



PIA INTERMEDIATE CORE PLUS MACS

INVESTMENT OBJECTIVE

PIA's Intermediate Core Plus MACS Strategy seeks to outperform the **Bloomberg Intermediate Government-Credit Index** over a full economic cycle, with similar volatility.

INVESTMENT PHILOSOPHY

We know that the various sectors within the bond market are periodically torqued by cyclical, monetary or market pressures, which can lead to mispricings and create opportunities to produce excess return. **We intend** to exploit these periodic opportunities by risk-adjusting the various bond market sectors, utilizing yield curve and sector analysis, and fundamental bottom-up risk measurement. **We seek** to capitalize on these opportunities to earn above-average risk-adjusted yields, while creating the potential for capital gains as these sectors revert toward their fair value.

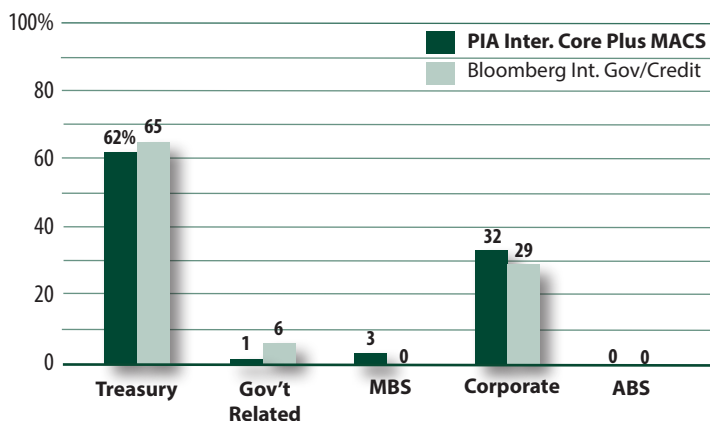
THE FIRM

Ownership	Independent and Employee-owned
Inception	1986
Location	El Segundo, California
Employees	14
Firm Assets	\$2 billion
Strategy Assets	\$250 million
GIPS Verified	Yes
Firm Verifier	ACA Performance Services, LLC

INVESTMENT PROCESS

- » **Sector & Industry Analysis** PIA seeks to identify sectors that offer attractive risk-adjusted value. The concept of mean reversion is integral to our yield curve analysis of investment grade sectors, as we expect those sectors to revert to their fair value after being torqued by market inefficiencies. For non-investment grade sectors, we are willing to underweight or completely avoid industries that we believe do not warrant leveraged finance throughout a full business cycle.
- » **Security Research** Given the asymmetric return potential in credit, we take a defensive approach in selecting securities that we believe are undervalued and provide attractive yield per unit of risk. Portfolios are highly diversified via the PIA Completion Funds for exposures to BBB Credit, High Yield Credit and Mortgage-Backed Securities (MBS). Investment Grade Corporate security analysis is focused on securities with sound fundamentals and liquidity. High Yield Corporate security selection is very granular in the less followed smaller issues, where we believe we have an information advantage. In the securitized debt space, PIA employs option-cost analysis that utilizes multi-factor interest and prepayment rate models.
- » **Duration Management & Yield Curve Positioning** Duration is driven by both our relative value sector model and the firm's fundamental outlook, which leads to both a strategic and tactical duration opinion. Barbell or bulleted structures are driven by quantitative yield curve analysis accompanied by a fundamental overlay.
- » **Portfolio Construction** The Investment Strategy Group uses quantitative and fundamental inputs to set sector weights, duration decision and yield curve positioning for the portfolios. Sector weights reflect our the firm's opinion on relative value across sectors adjusting for current fundamentals, spreads and spread volatility. The allocation to the Completion Funds for BBB Credit, High Yield and Mortgage-Backed Securities is a function of sector valuation models and the fundamental outlook for those sectors. Security selection is based upon analyst research to identify securities that best meet the risk-return objectives of the portfolio.

SECTOR ALLOCATION¹



Percentages shown may not total 100% due to rounding and/or incidental allocation to cash.

¹Please see corresponding disclosure on the reverse side of this document.

