

Pacific Income Advisers, Inc.

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This brochure provides information about the qualification and business practices of Pacific Income Advisers, Inc. ("PIA"). If you have any questions about the contents of this brochure, please contact us at (310) 393-1424 or by email at info@pacificincome.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Pacific Income Advisers, Inc. is available on the SEC's website at www.adviserinfo.sec.gov. Registration does not imply a certain level of skill or training.

March 20, 2012

Material Changes

Annual Update

Pacific Income Advisers, Inc. is providing this information as part of our annual updating amendment, which contains material changes from our last annual update. This section discusses only material changes since the last annual update, which most recently occurred on January 15, 2011.

Material Changes Since the Last Update

There have not been materials changes since the last update on January 15, 2011.

Full Brochure Availability

If you would like to received a free copy of PIA's Firm Brochure, please call (888) 742-7869, visit our website, www.pacificincome.com, email us at info@pacificincome.com or write us at PIA-ADV Request, 1299 Ocean Avenue, Suite 210, Santa Monica, CA 90401. You may also view a copy of PIA's Firm Brochure through the Investment Adviser Public Disclosure (IAPD) system at www.adviserinfo.sec.gov.

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Advisory Business

Firm Description

Pacific Income Advisers, Inc. ("PIA"), a Delaware Corporation, is federally registered as an investment adviser with the Securities and Exchange Commission ("SEC") and has been in business since 1986.

PIA is an independent, employee-owned investment advisory firm, with approximately \$3.9 billion in fixed income and equity assets under management for institutional and private clients worldwide. For more information on the types of clients we serve, please see the *Types of Clients* section of this brochure.

PIA's headquarters and principal place of business is located at 1299 Ocean Avenue, Suite 200, Santa Monica, California 90401. Additionally, PIA has regional external sales offices located in Colorado, New Jersey, North Carolina and San Diego, California. The PIA High Yield office is located in Manhattan Beach, California.

Principal Owners

Lloyd McAdams, Chief Investment Officer and Chairman, through the Lloyd McAdams Family Trust, and Heather U. Baines, President and Chief Executive Officer, through the Heather U. Baines Family Trust, are the principal owners of PIA. The following employees individually own a minority interest in PIA: Timothy Tarpening, Joseph E. McAdams, Thad M. Brown, Thomas DiBari and Robert Sydow.

Types of Advisory Services

PIA provides individuals, institutions and mutual funds with discretionary investment advisory services. PIA offers fixed income, high yield and convertible styles of investment through three distinct platforms consisting of institutional separately managed accounts (Institutional SMA), retail separately managed wrap-fee program accounts (Retail Wrap-fee Programs) and mutual funds.

Institutional SMA

Currently, PIA invests in different fixed income portfolio styles for its Institutional SMA clientele:

Fixed Income

- High Yield;
- Core Enhanced;
- Moderate Duration;
- Market Duration;
- Corporate;
- Aggregate Intermediate;
- Limited Duration;
- Short Term;

- Ultra Short Term;
- Moderate Duration Ex Credit;
- Short Term Government;
- Convertible Securities – Income;
- Convertible Securities – Total Return;
- Convertible Securities – Investment Grade;
- Shares in the PIA BBB Bond Fund, Managed Account Completion Shares (“MACS”) and/or the PIA MBS Bond Fund, MACS;
- Shares in the PIA Short-Term Securities Fund, PIA Moderate Duration Bond Fund and/or the PIA High Yield Fund (see “PIA Mutual Funds” below).

Retail Wrap-fee Programs

PIA currently participates in approximately 35 retail wrap-fee programs as a sub-adviser or under a dual contract arrangement. PIA does not sponsor any wrap-fee program. PIA offers the following managed account portfolio styles:

- Aggregate Intermediate MACS;
- Moderate Duration MACS;
- Moderate Duration Ex-Credit;
- Market Duration SMA;
- Market Duration MACS;
- Market Duration SMA Enhanced;
- Limited Duration SMA;
- Limited Duration MACS;
- Limited Duration SMA Enhanced;
- Shares in the PIA BBB Bond Fund, MACS and/or the PIA MBS Bond Fund, MACS;
- Shares in the PIA Short-Term Securities Fund and/or PIA Moderate Duration Bond Fund (see “PIA Mutual Funds” below).

