HIGH YIELD COMMENTARY

Stock market momentum continued into 3Q24, while bond investors were finally invited to the party. More than a year after the last of eleven rate hikes, the Federal Reserves (FED) delivered a long-awaited rate cut. Despite the Fed continuing their quantitative tightening (QT) program, the 50bps rate cut, coupled with the anticipation of additional cuts before and after year-end, helped drive interest rates lower. The Federal Open Market Committee (FOMC) met twice during the quarter. The September FOMC statement highlighted, "Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have slowed, and the unemployment rate has moved up but remains low. Inflation has made further progress toward the Committee's 2% objective but remains somewhat elevated. Considering the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5%. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks." U.S. Real Gross Domestic Product (GDP) increased at an annual rate of 3.0% during the second quarter, more than doubling the 1.4% first quarter growth rate. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 2.5% for the twelve-month period ending August 2024. The Bureau of Labor Statistics (BLS) reported the unemployment rate remained stable in September at 4.1%, while the U6 measure, which includes not only the unemployed but also underemployed workers and those marginally attached to the labor force, increased slightly to 7.7%. The Conference Board Consumer Confidence Index continued its decline in September to 98.7, down from its recent high of 114.8 set back in January. The Conference Board Index of Leading Economic Indicators (LEI) for the U.S. declined 2.3% over the six-months ending in August 2024, albeit a smaller rate of decline than the 2.7% in the prior six-months ending in February 2024. Generally, persistently negative LEI indicates economic headwinds.

The Bloomberg U.S. High Yield Index (Index) gained 5.28% during the third quarter, bringing 2024 year-to-date total returns to 8.00%. By ratings category, BB-rated and B-rated bonds recorded solid gains of 4.25% and 4.53% respectively, while the CCC-rated cohort added an impressive 10.20% in the third quarter. The Index option-adjusted spread (OAS) contracted by 14 bps in the third quarter to +295 bps, while the yield-to-worst (YTW) declined 92 bps to 6.99%. BB-rated credits now trade at an OAS of +180 bps and offer a YTW of 5.83%, B-rated credits at an OAS of +285 bps and 6.95% YTW, and CCC-rated credits at an OAS of +642 bps and 10.36% YTW. The average dollar price of the Index rose to $96.71 by quarter end. The par-weighted U.S high yield bond default/distressed exchange rate declined to 1.64% for the trailing 12-months, as compared to the 25-year average default rate of 3.4%. The upgrade to downgrade ratio is well off it's 2021 peak but remains healthy as there were $1.40 in upgrades for every $1 in downgrades by the credit rating agencies year-to-date (JP Morgan).

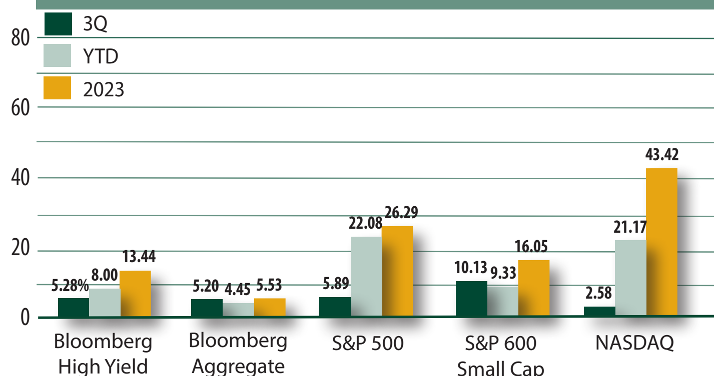
The U.S. stock and bond markets finally received a long-awaited rate cut. Despite roughly 100bps of projected rate cuts by year-end and another 100bps of projected cuts in 2025, investors appeared to get spooked by an initial "be careful what you ask for" 50bps rate cut. Was the initial 50bps cut simply a well-timed Fed policy shift from inflation control to business-cycle management primarily focused on achieving a soft-landing? Or, with inflation hopefully under control, is the Fed quietly tackling growing concerns regarding the health of the U.S. labor market, a key driver of consumer spending and the overall economy? These questions are yet to be determined, but several recent economic data points appear to support stock and bond market optimism. U.S. corporate profits have remained healthy with only modest declines in interest coverage and liquidity ratios despite a prolonged period of higher interest rates. Consumers, albeit a bifurcated cohort, continue to uphold the U.S. economy at/above trend levels. New job creation remains well above the replacement rate for a U.S. economy at full employment.