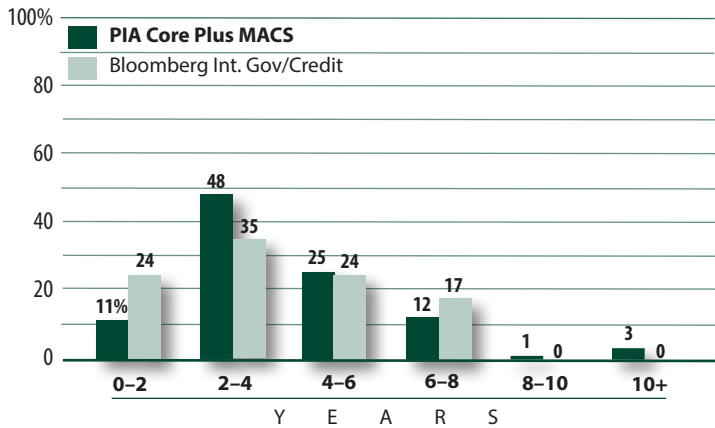
PORTFOLIO CHARACTERISTICS¹

	PIA	BLOOMBERG INT. GOV/CREDIT
Duration	4.0	3.8
Weighted Avg. Life	5.1 yrs	4.3 yrs
Yield to Maturity	5.1%	4.3%
Current Yield	4.0%	3.6%
Avg. Credit Quality	Aa	Aa
No. of Securities	17	6,194

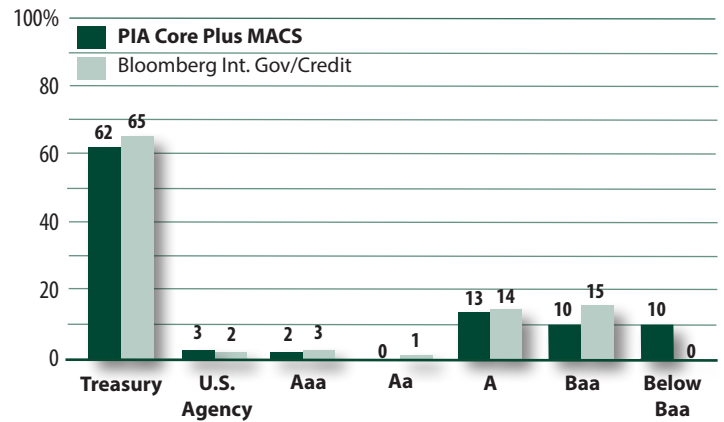


PIA INTERMEDIATE CORE PLUS MACS

DURATION DISTRIBUTION¹



QUALITY DISTRIBUTION¹



PORTFOLIO SECTOR CHARACTERISTICS¹

	Duration	Weighted Avg. Life	Coupon	Yield to Maturity	Average Quality
Portfolio Treasuries	3.9	4.4 yrs	3.2	4.0%	Aa
Bloomberg Int. Gov/Credit (Treasuries)	3.6	4.0 yrs	3.0	4.4%	Aa
Portfolio Gov Related	N/A	N/A	N/A	N/A	N/A
Bloomberg Int. Gov/Credit (Gov Related)	3.5	4.1 yrs	3.4	4.7%	Aa
Portfolio Corporate	4.5	6.5 yrs	4.1	5.1%	A
Bloomberg Int. Gov/Credit (Corporate)	4.0	4.7 yrs	4.1	5.1%	Baa
Portfolio High Yield	3.0	4.1 yrs	7.6	11.7%	B
Bloomberg Int. Gov/Credit (High Yield)	N/A	N/A	N/A	N/A	N/A
Portfolio MBS	6.5	8.6 yrs	3.3	5.1%	Aa
Bloomberg Int. Gov/Credit (Securitized)	N/A	N/A	N/A	N/A	N/A

Pacific Income Advisers is an investment management firm registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Registration does not imply a certain level of skill or training. PIA manages a variety of fixed income and equity assets for primarily United States clients.

Investing involves the risk of loss, including the loss of principal invested. A few of the main risks facing a fixed income strategy like this include Interest Rate Risk, Credit Risk, High Yield Securities Risk, Government Sponsored Entity Risk and Risks associated with Mortgage-Backed Securities. For a full description of these and other risks facing the portfolio please review the Risk of Loss section in our ADV Client Brochure. Past performance is not an indicator of future results.

PIA claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

To receive a complete list and description of PIA's composites and or a GIPS Report, contact Nicholas Parenti, at (310) 255-4427 or by email at nparenti@pacificincome.com.

¹The portfolio characteristics shown above relate to a single account as of the date noted above, deemed by Pacific Income Advisers to be generally representative of its standard account. Not every client's account will have these exact characteristics. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Percentages shown may not total 100% due to rounding and/or incidental allocation to cash.

Data is obtained from Yield Book and Barclays Live systems and is assumed to be reliable.

Bloomberg U.S. Intermediate Government/Credit Bond Index is the Intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. You can not invest directly in an index.



Pacific Income Advisers

2321 Rosecrans Avenue, Suite 1260 El Segundo, California 90245

tel 310. 255. 4453 fax 310. 434. 0100 www.pacificincome.com