PIA Mutual Funds

PIA serves as sub-adviser to the PIA Mutual Fund, an open-end registered mutual fund. PIA offers five investment style funds:

- PIA Short-Term Securities Fund;
- PIA Moderate Duration Bond Fund;
- PIA High Yield Fund;
- PIA BBB Bond Fund, MACS; and
- PIA MBS Bond Fund, MACS.

Private Funds

PIA serves as an adviser to certain private funds:

- SC Private Companies LLC Fund

For more information on each of the above investment strategies, please see the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this brochure.

PIA also provides administrative services (which excludes investment advisory services) to Anworth Mortgage Asset Corporation, a NYSE listed mortgage REIT (ANH). Please see the *Other Financial Industry Activities and Affiliations* section of this brochure for more information.

Tailored Relationships

Although most client relationships are discretionary and accounts are managed in accordance with the methods and investment strategies as explained in the *Methods of Analysis, Investment Strategies and Risk of Loss* section of this brochure, client may still impose investment limitations and restrictions on certain securities or types of securities. Such restrictions must be submitted to PIA in writing, if not already addressed in the investment management agreement.

Investment Management Agreement

Institutional SMA

All clients desiring to open an Institutional Separately Managed Account with PIA must enter into PIA's investment management agreement and provide an investment policy statement. PIA relies upon the contents of the client's completed investment policy statement when evaluating the most suitable types of investment products for the client.

Retail Wrap-fee Programs

Under wrap fee programs, advisory clients pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in the client's account. PIA receives a portion of the wrap fee for services.

Retail Wrap-Fee Programs are managed similarly to Institutional SMAs with the following exceptions:

- Corporate position holdings are normally 3% for retail wrap-fee programs and 1-1.5% for institutional SMA
- The bonds are typically more liquid in the retail wrap-fee program

Although the ultimate responsibility of analyzing suitability of investments rests solely with the program sponsor, PIA requests from the program sponsor detailed client information, including client profiles, account restrictions and other material documents in order to review the investment portfolio(s), guidelines and restrictions (where applicable) selected by the client prior to investment.

Mutual Funds

All clients desiring to invest in any of PIA's mutual funds must complete a new account form in addition to entering into PIA's investment management agreement and investment policy statement.

Assets Under Management

As of December 31, 2011, PIA managed \$3,883,711,000 on a discretionary basis and \$0 on a non-discretionary basis.

Fees and Compensation

Description and Billing

When calculating the value of client investments for reporting or fee calculation purposes, PIA utilizes to the fullest extent possible, recognized and independent pricing services. Whenever valuation information for specific, illiquid, foreign, private or other investments is not available through pricing services, PIA's portfolio manager(s) will obtain and document price information from at least two independent sources, whether it be a broker-dealer, bank, pricing service or other source, where practicable and appropriate. PIA includes accrued interest on fixed-income securities under management when calculating the value of client investments for reporting or fee calculation purposes. The client has the ability to determine the method for computing fair market value used in the fee calculation. Most commonly fees are calculated by applying the advisory fee to the market value at the end of each quarter. Occasionally, the average of the 3 month end values is used, and in rare situations PIA takes into account the average using significant cash flows.

Institutional SMA

For all Separately Managed Accounts, PIA charges an annual advisory fee which is calculated and paid quarterly in accordance with the following fee tables:

Annual Fee Based on Total Value of Client Assets Under Management with PIA

Portfolio Style	1st \$50M	Next \$50M	Thereafter	
High Yield	.50%	.45%	.40%	
Portfolio Style	1st \$25M	Next \$25M	Thereafter	
Core Enhanced	.35%	.30%	.25%	
Portfolio Style	1st \$10M	Next \$40M	Thereafter	
Corporate	.40%	.35%	.25%	
Moderate Duration	.35%	.30%	.25%	
Moderate Duration Ex-Credit	.35%	.30%	.25%	
Market Duration	.35%	.30%	.25%	
Aggregate Intermediate	.35%	.30%	.25%	
Limited Duration	.35%	.30%	.25%	
Portfolio Style	1st \$10M	Next \$40M	Next \$50M	Thereafter
Short Term	.25%	.20%	.175%	.15%
Short Term Government	.25%	.20%	.175%	.15%
Portfolio Style	1st \$25M	Next \$25M	Next \$50M	Thereafter