The PIA Investment Strategy Group's (ISG) current investment outlook has shifted subtly from our previously held belief that the predominant threat to U.S-driven global economic growth is post-pandemic related inflation. We still believe the Fed's 2% inflation target may be difficult to achieve without an economic contraction; however, supply-constrained causes of inflation continue to decline and as previously stated, the U.S. economy had multiple periods of sustainable growth at/above trend with fed fund rates at/above 5% pre-Great Financial Crisis.

We envision three potential market scenarios as we look forward in the bond market through 2025. The first is the preferred "soft-landing", where the economy continues at/above trend, inflation continues to drift toward a sustainable 2%, and unemployment hovers around 4%, hence full employment. In a soft-landing scenario, credit spreads should remain rangebound around current levels with reduced default concerns, the yield curve should steepen with 10-year yields rangebound between 4% and 4.5%, and the fed funds rate should settle in the 3 to 4% range. The second potential scenario is the U.S. economy enters into a growth-recession, where GDP remains above contraction but below trend. Unemployment risks would be modest, possibly rising to 4.5% +/-. In this economic scenario, we have good reason to believe the Fed will respond promptly and decisively; therefore, we believe a growth-recession scenario would ultimately be short-lived. However, credit spreads should widen out modestly, as continued demand would limit spread widening. We would anticipate a somewhat parallel shift lower in rates across the yield curve, with the 10-year yield rangebound between 3.50% and 4.25%, with fed funds not needing to go below 3%. The last scenario is a mild recession that could disrupt markets and may result from a few factors. Geopolitical concerns could certainly be an impetus, and there are several sources including Ukraine/Russia, China/Taiwan, and the Middle East. The global economy could be impacted depending upon developments in these regions via energy prices, food prices, health-related concerns, or broader supply-chain disruptions. Additionally, the Fed's 50bps cut indicates that there may be increasing concerns in the domestic employment picture and any post-election U.S. hangover could result in declining consumer confidence. Regardless of the result, new policy actions could reignite pre-existing inflationary concerns including ballooning debts and deficits, excessive monetary and post-election fiscal spending patterns, protectionist spending, and various onshoring and alternative program costs. Lastly, we know inflation remains above the Fed's stated 2% target at a time where financial conditions are easing. While we know that economic scenarios like stagflation or a soft-landing are historically relatively rare, each is still in the conversation with a soft-landing a more likely outcome. However, PIA remains relatively defensive in its positioning, given the scenarios provided and the historical challenges of achieving a soft landing.

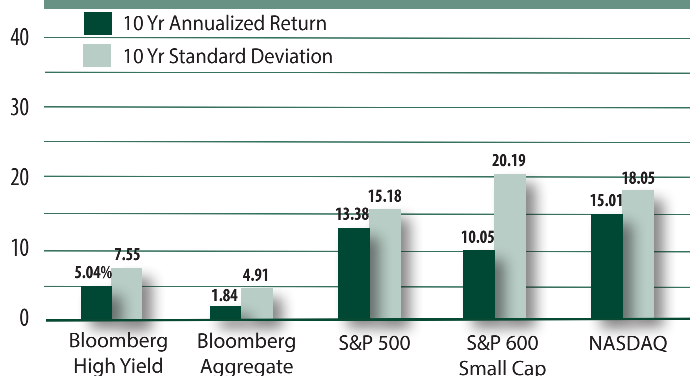
PIA Investment Strategy Group

INDEX RETURNS



Source: Bloomberg, Informais PSN
Past performance is not a guarantee of future results.

HISTORICAL PERFORMANCE



Source: Informais PSN; Annualized 10 Years
Past performance is not a guarantee of future results.

