0% to 0.25%. The Fed also initiated quantitative easing, corporate bond purchases and implemented lending facilities in an effort to provide liquidity and support to market participants. At the March 15 FOMC meeting, the Federal Reserve did not release economic projections, and Fed Chair Powell noted that given how rapidly events are unfolding, a forecast is "…just not something that's knowable…" and that "…writing down a forecast...didn't seem to be useful." The U.S. government passed over a $2 trillion relief package focused on unemployment benefits, direct taxpayer payments, aid for large corporations and forgivable loans for businesses with less than 500 employees. Importantly, the Fed and the U.S. government have indicated they are prepared to do more. Investors shed risk assets for the safe haven of U.S. Treasuries at a pace not seen since the GFR. The yields on the 1-year, 2-year and 3-year Treasury declined 141, 132 and 132 basis points, respectively.

We typically launch this segment of our quarterly commentary with a statement of our long-term economic outlook. However, given the first quarter of 2020, we've shifted gears to turn our attention to the unprecedented challenges of the COVID-19 worldwide pandemic. The U.S. economy has most likely entered into a recession in March 2020, following the largest and most abrupt economic decline in modern history and marking the end of a record 11-year expansion. Now uncharacteristically, our long-term economic outlook is driven predominantly by near-term circumstances, specifically the duration and effectiveness of the "shelter in place" order and the implementation efficacy of much-needed fiscal relief. We believe the state of the U.S. healthcare system and Fiscal relief programs over the next 4-6 weeks will largely determine the duration and magnitude of the current economic recession. We should also point out that throughout the past eight quarters we've asserted that the greatest risk to the resilient low inflation, moderate growth U.S. economy was potentially poor fiscal and/or monetary policy. However, U.S. policymakers acted swiftly in 1Q20 to provide unprecedented fiscal and monetary relief and stimulus.

History does not provide a reasonable blueprint to navigate a pandemic-driven social and economic shutdown. However, we know that geopolitical events like 9/11 or the 1970's OPEC oil embargo produced lasting socioeconomic changes. U.S. socioeconomic activity is currently enduring an unprecedented shutdown, particularly in "nonessential" retail, restaurants, leisure and travel industries, which alone represent more than 12% of Gross Domestic Product (GDP) and nearly 18% of employment. We're also seeing dramatic contraction in consumer-driven durable goods and business-driven investment in structures and equipment. Separately, we have somewhat mixed emotions regarding the massive collapse in the energy complex exacerbated by an all-out oil price war between Saudi Arabia and Russia. While cheaper oil leads to lower prices at the pump, few consumers are pulling their cars out of the garage these days. Additionally, the U.S. is now the largest oil producer worldwide and, while energy capex is down and represents less than 4% of total U.S. business investment, the energy industry supports nearly 500,000 highly regionalized jobs. Finally, pandemics are a global phenomenon and global growth outside the U.S. is shrinking at a dramatic rate.

We are concurrently constructing our long-term economic and market outlook based on an assessment of three distinct phases: (1) the impact of the healthcare crisis; (2) the magnitude and duration of the economic contraction; and (3) the changes (positive and negative) of a new normal. We are certainly not expert in pandemics; however, we were relatively early in our recognition of the potential severity of this crisis and will continue to evaluate the data/information available. When assessing the duration and magnitude of an economic downturn and estimating the impact on capital markets, we typically consider prior recessions and recoveries to estimate employment and balance sheet impairment. And looking out beyond this recession (albeit 12-24 months), we're curious about how, what and why things will look different. What will the world look like if COVID-19 alters the trajectory and global status of China or the geopolitical negotiations between China and the U.S.? Will universal healthcare dominate the discourse in an election year? How will this change the trajectory and attitudes toward Big Pharma? Will this spawn widespread tele-industry? How will GDP and inflation ultimately be impacted? There seems to be virtually zero resistance to the U.S. government issuing massive amounts of dollar-denominated debt at historically low interest rates – even when the total U.S. debt/GDP ratio is already above 200%. We believe we have structured our portfolios defensively for the current environment. We are consistently reevaluating the socioeconomic environment with the goal to effectively reposition our portfolios for the next economic boom.

The fund is currently positioned with a neutral duration position relative to the benchmark and an overweight in corporate credit, with a focus on liquid, short duration, high quality credits with strong balance sheets. Our industrial credits provide incremental risk-adjusted yield, our financial credits are senior, offering attractive compensation for their sector volatility and our domestic utility credits provide additional portfolio diversification with low sector volatility. The fund is also overweighted in agency mortgage-backed securities and senior tranches of select asset-backed and commercial mortgage-backed securities, as we believe these sectors offer value on a long-term basis.

PIA Investment 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.

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.

Quantitative easing (QE) is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment.

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health.

Capital expenditures, commonly known as CapEx, are funds used by a company to acquire, upgrade, and maintain physical assets such as property, buildings, an industrial plant, technology, or equipment.

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.

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.

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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