Ultra Short	.25%	.20%	.175%	.15%
Portfolio Style	1st \$10 M	Next \$20 M	Thereafter	
Convertible Securities–Income	.625%	.50%	.40%	
Convertible Securities–Total Return	.625%	.50%	.40%	
Convertible Securities–Investment Grade	.625%	.50%	.40%	

Retail Wrap-fee Programs

PIA's fee for its sub-advisory arrangements is determined by separate contracts entered into with various program sponsors. These fees, including any and all trading and transaction costs are "wrapped" into one overall fee as determined and calculated by the wrap-fee sponsor. Annual wrap-fees for PIA clients, charged by the program sponsor, generally vary between 1.00% and 2.00% of the assets under management.

The amount of PIA's portion of the wrap-fee varies dependent upon several factors, including the specific terms agreed between PIA and the wrap-fee sponsor, the client's account size, the client's related investment management accounts, individual account investment restrictions and whether any assets are invested in one of PIA's Mutual Funds. If PIA invests a portion of the wrap-fee client's assets in one of PIA's Mutual Funds, the Mutual Fund has agreed to waive the additional fees or expenses that would otherwise be charged to non-wrap-fee clients.

Important information about the program sponsor's advisory programs, brokerage services, custody relationships and conflicts of interest is available in the Program Sponsor's Form ADV Part 2. To obtain a copy, please contact the Program Sponsor directly.

Mutual Funds

PIA charges management fees for acting as investment manager for PIA's Mutual Funds. Such fees are calculated and paid monthly in arrears dependent upon the portfolio style.

- PIA Short-Term Securities Fund 0.20% of assets under management
- PIA Moderate Duration Bond Fund 0.30% of assets under management
- PIA High Yield Fund 0.65% of assets under management
- PIA BBB Bond Fund, MACS fee charged through Program Sponsor *
- PIA MBS Bond Fund, MACS fee charged through Program Sponsor *

* PIA clients and clients of the PIA's Plan Sponsors are permitted to invest in the BBB Bond Fund and the MBS Bond Fund. Therefore, in order to avoid charging clients two advisory fees in respect of assets, which may be invested in these funds, the mutual fund does not directly charge any fees on these funds.

Direct Debit of Fees

Investment advisory fees are generally billed quarterly in arrears unless PIA and the client agree that they will be billed in advance. The client's custodian automatically deducts fees from the client's account at the end of each calendar quarter, in accordance with the written direction and approval of clients. For accounts opened or closed after the beginning of a new calendar quarter, fees will be prorated for the number of days in the quarter the account was under management. Any earned, unpaid fees will be due and payable at the time the account is closed. PIA reserves the right to pro-rate

the quarterly fee based on intra-period contributions and withdraws. In cases where PIA has agreed to bill its advisory fees quarterly in advance and either party terminates the provision of investment advisory services before the end of a calendar quarter, fees will be reimbursed to the client on a pro-rata basis for the number of days in the quarter the account was not under management. PIA will return any unearned fees to the client within 10 business days of such termination.

Institutional SMA

The client's custodian automatically deducts fees from the client's account at the end of each calendar quarter, in accordance with the written direction and approval of clients.

Retail Wrap-fee Programs

The program sponsor automatically deducts fees from the client's account at the end of each calendar quarter, in accordance with the written direction and approval of clients.

Wrap-fee clients are required to pay the program sponsor a quarterly advisory fee based on the sponsor's advisory fee and PIA's negotiated management fee.

Other Fees

In connection with PIA's advisory services, clients may incur and are responsible for the fees and expenses charged by their custodians and imposed by broker-dealers. Such fees may include, but are not limited to, custodial fees, transaction costs, fees for duplicate statements and transaction confirmations, brokerage commissions, mutual fund expenses and fees for electronic data feeds and reports. See the *Brokerage Practices* section for more information.

Institutional SMA advisory fees are negotiable. For friends and family of PIA, such advisory fees may be waived or reduced.

PIA and its supervised persons do not receive compensation for the sale of securities or other investment products, including asset-based sales charges, distribution or service fees from the sale of mutual funds.

