



INVESTMENT PHILOSOPHY

We know the high yield market has typically offered sufficient income that has historically over-compensated for default risk; as well as the potential to produce capital gains when issuers have improved their credit quality. We know that defaults have been highly correlated by industry, which is why we defensively seek to underweight those industries where we can identify negative secular trends in advance. **We believe** that “value” driven company-specific analysis can capture excess returns from companies that have demonstrated they can generate free cash flow throughout an economic cycle. These companies normally incur lower-than-index default losses, while earning an attractive yield.

INVESTMENT PROCESS

- » **Industry Research** We focus on industries we believe have sufficiently low free cash flow volatility to service debt regardless of the next macro trend. We typically exclude approximately one third of industries, because they fail this first screen.
- » **Credit Research** We seek above average yielding opportunities within an industry that we deem favorably positioned to generate cash flow. These opportunities have tended to be relatively small, privately owned issuers, not closely followed by our larger competitors or in brokerage research. This allows us to benefit from credit insights developed by researching the company, its competitors, suppliers and customers. We generally regard the judgments of the rating agencies as lagging indicators and place limited emphasis on them in our analysis.
- » **Portfolio Construction** The three senior members of our portfolio management team have discretion to optimize exposure in the industries in which they specialize, following a set of common investment themes; e.g. known demographic trends, the stability of processing as opposed to extractive industries and the critical importance of capacity utilization.
- » **Portfolio Management** We seek to capture alpha over the complete credit cycle. We rarely engage in large-scale sector rotation, and our turnover has been consistently low. We monitor each credit’s sensitivity to a small number of macro variables; e.g. consumer spending, credit availability, commodity prices. We sell when we believe a secular change is occurring that overturns our investment thesis.

INVESTMENT OBJECTIVE

PIA’s High Yield Strategy primary objective is to seek a high level of current income. The Fund’s secondary objective is to seek capital growth when that is consistent with its primary objective.

THE FIRM

Ownership	Independent and Employee-owned
Inception	1986
Location	Santa Monica, California
Employees	38
Firm Assets	\$3.9 billion

FUND FACTS

Style Benchmark	Barclays Capital U.S. High Yield Index
Symbol	PHYSX
CUSIP	007989163
Net Asset Value (NAV)	\$9.91
Fund Assets	\$16 million
Fund Inception	12. 31. 10
Expense Ratio	1.97%
Net Expense Ratio ²	0.98%

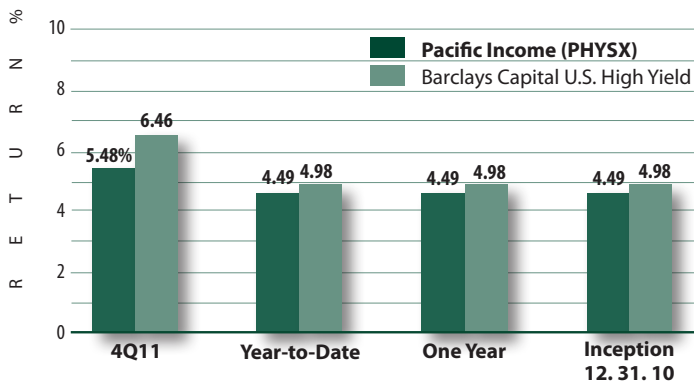
PORTFOLIO MANAGERS³

Robert E. Sydow : Mr. Sydow joined the Pacific Income Advisers in May 2010 and currently serves as Senior Vice President and Head of the PIA High Yield Department. Prior to joining the PIA, Mr. Sydow managed high yield debt for Grandview Capital Management, LLC since 1999.

Kevin S. Buckle, CFA : Mr. Buckle joined the Pacific Income Advisers in May 2010 and currently serves as Senior Vice President. Prior to joining the PIA, Mr. Buckle managed high yield debt for Grandview Capital Management, LLC since 2002.

James Lisko : Mr. Lisko joined the Pacific Income Advisers in May 2010 and currently serves as Senior Vice President. Prior to joining the PIA, Mr. Lisko managed high yield debt for Grandview Capital Management, LLC since 1999.

ANNUALIZED PERFORMANCE¹ as of 12.31.11



¹Please see the statutory prospectus for historical “Similarly Managed Account Performance”.

²The Adviser has agreed to voluntarily reimburse the Fund to the extent necessary to limit the Expense Ratio for the High Yield Fund to an annual rate of 0.98%. The Adviser may discontinue reimbursing the Fund at any time.

³The SAI provides additional information about the portfolio managers’ compensation, other accounts managed by the portfolio managers and the portfolio managers’ ownership of shares in the Fund.

