INVESTMENT COMMENTARY

The second quarter of 2022 incurred even greater capital market losses than in the first quarter, leaving investors virtually no safe place to hide. The S&P 500 suffered its worst first-half performance since 1962, while U.S. Treasuries produced their worst first-half results since 1788. Numerous geopolitical risks and ongoing Covid concerns seemed to take a backseat to growing inflation fears and elevated Federal Reserve (Fed) hawkishness. On June 15, the Fed hiked interest rates by 0.75%, their third rate hike this year and the largest since 1994. Additionally, the Fed announced their plan to reduce its $8.9 trillion balance sheet by allowing monthly run-offs of $30 billion of Treasuries and $17.5 billion of Mortgage-backed Securities. The Fed intends to double these monthly run-off thresholds in September for a combined $95 billion. The Federal Reserve noted in the June FOMC statement, "Overall economic activity appears to have picked up after edging down in the first quarter. 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 energy prices, and broader price pressures."

U.S. Real Gross Domestic Product (GDP) shrunk at an annualized rate of -1.6% in the first quarter of 2022. Inflation, as measured by the U.S. Consumer Price Index (CPI), rose to 8.6% in May, the highest year-over-year increase since 1981. The Bureau of Labor Statistics (BLS) reported the unemployment rate held steady the first couple months of the quarter at 3.6%, while the U-6 measure of total unemployed crept up slightly to 7.1%. The Conference Board Consumer Confidence Index decreased in June to 98.7, following a decline in May, to its lowest level since February 2021. The S&P 500 declined (-16.11%) and the tech-heavy NASDAQ 100 plunged (-22.30%). Interest rates rose and credit spreads widened, as the yield curve steepened slightly during the second quarter. The yields of 1-year, 2-year and 3-year U.S. Treasuries increased by 115, 62 and 50 basis points, respectively.

The PIA Investment Strategy Group (ISG) anticipates the U.S. capital markets are roughly mid-way through this turbulent economic environment caused by the unprecedented and incongruent outgrowth of the pandemic. The ISG Outlook is for an unusually complicated economy through 2022 and into 2023, with significant global concerns. Unfortunately, Covid continues to dampen the global supply-chain recovery, as does China's "zero tolerance" policy. We see no near-term end to the humanitarian crisis in Ukraine, nor resolutions to the resulting grain and energy shortages. Additionally, these aforementioned concerns have exacerbated the resurgence of "on-shoring" and the decline of globalization, arguably the greatest source of disinflation of our generation. While we anticipate a pick-up in unemployment claims in 2022, current job openings remain at historic levels. There are clear signs the pace of growth is slowing and consumer confidence is waning, however consumer balance sheets remain remarkably durable. As the Fed focuses on reducing 40-year high levels of inflation and the erosion of purchasing power, rising interest rates are having a direct impact on household balance sheets as the stock and bond markets have taken historic losses and surging mortgage lending rates have dampened the red-hot housing market. In the first half of 2022, the Fed's year-end Target Rate climbed from 1.9% to 3.4%, and the 2023 Target Rate increased from 2.8% to 3.8%. The Fed's work isn't made any easier by the need for quantitative tightening (QT) to reduce their nearly $9 trillion balance sheet, which we believe was a primary contributor to current levels of inflation. In addition to the massive growth in money supply (M2), Fiscal Policy contributed roughly $6 trillion in relief/stimulus to consumers who were also enjoying ballooning stock market and real estate wealth. Therefore, the Federal Reserve is justifiably focused on reducing inflation, while also minimizing damage to the economy and avoiding a recession. We believe inflation should prove to be in the "peak" vicinity, albeit notably under-reporting import-export price inflation that appears to be in the mid-teens.

Our interest rate outlook now calls for 3-4 additional rate hikes over the next four FOMC meetings in 2022, adding 150 basis points to the current Fed Funds rate. We anticipate a non-traditional recession over the next twelve months, which should feel less cyclical and more like draining economic excess. We believe there is a greater risk of slow growth with ongoing inflation concerns than a cyclical recession, specifically if the Fed does not follow through on its stated objectives for raising rates and reducing the Fed balance sheet. Our long-term inflation expectations remain at about 3%, above the Fed's stated 2% goal to adjust for a reduction in global disinflationary forces. Therefore, over the next 12 months, we do not anticipate 10-year yields climbing above 4%, and we do anticipate a periodic flat or inverted yield curve. We expect credit spreads to continue to widen out marginally over the coming months, which should create a more attractive opportunity to add a meaningful credit overweight in both investment grade and high yield credit for our Plus strategies.

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 the future increases in the Federal Funds Rate by the Federal Reserve. The fund also maintains an allocation to 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.

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

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.

Employment Cost Index (ECI) is a measure of the change in the cost of labor, independent of the influence of employment shifts among occupations and industry categories.

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

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