Performance-Based Fees

If PIA engages in alternative fee arrangements that are based on performance (including unrealized gains), PIA calculates the fee in accordance with the requirements of the Investment Advisers Act of 1940. Such performance fee arrangements are made only with "Qualified Clients" as defined under Rule 205-3 who reside in jurisdictions where performance fees are permitted. Performance fee arrangements create an inherent conflict of interest since they may create incentives for PIA to make investments that are riskier or more speculative than would have been the case in the absence of a performance fee. In order to address any potential conflicts of interest, no portfolio manager's compensation is tied to any performance-based fees.

Types of Clients

Description

PIA currently provides advisory services to individuals, high net worth individuals, banking or thrift institutions, mutual funds, pension and profit sharing plans, pooled investment vehicles, trusts, estates, and charitable organizations, corporations and business entities, state or municipal government entities, strike accounts and hospital funds.

Account Minimums

The Firm generally does not impose an account minimum for managing client accounts. Typically, for separately managed fixed income portfolio accounts, PIA recommends accounts opening at no less than \$1 MM. Furthermore, clients who wish to open separately managed fixed income portfolio accounts should be aware that frequent requests to liquidate all or a portion of their accounts to a size less than \$10 million will most likely result in odd lot bond transactions. Odd lot bond transactions can usually only be executed at levels that are significantly less favorable than the round lot bond transactions (\$1+ million par value). Therefore, potential clients are discouraged from entering into any separate account investment advisory arrangement with PIA if there is any material likelihood of frequent significant bond portfolio liquidations.

For wrap-fee accounts, generally PIA and the program sponsor recommend accounts opening at not less than \$75,000. However, no minimum annual fee is assessed.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

The foundation of PIA's investment process is the firm's Yield Curve and Sector Analysis. PIA's yield curve analysis is centered in a fundamental belief that there is an equilibrium shape for the various yield curves, which is a function of several factors that include the economic cycle, the volatility of the financial markets and the supply factors across each part of the yield curve. Market forces tend to distort these yield curves away from their equilibrium shape. Yield curve sectors are analyzed based on their relationship to that equilibrium shape and the embedded risk of each yield curve sector. PIA ranks sectors in terms of their valuations on a risk-adjusted basis. PIA also utilizes other quantitative resources designed to gain probabilistic insight into factors affecting sector valuations. PIA utilizes internal quantitative MBS research and qualitative credit research that produces top-down and bottom-up

security analysis. This information is communicated to the Macro Strategy Group and Chief Investment Officer, who then utilize these inputs as part of their decision making process.

Investment Strategies

PIA offers several taxable, non-taxable, high yield, domestic and investment-grade fixed income products with durations that span the entire yield curve. PIA provides these investment alternatives to both institutional and retail investors via separate accounts and mutual funds. PIA manages the SMA strategies through the means of a composite, which is defined as aggregation of individual portfolios representing a similar investment mandate, objective or strategy.

Duration is a measure of a debt security's price sensitivity. Higher duration indicates bonds that are more sensitive to interest rate changes.

Core Enhanced Composite consists of portfolios which are comparable to their benchmark, the Barclays Capital U.S. Aggregate Bond Index, and is constructed from all major fixed income sectors and is limited to 144A Qualified Institutional Buyers. Portfolios managed in this style tend to emphasize relatively larger sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$10MM.

Moderate Duration Composite consists of portfolios benchmarked to the Barclays Capital U.S. Aggregate Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Moderate Duration MACS Composite consists of wrap portfolios benchmarked to the Barclays Capital U.S. Aggregate Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Moderate Duration Ex-Credit Composite consists of wrap and institutional portfolios which are comparable to their benchmark, the Barclays Capital U.S. Aggregate Ex-Credit Bond Index, and is constructed primarily from U.S. Treasury and Agency sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Aggregate Intermediate Composite consists of portfolios benchmarked to the Barclays Capital U.S. Intermediate Aggregate Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index

and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Aggregate Intermediate MACS Composite consists of wrap portfolios that invest in completion funds (PIA BBB Bond Fund and PIA Mortgage-Backed Securities Fund) and is comparable to the Barclays Capital U.S. Intermediate Aggregate Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75 thousand.

