PIA SHORT TERM SECURITIES FUND FOURTH QUARTER 2022

INVESTMENT COMMENTARY

The year 2022 may be remembered as "The Great Inflation", but the 4th quarter of 2022 provided a more positive end to an otherwise brutal calendar year. Geopolitical concerns persist, but Ukraine appears to have gone on the offensive against Russia and, despite legacy Covid concerns, China seems to have pivoted from their stringent "zero-Covid" policies in response to local public protests. Meanwhile, US investors have not forgiven nor forgotten Chairman Powell's "transitory" pivot talk, as the markets shrugged off the Fed's elevated inflation and interest rate outlooks. The FOMC met two times during the fourth quarter delivering an historic fourth consecutive 75 basis point rate hike in November, followed by another 50 basis point hike in December, increasing the target funds rate to 4.25 to 4.50%. Additionally, Chairman Powell confirmed the Fed's monthly quantitative tightening program continues to reduce the Fed balance sheet by $95 billion per month. The December FOMC statement opened consistent with the previous meetings; "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) increased at an annual rate of +3.2% during the third quarter of 2022, while nominal U.S. GDP (not adjusted for inflation) came in at +9.23% for the same period. The Conference Board forecasted on December 14, 2022, that 2022 Real GDP growth will come in at 1.9% year-over-year and that 2023 growth will slow to 0% year-over-year. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 7.1% in November. The Bureau of Labor Statistics (BLS) reported the unemployment rate decreased slightly in December to 3.5%, while the U-6 measure of total unemployed remained at 6.4%, well below its 10.3% historical average. The Conference Board Consumer Confidence Index ended December at 108.3, up sharply from 101.4 in November. The S&P 500 returned +7.56% in the 4th quarter but remained deep in negative territory (-18.11%) for 2022. The tech-heavy NASDAQ 100 almost made it into positive return territory (-0.04%) in the 4th quarter but lost nearly one-third of its value (-32.38%) in 2022. The yields of 1-year, 2-year and 10-year U.S. Treasuries increased by 75, 15 and 5 basis points, respectively, while the yields of 5-year Treasuries decreased by 9 basis points.

We believe the question today is not whether the U.S. is heading for an economic contraction or will the NBER declare a recession, but rather will the pending contraction look/feel like the Fed's "soft landing" or something more severe? The predominant threat to Global economic growth remains post-pandemic inflation, with OECD nations reporting double-digit year-over-year inflation that continues to significantly erode purchasing power. In 2023 we anticipate Covid-related factors will continue to dissipate, and post-Covid consumption patterns will normalize from goods-driven to service-oriented, mitigating the impact of supply-chain disruptions on global inflation. However, we believe the Fed's 2% inflation target would be difficult to achieve with an economic "soft-landing". We believe there are numerous sticky global inflationary factors that will elevate secular U.S. inflation levels above the 2% target. The Fed's 2022 monetary policy delivered seven successive rate hikes (425 bps) since March in addition to monthly Quantitative Tightening beginning in June, which has successfully halted the rise in U.S. inflation. 2022 monetary policy soaked up most of the excess fiscal stimulus and managed to deflate asset bubbles in the housing market, tech stocks, and cryptocurrency, while strengthening the US dollar, which added to the global economic slowdown. However, with 3.5% unemployment and roughly 1.7 job openings for every unemployed, wage inflation is running ahead of the Fed's control, specifically in the non-housing core services sector, which is 55% of the PCE Index. With wage inflation climbing at 5%+ and productivity growing at approximately 1%, we believe we have a way to go to achieve the 2% inflation target or "real" GDP growth.

Throughout PIA's multi-decade firm history, we have rarely had the benefit of more reliable indicators pointing toward the probability of a future recession. The inversion of the 3-month to 10-year Treasury yield curve has flawlessly predicted future recessions with a 100% historical correlation, and the yield curve has been inverted since late October 2022. The Composite Index for Leading Economic Indicators (LEI) historically has deteriorated only when preceding a recession, and the LEI has declined steadily since May 2021. The ISM Purchasing Managers Index (PMI) is a key LEI component for predicting economic expansion/contraction and is now at its lowest level since early 2016. Additionally, there are strong anecdotal indications of a future recession. Ten of the last thirteen rate hike cycles have resulted in recession, and current monetary policy is battling 40+ year inflation levels and M2 money supply that peaked at $21.7 trillion in March 2022. At the same time, U.S. households and corporate balance sheets are unusually healthy for this stage in an economic/monetary cycle. We believe the Fed will need to hold a funds terminal rate of no less than 5.25% for no less than 6-12 months to get inflation down to/below the 3% level. However, we believe there are multiple paths to dampen financial conditions and constrict inflation. PIA also looks at the San Francisco Fed Proxy funds rate, which is intended to measure overall financial market conditions, considering the impact of the Fed's balance sheet and forward guidance in addition to the Fed funds rate. The Fed Proxy rate suggests that financial conditions are substantially tighter than the current Fed funds rate would portend, similar to what would be expected if the Funds rate exceeded 6% by January 2023. Lastly, a deepening recession beyond our current expectations could provide a path to 5%+ unemployment but closer to the 2% inflation target.

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 will benefit from any future increases in the Federal Funds Rate by the Federal Reserve. We believe the asset-backed and commercial mortgage-backed securities in the fund offer long-term value on a risk-adjusted basis.

PIA Investment Strategy Group

Pacific Income Advisers is an investment management firm registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. PIA manages a variety of fixed income and 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. Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

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).

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.

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.

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.

NBER - The National Bureau of Economic Research is an American private nonprofit research organization "committed to undertaking and disseminating unbiased economic research among public policymakers, business professionals, and the academic community

EOCD - The Organisation for Economic Co-operation and Development is an intergovernmental organisation with 38 member countries, founded in 1961 to stimulate economic progress and world trade.

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.

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.

LEI - is an index published monthly by The Conference Board. It is used to predict the direction of global economic movements in future months.

M2 is a calculation of the money supply that includes all elements of M1 as well as "near money."

Past performance is not a guarantee of future results.

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