PIA SHORT TERM SECURITIES FUND THIRD QUARTER 2022

INVESTMENT COMMENTARY

In the third quarter, financial markets continued to inflict pain on U.S. investors, making 2022 the first year since the Global Financial Crisis (GFC) to produce three consecutive negative quarters across all major market indices. Pandemic-related forty-year high levels of inflation, increasing geopolitical concerns, an unyielding hawkish Fed, and the lingering Coronavirus continue to contribute to the double-digit negative year-to-date market returns that ranged from -13.2% for the ICE BofA U.S. Treasury Index to -32.4% for the NASDAQ. The FOMC met twice during the third quarter, with both meetings resulting in 0.75% rate hikes and the target funds rate increasing to 3.00 – 3.25%. Additionally, Chairman Powell confirmed the Fed's monthly quantitative tightening program is on target to reduce the Fed balance sheet by $95 billion beginning in September, up from $47.5 billion in each of the prior three months. The Federal Reserve noted in the September FOMC statement, "Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher food and energy prices, and broader price pressures."

U.S. Real Gross Domestic Product (GDP) was negative for the second consecutive quarter in 2Q22, declining at an annual rate of -0.6%, but GDP is forecasted to be positive during the third quarter. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 8.3% in September. The Bureau of Labor Statistics (BLS) reported the unemployment rate ticked up slightly in August to 3.7%, while the U-6 measure of total unemployed also rose to 7.1%. The Conference Board Consumer Confidence Index rose for the second consecutive month in September to 108. The S&P 500 declined -4.88% and the tech-heavy NASDAQ 100 continued its weak performance -4.42%. Credit spreads widened modestly, as interest rates rose across the curve. The yields of 1-year, 2-year and 3-year U.S. Treasuries increased substantially by 119, 133 and 128 basis points, respectively.

While current job postings remain elevated, we expect unemployment claims to increase through 2023 commensurate with the Fed's efficacy to constrict consumer demand. There are signs that inflation "stickiness" is waning with a slowdown in consumption and a rebalancing of the demand for services vs goods. However, despite rising household debt levels, recent consumer confidence data has firmed, and consumer balance sheets continue to appear historically durable.

As the Fed focuses on reducing 40-year high levels of inflation and the erosion of purchasing power, while also minimizing overall economic damage and job losses, our current interest rate outlook now calls for additional rate hikes in each of the last two FOMC meetings in 2022, raising the fed Funds rate by another 125-150 bps by year-end. We anticipate the first quarter of 2023 will provide an opportunity for the Fed to pause this historic rate hike cycle to gauge the impact of raising rates roughly 4% in the 2022 calendar year. With that said, we do not anticipate the Fed will slow or halt their current monthly $95 billion drawdown of the Fed's bloated balance sheet. Interestingly, only $43.6 billion worth of Treasuries matured last month, which means the Fed needed to sell $16.4 billion worth of shorter-term Treasuries to meet their quantitative tightening program target. Additionally, the Fed may have trouble meeting their monthly reduction target for Mortgage-backed Securities (MBS), meaning the Fed may need to outright sell MBS assets for the first time in Fed history, which could add to the already dramatic increase in Mortgage lending rates.

The fund is currently positioned with a shorter 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's allocation to floating rate securities is expected to benefit from any future increases in the Federal Funds Rate by the Federal Reserve. The fund's allocation to senior tranches of asset-backed securities was increased while the fund's allocation to senior tranches of commercial mortgage-backed securities was reduced, although we intend to increase the commercial mortgage-backed security allocation opportunistically in future periods. We believe the asset-backed and commercial mortgage-backed 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 Conference Board (CB) is a not-for-profit research organization that distributes vital economic information to its peer-to-peer business members.

The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy specifically by directing open market operations (OMOs).

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.

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.

Quantitative tightening (QT) (or quantitative hardening) is a contractionary monetary policy applied by a central bank to decrease the amount of liquidity within the economy.

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.

The U-6 (Unemployment) rate measures the percentage of the U.S. labor force that is unemployed, plus those who are underemployed, marginally attached to the workforce, and have given up looking for work.

Past performance is not a guarantee of future results.
The PIA Funds are distributed by Quasar Distributors, LLC

PIA
Pacific Income Advisers
2321 Rosecrans Avenue Suite 1260 El Segundo California 90245
telephone 310. 255. 4453 facsimile 310. 434. 0100
www.pacificincome.com