Corporate Composite consists of portfolios invested in all aspects of the corporate sector. It is managed in a comparable manner to the Barclays Capital U.S. Corporate Bond Index. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

High Yield Composite consists of portfolios whose major concentration is in high yield bonds, both public and private. Equity-linked securities purchased in conjunction with a debt security and equity securities obtained in exchange offers or insolvency proceedings, as well as leveraged corporate loans may also be included. The portfolios are constrained to be substantially fully invested with minor cash holding. The primary benchmark was formerly the Credit Suisse High Yield Index. The benchmark was changed to the Barclays Capital U.S. High Yield Index on May 01, 2010 since we believe it is more commonly recognized as the industry standard index for the high yield asset class. There is no minimum account size for the composite.

Market Duration Composite consists of portfolios benchmarked to the Barclays Capital U.S. Government/Credit Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Market Duration MACS Composite consists of wrap portfolios that invest in completion funds (PIA BBB Bond Fund and PIA Mortgage-Backed Securities Fund) and is comparable to the Barclays Capital U.S. Government/Credit Bond Index benchmark, and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Market Duration SMA Composite consists of wrap portfolios that do not invest in completion funds (PIA BBB Bond Fund and PIA Mortgage-Backed Securities Fund) and is comparable to the Barclays Capital U.S. Government/Credit Bond Index benchmark, and is constructed from all major fixed income sectors.

Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Market Duration SMA Enhanced Composite consists of wrap portfolios that invest in the PIA BBB Bond Fund and is comparable to its benchmark, the Barclays Capital U.S. Government/Credit Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Limited Duration Composite consists of portfolios benchmarked to the Barclays Capital U.S. Intermediate Government/Credit Bond Index and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges, compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Limited Duration MACS Composite consists of wrap portfolios that invest in completion funds (PIA BBB Bond Fund and PIA Mortgage-Backed Securities Fund) and is comparable to the Barclays Capital U.S. Intermediate Government/Credit Bond Index benchmark, and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Limited Duration SMA Composite consists of wrap portfolios that do not invest in completion funds (PIA BBB Bond Fund and PIA Mortgage-Backed Securities Fund) and is comparable to the Barclays Capital U.S. Intermediate Government/Credit Bond Index benchmark, and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Limited Duration SMA Enhanced Composite consists of wrap portfolios that invest in the PIA BBB Bond Fund and is comparable to its benchmark, the Barclays Capital U.S. Intermediate Government/Credit Index, and is constructed from all major fixed income sectors. Portfolios managed in this style tend to be conservative in terms of sector weights, quality and duration ranges compared to that of the index. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$75K.

Short Term Composite consists of portfolios benchmarked to the Barclays Capital U.S. 1-3 Year Government Bond Index and is constructed from all major fixed income sectors. Portfolios managed in

this style emphasize capital preservation. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Ultra Short Composite consists of portfolios benchmarked to the Merrill Lynch 1-Year U.S. Treasury Bill Index and is constructed from all major fixed income sectors. Portfolios managed in this style emphasize capital preservation. The composite may invest in sectors that are not included in the Index and may not necessarily be representative of its benchmark. The minimum account size for the composite is \$1MM.

Convertible Securities – Income This portfolio strives to produce income that meets or exceeds the average current yield on the Merrill Lynch All U.S. Convertibles Index. It is constructed from most major convertibles market sectors and uses most ratings categories.

Convertible Securities – Total Return This portfolio strives for total return and is benchmarked to the Merrill Lynch All U.S. Convertibles Index. It is constructed from all major convertibles market sectors and uses most ratings categories.

Convertible Securities – Investment Grade This portfolio strives to provide total return consistent with using convertible securities with a rating of BB or better and is benchmarked to the 10 year U.S. Treasury bond. It is constructed from all major convertibles market sectors and uses only BB or better securities.

PIA Short-Term Securities Fund The Short-Term Fund is a diversified mutual fund that normally invests at least 80% of its net assets in short-term securities having a duration of less than three years. Under normal market conditions, the Short-Term Fund purchases securities rated A or better by a nationally recognized rating agency.

The Fund primarily invests in securities issued or guaranteed by the U.S. Government and its agencies, investment grade mortgage-backed securities and investment grade debt securities.

