PIA SHORT TERM SECURITIES FUND FIRST QUARTER 2021

INVESTMENT COMMENTARY

The first quarter of 2021 brought renewed economic optimism with the widespread distribution of Covid-19 Coronavirus vaccines. After a relatively tumultuous political transition, the new administration looked to add to the roughly $2.8 trillion of relief and $900 billion stimulus packages passed by the outgoing administration, and the U.S. Senate passed the American Rescue Plan with $1.9 trillion of additional COVID-19 relief. Given this accommodative backdrop, the U.S. was hitting on most cylinders in the first quarter of 2021, benefitting from recoveries in several "reopening" sectors and ongoing fiscal and monetary stimulus. Real gross domestic product (GDP) grew at an annual rate of 4.3% in the fourth quarter of 2020 and, according to the Federal Reserve, is estimated to grow at 6.5% in 2021. Likewise, the Fed predicts inflation (CPI) to level out at 2.4% for 2021. Unemployment declined another 0.2% from February to March to 6.0% according to the Bureau of Labor Statistics (BLS). Crude oil prices rose again for the fourth consecutive quarter to just below $60 and the ISM Manufacturing Index jumped to 64.7 in March, the highest level since 1983. This positive backdrop led to a surge in the Consumer Confidence Index to 109.7 and resulted in the S&P 500 returning 6.17% during the quarter. There was, however, a rotation in leadership during the quarter, as the cap-weighted, tech-heavy NASDAQ 100 returned only 1.76%. Additionally, in late January many investors were introduced to the term "meme stocks", as investor platform Robinhood and social media platform Reddit fueled unprecedented price surges in specific companies, like Gamestop, with significant institutional short interest. Meanwhile, the bond market digested a significant yield curve steepening, driven by concerns about rising inflation expectations, which led to a spike in intermediate-long term interest rates.

On the surface, the Fed's decision to continue their current quantitative easing (QE) program and leave interest rates unchanged, with no foreseeable rate hikes through 2023, appears to be inconsistent with the Fed's dual mandate. In spite of dramatic growth (GDP) estimates and a significant pick-up in inflation (CPI) for 2021 and into 2022, the Federal Reserve believes these near-term economic estimates are inorganic and may be transitory. The Fed remains cautious, giving meaningful consideration to the health and economic uncertainties associated with COVID. The yield on the 1-year Treasury declined 5 basis points during the quarter while the yields on the 2-year and 3-year Treasury rose 4 basis points and 18 basis points, respectively.

The PIA Investment Strategy Group (ISG), using the 10-year Treasury as a proxy for market interest rates, continues to see 2021 market yields range-bound between 1.35% – 2.05%. While a growing pool of investors are becoming increasingly perplexed by the Fed's current monetary policies, given their bullish growth and inflation outlook for 2021, PIA is atypically sanguine with the Fed's positioning. Going into 2020, PIA had de-risked our portfolios following four sequential quarters of declining 2019 corporate profits, coupled with low duration-adjusted investment grade credit spreads. Fast forward a year to the beginning of 2021 and, in spite of the COVID-19 Pandemic, duration-adjusted investment grade credit spreads are slightly tighter. We believe these spread levels are reflective of the relative risk-reward in the investment grade market, as it relates to historically high bond market durations and commensurately low yields, coupled with significant bond market demand created by historic monetary policy. Aside from what we believe is a secular digital economic shift in commerce and consumption that has and will continue to produce clear winners and losers, corporate profits have largely been supported by government intervention, both fiscal and monetary. While we do anticipate near-term inflation expectations to tick higher, we are not meaningfully concerned about runaway long-term inflation. We also believe that the current elevated levels of GDP growth will have difficulties persisting beyond the government's will to fiscally and monetarily support our economy. However, given the historically high investment grade bond market duration levels coupled with historically tight duration-adjusted credit spreads, we are concerned about the potential volatility from a reaction to a material uptick in inflation expectations and any subsequent warning signs that our economy is softening.

The fund is currently positioned with a neutral duration relative to the benchmark and an overweight in investment grade credit. Following the Fed's outlook for near-zero short-term rates through 2023, we capitalized on the Fed's backstop for risk assets by increasing our weighting in corporate 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 overweight 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

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.

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. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ISM Non-Manufacturing Index is an economic index based on surveys of more than 400 non-manufacturing (or services) firms' purchasing and supply executives.

Consumer Confidence Index (CCI) is a survey, administered by The Conference Board, that measures how optimistic or pessimistic consumers are regarding their expected financial situation.

The Nasdaq 100 Index is a basket of the 100 largest, most actively traded U.S companies listed on the Nasdaq stock exchange.

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.

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.

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.

The Fund holds 0% in Gamestop.

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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Pacific Income Advisers

1299 Ocean Avenue Second Floor Santa Monica California 90401

telephone 310.255.4488 facsimile 310.434. 0100

www.pacificincome.com