INDEX RETURNS	3Q	YTD	2023
BB	4.25%	6.82%	11.60%
B	4.53	7.05	13.78
CCC	10.20	12.54	19.84
CC - D	22.38	45.06	16.41
Basic Industry	4.13	7.87	12.18
Capital Goods	4.18	7.11	12.82
Consumer Cyclical	4.02	8.04	16.03
Consumer Non-Cyclical	5.55	10.54	12.93
Energy	2.74	7.03	12.81
Technology	5.82	9.11	12.64
Transportation	4.46	7.11	9.68
Communication	10.92	6.90	12.18
Other Industrials	3.17	8.01	15.98
Utility	5.04	6.95	10.10
Financial	4.89	8.45	14.80

Index is Bloomberg U.S. High Yield Index. Source: Bloomberg

INDEX SPREADS	9/30/24	12/31/23	12/31/22
BB	216	232	317
B	327	346	514
CCC	678	760	1,017
CC - D	2,039	785	3,148
Basic Industry	332	364	451
Capital Goods	265	284	424
Consumer Cyclical	285	283	492
Consumer Non-Cyclical	324	407	540
Energy	307	299	388
Technology	307	386	520
Transportation	382	372	433
Communication	546	529	584
Other Industrials	253	-246	468
Utility	205	272	298
Financial	294	332	528

Index is Bloomberg U.S. High Yield Index. Source: Bloomberg

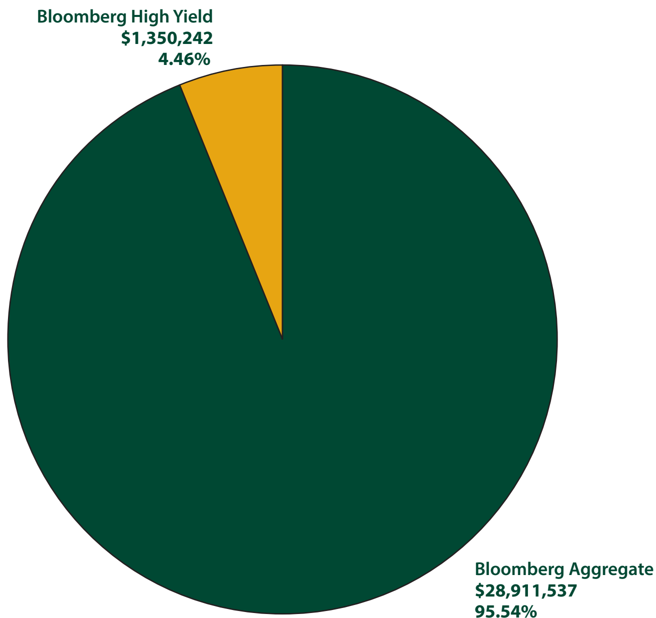
KEY CHARACTERISTICS	9/30/24	12/31/23
Duration	2.9	3.2
Yield To Maturity	7.2	7.8
Current Yield	6.6	6.5
Yield To Worst	7.0	7.6
Weighted Average Maturity	4.8	4.9
% $500mm and under	25.5	26.5
% $501mm and over	74.5	73.5

Index is Bloomberg U.S. High Yield Index. Source: Bloomberg, Yield Book

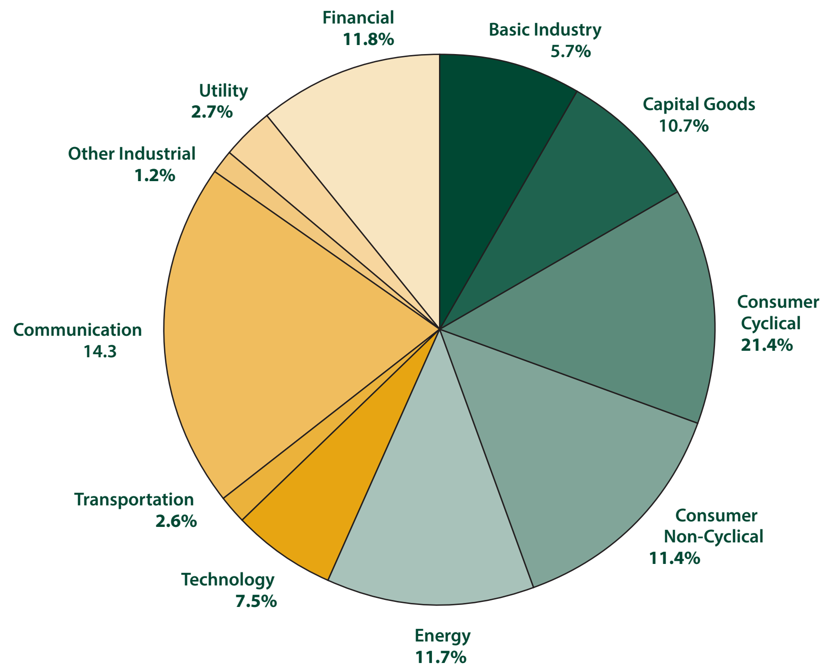
KEY CHARACTERISTICS	9/30/24	12/31/23
% BB or >	50.5	46.1
% B	36.4	41.1
% CCC	12.0	11.7
% CC and below	1.1	1.1
% Debt Maturing in < 3 Years	18.9	20.7
% Debt Maturing in 3 - 5 Years	41.3	33.8
% Debt Maturing in > 5 Years	39.8	45.5