The Fund may invest up to 20% of its net assets in debt futures contracts, option contracts, options on securities and options on debt futures.

Duration is a measure of a debt security's price sensitivity. Higher duration indicates bonds that are more sensitive to interest rate changes.

Bonds with shorter duration have lower risk associated with interest rates. Duration takes into account a debt security's cash flows over time including the possibility that a debt security might be prepaid by the issuer or redeemed by the holder prior to its stated maturity date.

In contrast, maturity measures only the time until final payment is due. The weighted average duration of the Short-Term Fund portfolio will generally range as follows:

<u>Short End</u>	<u>Long End</u>
6 months	3 years

In selecting investments for the Short-Term Fund, the Adviser primarily will consider credit quality, duration and yield.

The Adviser may sell a security as part of its overall investment decision to reposition assets into a more attractive security or to implement a change in maturity and quality to the overall portfolio.

PIA Moderate Duration Bond Fund The Moderate Duration Fund is a non-diversified mutual fund that will normally invest at least 80% of its net assets (plus any borrowings for investment purposes) in bonds. Under normal market conditions, the Fund may purchase securities rated less than A, including up to 10% of its net assets in securities rated less than investment grade (i.e., BB, Ba or B) by a nationally recognized rating agency.

The Fund primarily invests in securities issued or guaranteed by the U.S. Government and its agencies, investment grade mortgage-backed securities and investment grade debt securities.

The Moderate Duration Fund may invest up to 30% of its net assets in debt futures contracts, option contracts, options on securities and options on debt futures, credit swaps, interest rate swaps and other derivative securities.

Duration is a measure of a debt security's price sensitivity. Higher duration indicates bonds that are more sensitive to interest rate changes. Bonds with shorter duration have lower risk associated with interest rates. Duration takes into account a debt security's cash flows over time including the possibility that a debt security might be prepaid by the issuer or redeemed by the holder prior to its stated maturity date.

In contrast, maturity measures only the time until final payment is due. The weighted average duration of the Moderate Duration Fund portfolio will generally range as follows:

<u>Short End</u>	<u>Long End</u>
2 years	7 years

In selecting investments for the Moderate Duration Fund, the Adviser primarily will consider credit quality, duration and yield. The Adviser actively trades the Fund's portfolio. The Fund's annual portfolio turnover rate may exceed 100%.

The Adviser may sell a security as part of its overall investment decision to reposition assets into a more attractive security or to implement a change in maturity and quality to the overall portfolio.

PIA High Yield Fund The Fund invests, under normal circumstances, at least 80% of its net assets (plus any borrowings for investment purposes) in a diversified portfolio of domestic and foreign high yield instruments, defined as bonds ("junk bonds"), forward commitments, loan participations and assignments, and preferred stocks. High yield instruments are securities rated below investment grade by Moody's Investors Service, Inc.

("Moody's"), or equivalently rated by Standard & Poor's Rating Services ("S&P") or Fitch, Inc. ("Fitch"), or, if unrated, determined by the Adviser to be of comparable quality.

The remainder of the Fund's assets may be invested in investment grade instruments including bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities, and loan participations and assignments.

The average portfolio duration of the Fund normally varies within two years (plus or minus) of the duration of the Barclays Capital U.S. Corporate High Yield Index (the "Barclays Index") at any point in time. The Barclays Index had a duration of 4.5 years as of November 30, 2010. Duration is a measure of the expected life of a fixed income security that is used to determine the sensitivity of a security's price to changes in interest rates.

The Fund may invest up to 5% of its net assets in securities denominated in foreign currencies. The Fund may invest up to 10% of its net assets in securities and instruments that are economically tied to emerging market countries.

The Fund may invest up to 5% of its net assets in derivative instruments, such as options, futures contracts or swap agreements. From time to time, the Fund may experience significant inflows; if this occurs, the Fund may invest up to 30% of its net assets in derivative instruments until such time as the Adviser can identify and invest in appropriate high yield instruments in accordance with the Fund's principal strategy. A derivative is a financial contract whose value is based on (or "derived from") a traditional security (such as a bond) or a market index. The Fund may invest in derivatives for both bona fide hedging purposes and for speculative purposes. The Fund may purchase or sell securities on a when-issued, delayed delivery or forward commitment basis. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls).

