INVESTMENT COMMENTARY

The economic data continues to be negative in the third quarter with U.S. Gross Domestic Product (GDP) having shrunk by 31.4% and the most recent Unemployment Rate at 8.4%, but the markets continue to focus on unprecedented Fiscal and Monetary relief. According to the Committee for a Responsible Federal Budget, the combined Administrative, Legislative and Federal Reserve Actions have created approximately $5 Trillion in Disbursed/Committed stimulus year to date. The Federal Reserve is now looking to expand beyond their unprecedented stimulus and market measures to the more difficult task of lowering unemployment and increasing inflation at a rate of 2 percent over the longer run. However, economic and market turbulence is likely to continue if the Covid-19 Coronavirus follows the path of the cold and flu season, where less daylight combined with a shift from outdoor to indoor activities leads to spikes in the number of infected cases. Despite continued economic and stock market turbulence, Treasury yields continued to stay within a tight trading range during the third quarter. The yields on the 1-year, 2-year and 3-year Treasury declined 3, 2 and 2 basis points, respectively.

Finally, we've rounded the third quarter and we're in the 2020 home stretch. With two solid quarters of historic fiscal and monetary relief at our backs, seemingly all that stands between U.S. and the 2020 finish line is the flu season, a potential second COVID wave and a hotly contested presidential election that may extend well beyond Election Day in early November. While the U.S. economy continues to recover, the pace and timeline of a full recovery appears increasingly unclear. Labor markets continue to improve but on a declining basis as the month over month trend is incrementally fewer jobs. While the unemployment rate continued to drop during the quarter, a growing number of people are leaving the work force and permanent job losses have risen to 2.5 million since February. Retail sales have also recovered rapidly, as consumers quickly adapted to shopping online, while non-store sales have grown more than 22% year over year. However, the U.S. economy is service-centric, which drives 66% of consumer spending and continues to be hampered by the pandemic. While market prognosticators are divided regarding the potential economic impact of a "blue wave" and which presidential candidate will prove better for our markets and the overall economy, there is universal consensus that a COVID-19 vaccine is essential to a healthy economy and a return to normalcy. Both consumer and market sentiment has pinned their hopes on the timely delivery of an effective vaccine and additional monetary/fiscal relief. The level of economic uncertainty remains unprecedented, which we believe is why the National Bureau of Economic Research (NBER) has held off from marking an end to the pandemic recession.

PIA remains cautious as we navigate this election cycle and year-end. The Fed's Secondary Market Corporate Credit Facility (SMCCF) provides a $250 billion backstop; however, to date the Fed has only utilized roughly $13 billion. Conventional wisdom would suggest both political parties would be more than willing to provide additional COVID relief this close to an election, yet another pre-election relief package seems remote, while the timing and delivery of COVID therapeutics and/or vaccines is anything but predictable. Lastly, we're growing increasingly cautious regarding the long-term effects of near-term decision-making.

The fund is currently positioned with a slightly longer duration relative to the benchmark and an overweight in corporate credit. Following the Fed's outlook for near-zero short-term rates through 2022 and their seemingly unlimited commitment to purchase corporate bonds in the secondary market, we capitalized on the Fed's backstop for risk assets and the improved relative value in the credit market by adding to our credit weighting. 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

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 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.

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.

The Secondary Market Corporate Credit Facility (SMCCF) is a special purpose vehicle (SPV) launched by the Federal Reserve on March 23, 2020 to support the corporate bond market in the face of the COVID-19 coronavirus crisis.

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.

Tranches are segments created from a pool of securities—usually debt instruments such as bonds or mortgages—that are divvied up by risk, time to maturity, or other characteristics in order to be marketable to different investors.

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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