INVESTMENT COMMENTARY

The first half of 2020 was certainly one for the history books. Following a record-setting 5% decline in first quarter Gross Domestic Product (GDP), the second quarter got off to a rough start with most states imposing shelter-in-place practices that produced an unimaginable rise in unemployment and 2Q GDP estimates ranging from -20% to -40%. Unemployment rose from 3.8% in February to 11.1% in June, peaking at 14.4% in April. Additionally, the 2Q monthly employment reports likely underestimated the job losses due to COVID-19 related "measurement challenges". To help put the severity of the "Great Lockdown" in perspective, the "Great Recession" lasted from December 2007 to January 2009 with unemployment peaking at 10.6% and GDP declining 2.5%. However, the massive multi-trillion dollar Fiscal and Monetary relief and stimulus efforts have thus far proved profoundly beneficial to both Main Street and Wall Street. Fiscal relief programs, like the CARES Act and supplemental unemployment benefits, resulted in personal savings rates surging from 8% to 33% by April, in spite of the historic rise in unemployment. The Monetary policy response was unprecedented with several bond-buying and Main Street lending programs, as the Federal Reserve (Fed) balance sheet added roughly $3.5 trillion over the past year, ballooning to more than $7 trillion and projected to grow to roughly $11 trillion by year-end or roughly 50% of estimated U.S. GDP. All told, Fiscal and Monetary financial relief/stimulus is estimated to account for roughly 38% of 2020 GDP. Additionally, given the perceived market support by the Fed, corporate debt issuance ballooned to more than $1 trillion in the first half of the year, nearly doubling the issuance of the first half of 2019. May and June saw an unexpected rise in new jobs, with 2.5 million and 4.8 million respectively. Nonetheless, following a historic 128-month economic expansion, the National Bureau of Economic Research (NBER) declared on June 8th that the U.S. officially went into recession in February. On June 9th-10th, Fed Chairman Powell provided his first economic guidance for 2020 since the Pandemic, projecting -6.5% GDP and 9.3% unemployment. The yields on the 1-year, 2-year and 3-year Treasury declined 1, 10 and 12 basis points, respectively.

As a value investor, we're trying to make sense of the remarkable divergence between the U.S economy and the stock and credit markets. 2Q delivered the biggest quarterly return for the S&P 500 (+19.5%) since the height of the Dot.com bubble in 1998, while simultaneously producing the deepest quarterly economic contraction in history. Market momentum has been fueled by early efforts to re-open the economy, reports of improved COVID-19 testing and prospects for a vaccine and the unexpected improvements in May and June jobs data. Congress delivered a significant and speedy Fiscal response to provide a financial safety net to needy households. However, it was the Fed that did most of the heavy lifting with their stated willingness to do whatever it takes to sustain ample liquidity and prop up stock and bond prices through numerous lending facilities and securities purchase programs. We don't see any end in sight to the virtually unlimited Fed spending power. However, we're much less sanguine about the state of the global economy. 2020 started on the backside of a historic U.S. economic expansion following four sequential quarterly declines in corporate profits. With that backdrop, the market has now added economic concerns surrounding the heightened US-China trade tensions, the worst public health crisis in 100 years, historic unemployment and dramatic increases in leverage and debt levels. Lastly, we don't share the market's implied optimism regarding a V-shaped recovery in employment or the economy.

The last week in June was the 15th straight week unemployment claims exceeded one million. Approximately 33% of the 22 million jobs lost in March/April have returned to work, while much of the initial resurgence in employment came from four highly Pandemic-sensitive sectors: Leisure, Hospitality, Retail and Healthcare. Restaurants, Travel, Sports, Entertainment and Retail accounted for 12.5% of 2019 GDP and 18% of employment. If 75% of these Pandemic-sensitive jobs returned, unemployment would still be a little more than 7%. Additionally, State and City governments employ 30 million workers and local government spending was responsible for 10.6% of 2019 GDP. State and City unemployment continues to rise and budgets are under severe pressure due to lost tax revenues, costly safety measures and high benefit payouts. Adding to our concerns is the possibility that the much needed and anticipated Phase 4 Fiscal stimulus will be smaller than originally anticipated due to the unexpected pick up in new jobs reported for May and June. We believe the tenuous U.S. economy and monetary policy will hold down inflationary pressures and continue to keep rates low and within a trading range at least through the Presidential election. Risk assets will continue to be bid up, until they're not. We

remain cautiously optimistic about credit, given defaults are on the rise while spreads continue to contract.

The fund is currently positioned with a neutral duration position relative to the benchmark and an overweight in corporate credit, with a focus on high quality, liquid, short duration credits. The industrial and financial credits in the fund provide incremental risk-adjusted yield and offer attractive compensation for their sector volatility and the 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.

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.

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 National Bureau of Economic Research (NBER) is a private, non-profit, non-partisan research organization with an aim is to promote a greater understanding of how the economy works.

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.

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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