In selecting investments for the Fund, the Adviser will consider the risk and opportunities presented by the industries within the high yield universe. The Adviser evaluates the bond issuers within the selected industries and identifies those investments which the Adviser believes have favorable risk reward characteristics and match the Adviser's investing philosophy. The Adviser evaluates various criteria such as historical and future expected financial performance, management tenure and experience, capital structure, free cash flow generation, barriers to entry, security protections, yield and relative value, and ownership structure. Investments are targeted that have individual yield premiums, which appear to be favorable and are viewed by the Adviser as having a comparable or lower probability of default and or loss risk. The Adviser may sell an investment as part of its overall investment decision to reposition assets into a more attractive security or to implement a change in maturity and quality to the overall portfolio.

PIA BBB Bond Fund Under normal market conditions, the BBB Bond Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in bonds rated BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch.

The BBB Bond Fund may invest up to 30% of its total assets in securities of foreign issuers denominated in U.S. dollars, including issuers in emerging markets.

The weighted average duration of the BBB Bond Fund will generally range from five to eight years. Duration is a measure of a debt security's price sensitivity. Higher duration indicates bonds that are more sensitive to interest rate changes. Bonds with shorter duration reduce the risk associated with interest rates. Duration takes into account a debt security's cash flows over time, including the possibility that a debt security might be prepaid by the issuer or redeemed by the holder prior to its stated maturity date. In contrast, maturity measures only the time until final payment is due.

In selecting investments for the BBB Bond Fund, the Adviser will primarily consider credit quality, duration and yield. The BBB Bond Fund's annual portfolio turnover rate may exceed 100%.

In its effort to provide a total rate of return that approximates that of bonds rated within the BBB category by Standard & Poor's, Baa by Moody's or BBB by Fitch, the BBB Bond Fund may invest up to 20% of its net assets in futures, options and other derivatives. The BBB Bond Fund may sometimes use derivatives as a substitute for taking a position in bonds rated BBB or Baa and/or as part of a strategy designed to reduce exposure to other risks.

The Adviser will sell a security as part of its overall investment decision to reduce the average maturity of the overall portfolio or change the percentage allocation to an individual issue/issuer.

PIA MBS Bond Fund Under normal market conditions, the MBS Bond Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in bonds that meet the criteria for inclusion in the MBS Index. In pursuing its objective, PIA attempts to provide a return that exceeds the total rate of return of the MBS Index, although there is no guarantee that PIA will be able to do so. The MBS Index represents the universe of mortgage-backed securities issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNM) and Federal Home Loan Mortgage Corporation (FHLMC) with a minimum issue size of \$150 million. The Fund seeks to approximate the returns of the MBS Index although there is no guarantee that the Fund will be able to do so. The Adviser will primarily consider credit quality, effective duration and yield in selecting investments for the MBS Bond Fund's portfolio.

The MBS Bond Fund may invest up to 20% of its net assets in futures, options and other derivatives. The MBS Bond Fund may sometimes use derivatives as a substitute for taking positions in bonds and/or as part of a strategy designed to reduce exposure to other risks. The MBS Bond Fund may also utilize the "To Be Announced" ("TBA") market for MBS for up to 100% of its net assets. The TBA market allows investors to gain exposure to MBS securities with certain broad characteristics (maturity, coupon, age) without taking delivery of the actual securities until the settlement day which is once every month. In addition, the MBS Bond Fund may utilize the dollar roll market, in which one sells, in the TBA market, the security for current month settlement, while simultaneously committing to buy the same TBA security for next month settlement. The MBS Bond Fund may utilize the dollar roll market for extended periods of time without taking delivery of the physical securities. The MBS Bond Fund may also invest up to 20% of its net assets in collateralized mortgage obligations ("CMOs"), asset-backed securities, commercial mortgage-backed securities and other mortgage-related securities that are not part of the MBS Index.

The MBS Bond Fund's annual portfolio turnover rate may exceed 100%.

The Adviser will sell a security as part of its overall investment decision to: remove an overvalued security or reposition the Fund's assets into a more attractive security.