Index is Bloomberg U.S. High Yield Index. Source: Bloomberg

US **DEBT MARKET ($MM)**



BLOOMBERG **HIGH YIELD**



Source: Bloomberg

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.

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. The Fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks may increase for emerging markets. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund may invest in derivatives, which may involve risks greater than the risks presented by more traditional investments. The risk of owning an exchange-traded fund ("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.

Index performance is not indicative of Fund performance. It is not possible to invest directly in an index. For current standardized performance of the Fund, please visit www.piamutualfunds.com or call 310-393-1424.

Indices are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly. Past performance is not indicative of future results. Asset allocation does not assure a profit or protect against a loss in declining financial markets. All investments carry a degree of risk, including loss of principal. It is important to note that there are risks inherent in any investment and there can be no assurance that any asset class will provide positive performance over any period of time.

This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Pacific Income Advisers or consult with the professional advisor of their choosing.

Bloomberg U.S. High Yield Index covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The Yankee sector has been discontinued as of 7/1/00. The bonds in the former Yankee sector have not been removed from the index, but have been reclassified into other sectors.

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.

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.

S&P SmallCap 600 covers approximately 3% of the domestic equities market. Measuring the small cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

Nasdaq Composite is a stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market, meaning that it has over 3,000 components. It is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not exclusively a U.S. index.

Bond ratings provide the probability of an issuer defaulting based on the analysis of the issuer's financial condition and profit potential. Bond rating services are provided by credit rating agencies currently registered as Nationally Recognized Statistical Rating Organizations ("NRSROs"). Bond ratings start at AAA (denoting the highest investment quality) and usually end at D (meaning payment is in default). Securities not covered by any agency will receive a non-rated (NR) rating.

Standard Deviation - is applied to the annual rate of return of an investment to measure the investment's volatility.

Yield to Maturity - The rate of return anticipated on a bond if held until the end of its lifetime.

Weighted Average Maturity - Tells how many years it will take to pay half of the outstanding principal.

Current Yield - Annual income (interest or dividends) divided by the current price of the security.

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.

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.

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

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.

Option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option. Typically, an analyst uses the Treasury securities yield for the risk-free rate.

Yield to worst - the lowest potential yield that can be received on a bond without the issuer actually defaulting.

The Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term.

Par-weighted default rate - The rate of borrowers who fail to remain current on their loans based on the par amount.

An "upgrade to downgrade ratio" refers to the proportion of credit rating upgrades compared to downgrades, essentially indicating how many times a company's credit rating is positively adjusted compared to when it is negatively adjusted by a rating agency

A yield curve is a line that plots the yields or interest rates of bonds that have equal credit quality but different maturity dates.

Opinions expressed are subject to change, are not intended to be a forecast of future events, a guarantee of future results, nor investment advice.

Past performance does not guarantee future results.

The PIA Funds are distributed by Quasar Distributors, LLC

Pacific Income Advisers

2321 Rosecrans Avenue Suite 1260 El Segundo California 90245

telephone 310.255.4453 facsimile 310.434. 0100

www.pacificincome.com