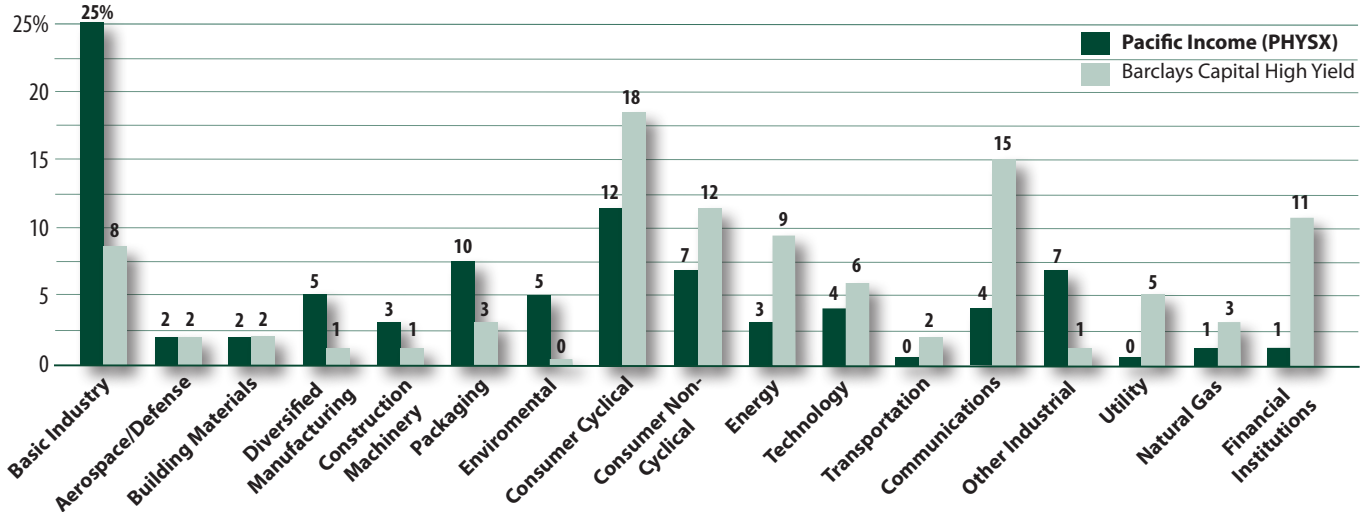
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-800-251-1970. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.



Pacific Income Advisers PIA HIGH YIELD FUND

AS OF DECEMBER 31, 2011

INDUSTRY WEIGHTING¹



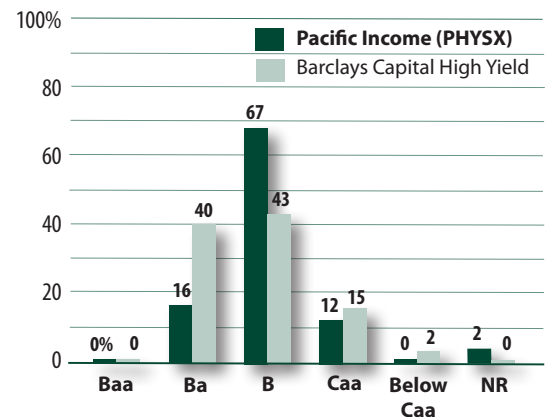
TOP TEN HOLDINGS

SEALED AIR CORP	7.875%	2.7%
SGS INTERNATIONAL INC	12.00%	2.5
CASELLA WASTE SYSTEM INC	7.75%	2.5
UNITED RENTALS NORTH AMER.	10.875%	2.5
RENT A CENTER INC	6.625%	2.3
AMSCAN HOLDINGS INC	8.75%	2.2
IRON MTN INC	7.75%	2.0
MACDERMID INC	9.50%	2.0
H & E EQUIPMENT SERVICES INC	8.375%	2.0
FERRO CORP	7.875%	1.9

PORTFOLIO CHARACTERISTICS

	PIA	Barclays Cap HY
Duration	4.0	4.2
Wtd. Avg. Maturity	5.7 yrs	6.7 yrs
30-day SEC Yield		
(subsidized/unsubsidized)	6.6 / 5.8%	n/a
# of Securities	72	1,857

QUALITY DISTRIBUTION¹



Pacific Income Advisers, Inc. (PIA) is an autonomous investment management firm registered under the Investment Advisers Act of 1940. PIA manages a variety of fixed income, equity, and balanced 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. 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 also use options and future contracts, which have the risks of unlimited losses of the underlying holdings due to unanticipated market movements and failure to correctly predict the direction of securities prices, interest rates and currency exchange rates. The Fund may invest in swaps investment derivatives. Derivatives involve risks different from, and in certain cases, greater than the risks presented by more traditional investments. These risks are fully disclosed in the Prospectus.

¹Percentages shown may not total 100% due to rounding and/or incidental allocation to cash.

Bond rating services are provided by Moodys. Bond ratings start at AAA (denoting the highest investment quality) and usually end at D (meaning payment is in default).

The Barclays Capital 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. You cannot invest directly in an index.

Free cash flow is revenue less operating expenses including interest expenses and maintenance capital spending. It is the discretionary cash that a company has after all expenses and is available for purposes such as dividend payments, investing back into the business or share repurchases.

Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk.

Duration is 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.

SEC Yield is a standardized yield computed by dividing the net investment income per share earned during the 30-day period prior to quarter-end. The SEC Yield was created to allow for fairer comparisons among bond funds. The SEC yield (subsidized) reflects the effects of the fee waiver in place and the (unsubsidized) yield does not reflect the effects of the fee waiver.

The PIA Funds are distributed by Quasar Distributors, LLC



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