INVESTMENT COMMENTARY

In the third quarter, the Conference Board Consumer Confidence Index declined three consecutive months to 109.3 from its recent peak of 128.9 set in June. Consumer optimism, driven largely by the "reopening" economy and CARES Act Unemployment Benefits, gave way to growing concerns over the Delta variant of Covid-19, while all CARES Act unemployment benefits ended by September 4th. U.S. real gross domestic product (GDP) continued to grow in the second quarter at an annual rate of 6.6%, while the Conference Board estimates 5.9% GDP growth for the 2021 calendar year, which portends a slowdown in GDP growth for the second half of 2021. The Bureau of Labor Statistics (BLS) reported continued declines in the August unemployment rate at 5.2% and U6 unemployment of 8.9%. Inflation concerns remain elevated as the August Consumer Price Index (CPI) increased to 5.3% before seasonal adjustments and the Core Personal consumption expenditures (PCE) Deflator (ex- energy and food) remained at 3.6% for the trailing three months. Against this backdrop most market measures were relatively unchanged in the third quarter. The S&P 500 returned 0.58% and the tech-heavy NASDAQ 100 generated a 1.09% gain. Interest rates and credit spreads remained range bound as the Bloomberg U.S. Aggregate index eked out a 0.05% return.

The September Federal Open Market Committee (FOMC) statement summarized current risks and thinking as follows, "With progress on vaccinations and strong policy support, indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months, but the rise in COVID-19 cases has slowed their recovery. Inflation is elevated, largely reflecting transitory factors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses." The yields of 1-year Treasuries remained unchanged while 2-year and 3-year Treasuries rose 3 basis points and 5 basis points, respectively.

The PIA Investment Strategy Group (ISG), using the 10-year Treasuries as our bond market proxy, continues to hold our 2021 calendar year interest rate range estimate at 1.40% – 2.10%. Bond market investors appear to be shifting their focus from the Fed's outlook for "transitory" inflation to the Fed's approach and timing for mitigating post-pandemic inflation. We believe the Fed has proven to be effectively transparent and, as such, we believe the Fed is "data dependent" and, therefore, reactive rather than anticipatory. The Fed stated in their recent September 22nd FOMC statement, "…with inflation having run persistently below the 2% longer-run goal, the FOMC will aim to achieve inflation moderately above 2% for some time so that inflation averages 2% over time and longer-term inflation expectations remain well anchored at 2%". Based on this statement, we are confident the Fed will "taper" well before any decision to hike rates but potentially not in advance of year-end. We also believe the Fed is now between a rock and a hard place, with heightened risk of policy errors. The Fed has stated they are well away from meeting their mandate for full employment, so the Fed needs to deftly balance their growth and employment objectives, while removing monetary accommodation to maintain price stability and dampen rising interest rates. As if this dual mandate isn't challenging enough, the Fed needs to hit both employment and inflation targets, while they're relatively volatile or "transitory" due to Covid and massive Fiscal relief.

We believe the Fed's dual mandate, as they have re-defined it, is achievable. With that being said, we anticipate the Fed will allow inflation to run its course, as they seek to achieve full employment. We believe 4-6% inflation will be transitory, as there are still global disinflationary pressures that should return U.S. inflation to the 2-3% levels by 2023. Additionally, U.S. demographics were already on a disinflationary, slower growth trend pre-Covid, as the last decade was the slowest for U.S. population growth since the 1930's and the slowest in recorded history for U.S. household growth (U.S. Census Bureau). Near-term, we will monitor the following potential risks that could impede economic growth, while also adding to elevated inflation levels: (1) Supply chain bottlenecks appear to be far more persistent than originally anticipated; (2) Rising oil prices accompanying a strengthening US dollar; (3) Persistent increases in labor costs; and (4) Significant headwinds in the Chinese economy and consumer spending.

We believe the U.S. is in a debt super-cycle following massive Covid-driven monetary and fiscal stimulus, the doubling of the Fed balance sheet since the 2008 Financial Crisis and dramatic tax cuts. If the U.S. was at the 2-3% target inflation rate, real U.S. interest rates would still be negative. If the Fed normalized policy rates at current debt levels, they would put significant pressure on the U.S. markets and economy. We currently believe the Fed is more likely to remain accommodative, allow inflation to run hot and potentially pay down U.S. debts with inflated dollars. In the short-term, we anticipate the Fed will continue to promote growth and employment at the risk of higher inflation and potential rising interest rates with a concern towards an ultimate repricing of risk assets.

The fund is currently positioned with a neutral duration relative to the benchmark and an overweight in corporate credit. 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 also maintains an allocation to 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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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.

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 Bureau of Labor Statistics (BLS) is a federal agency that collects and disseminates various data about the U.S. economy and labor market.

The personal consumption expenditure (PCE) measure is the component statistic for consumption in gross domestic product (GDP) collected by the United States Bureau of Economic Analysis (BEA). The less volatile measure of the PCE price index is the core PCE (CPCE) price index, which excludes the more volatile and seasonal food and energy prices.

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.

Tapering (Taper) refers to policies that modify traditional central bank activities.

Spread - The difference in yields between two fixed-income securities with the same maturity, but originating from different investment sectors.
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.

Bloomberg 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.

The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The index was developed with a base value of 125 as of February1, 1985. Prior to December 21, 1998 the Nasdaq 100 was a cap-weighted index. 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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