INVESTMENT COMMENTARY

At last, hindsight is literally 2020…and as the year drew to its much anticipated close, the U.S. prepared for a change in administration, initiated the Covid-19 Coronavirus vaccine roll-out and passed a $900 billion Covid-19 Relief Package. The damage to the world economy was deep and widespread. The International Monetary Fund forecasted in the October 2020 World Economic Outlook that global growth will be -4.4% for 2020, down from their forecast at the start of the year for +3.3% global growth during 2020. The U.S. economy has bounced back from its bottom with 33.4% third quarter U.S. Gross Domestic Product (GDP) growth and a reduction in the U.S. Unemployment Rate to 6.7%. The U.S. financial markets continued to take their cues from monetary stimulus, while looking beyond the Congressional battles over additional fiscal relief and virtually ignoring the economic impacts from the lockdown. The S&P 500 returned 18.39% in 2020, while the tech-heavy NASDAQ 100 returned 48.88%. The bond markets also did their job well, while range-bound by low interest rates and tight spreads, with the Bloomberg Barclays U.S. Aggregate index returning 7.51% in 2020. Short-term yields remained low as the Federal Reserve projected accommodative monetary policy into 2021 and potentially beyond. The yields on both the 1-year and 2-year Treasury declined 1 basis point while the yield on the 3-year Treasury rose 1 basis point during the 4th quarter.

Our 2021 outlook for the U.S. economy continues to be largely contingent on the global economic impact of the Covid-19 Virus. Additionally, our 2021 interest rate outlook is clouded by several "known" unknowns that include the availability and timely distribution of a global vaccine, the transition of governmental power, the government's appetite for additional fiscal relief and the market's willingness to digest significant new debt issuance. We do know there are areas of both concern and optimism as we head into this new year. We know that there was a meaningful fourth quarter drop-off in consumption and employment, directly correlated to the increase in Covid-related illness and subsequent leisure/hospitality restrictions/closures. Additionally, there was a significant fourth quarter drop in state and local government employment that went beyond the education sector. We also know from TSA Checkpoint Travel data that 1 million or more travelers passed through U.S. airports 10 of the last 15 days in 2020, which is twice as many 1 million U.S. traveler days than the entire period dating back to mid-March. Given the correlation between heavy travel days and an increase in Covid-related illness, we are not surprised with the concerning uptick in both Covid cases and hospitalizations post-holiday. We do know the incoming administration is highly focused on health and safety measures, vaccinations, and Covid-related fiscal relief. We also know the Federal Reserve is committed to providing the liquidity and stimulus to ensure highly functional markets, and investors have responded very favorably to current monetary policy. From a bond market perspective, we know the yield on the 10-year Treasury is roughly 1% for the first time since early March 2020 and the 2-10-year Treasury yield spread ended the year at +80 basis points (bps), near its 2020 peak and roughly 25 bps above where it began the fourth quarter. On balance, we believe the markets continue to display optimistic expectations regarding the eradication of the Covid-19 virus but expect volatility, as we deal with the reality of this recovery. We anticipate near-full vaccine delivery will be achieved sometime around Labor Day, which should produce a roughly 80% return of socio-economic activity, with large gatherings like stadium events most likely not resuming until early 2022. While we continue to be concerned about the health, socio-economic and political hurdles we may encounter this year, we do expect the U.S. economy and labor markets to gradually improve as the year progresses. Lastly, as we navigate the ambiguity of this pandemic recovery, we continue to closely monitor economic indicators which may influence any material changes in interest rate expectations and/or credit conditions.

The fund is currently positioned with a neutral duration relative to the benchmark and an overweight in corporate credit. Following the Fed's outlook for near-zero short-term rates through 2022, we capitalized on the Fed's backstop for risk assets by increasing our weighting in credit and commercial mortgage-backed securities. The industrial and financial credits in the fund provide incremental risk-adjusted yield and offer attractive compensation for their sector volatility and the 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 long-term value on a risk-adjusted 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.

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.

Interest rate is the amount a lender charges for the use of assets expressed as a percentage of the principal.

Liquidity refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price.

Economic stimulus is action by the government to encourage private sector economic activity by engaging in targeted, expansionary monetary or fiscal policy.

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.

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The issues must be rated investment grade, be publicly traded, and meet certain maturity and issue size requirements. You can not invest directly in an index.

S&P 500 Index – The S&P 500 index includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. You can not 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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