Risk of Loss

Although PIA makes every effort to preserve each client's capital and achieve real growth of wealth, investing in the securities involves risk of loss that each client should be prepared to bear.

Investors in PIA's products may lose money and success cannot be guaranteed. There are risks associated with investments in the types of securities in which PIA invests. These risks include:

Market Risk The prices of the securities in which PIA invests may decline for a number of reasons including in response to economic developments and perceptions about the creditworthiness of individual issuers.

Management Risk PIA is subject to management risk because it is an actively managed portfolio. PIA's management practices and investment strategies might not work to produce the desired results.

Interest Rate Risk In general, the value of bonds and other debt securities falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations.

Credit Risk The issuers of the bonds and other debt securities held in PIA portfolios may not be able to make interest or principal payments.

Prepayment Risk Issuers of securities held in PIA portfolios may be able to prepay principal due on these securities, particularly during periods of declining interest rates. Securities subject to prepayment risk generally offer less potential for gains when interest rates decline, and may offer a greater potential for loss when interest rates rise. Prepayment risk is a major risk of mortgage-backed securities.

Risks Associated with Mortgage-Backed Securities These include Market Risk, Interest Rate Risk, Credit Risk, Prepayment Risk as well as the risk that the structure of certain mortgage-backed securities may make their reaction to interest rates and other factors difficult to predict, making their prices very volatile. In particular, the recent events related to the U.S. housing market have had a severe negative impact on the value of some mortgage-backed securities and resulted in an increased risk associated with investments in the securities.

Liquidity Risk Low or lack of trading volume may make it difficult to sell securities held by in PIA portfolios at quoted market prices.

Derivatives Risk PIA may invest in derivative securities for both bona fide hedging purposes and for speculative purposes. A derivative security is a financial contract whose value is based on (or "derived from") a traditional security (such as a bond) or a market index. Derivatives involve the risk of improper

valuation, the risk of ambiguous documentation and the risk that changes in the value of the derivative may not correlate perfectly with the underlying security.

Leverage Risk The use of leverage can enhance investment returns. Leverage, however, also increases risks. The use of leverage increases the risk of loss resulting from various factors including rising interest rates, increased interest rate volatility, downturns in the economy and reductions in the availability of financing or deterioration in the conditions of any of the portfolio investment assets.

Adjustable Rate and Floating Rate Securities Risks Although adjustable and floating rate debt securities tend to be less volatile than fixed-rate debt securities, they nevertheless fluctuate in value.

Risks Associated with Inflation and Deflation Inflation risk is the risk that the rising cost of living may erode the purchasing power of an investment over time. Deflation risk is the risk that prices throughout the economy decline over time – the opposite of inflation.

Non-Diversification Risk The Fund is a non-diversified mutual fund. As such, it will invest in fewer securities than a diversified mutual fund and its performance may be more volatile because changes in a single security in the Fund's portfolio may have a greater effect on the Fund. If the securities in which the Fund invests perform poorly, the Fund could incur greater losses than if the Fund was diversified.

Portfolio Turnover Risk A high portfolio turnover rate (100% or more) has the potential to result in the realization and distribution to shareholders of higher capital gains, which may subject you to a higher tax liability. A high portfolio turnover rate also leads to higher transactions costs.

To Be Announced ("TBA") Securities Risk PIA may invest in TBA securities. In a TBA transaction, a seller agrees to deliver a security at a future date, but does not specify the particular security to be delivered. Instead, the seller agrees to accept any security that meets specified terms. The principal risks of TBA transactions are increased credit risk and increased overall investment exposure.

Dollar Roll Risk Dollar rolls involve the risk that PIA's counterparty will be unable to deliver the mortgage-backed securities underlying the dollar roll at the fixed time. If the buyer files for bankruptcy or becomes insolvent, the buyer or its representative may ask for and receive an extension of time to decide whether to enforce PIA's repurchase obligation. In addition, PIA earns interest by investing the transaction proceeds during the roll period. Dollar roll transactions may have the effect of creating leverage in the PIA's portfolio.

Risks Associated with High Yield Securities The Fund may invest in high yield securities. Securities with ratings lower than BBB or Baa are known as "high yield" securities (commonly known as "junk bonds"). High yield securities provide greater income and opportunity for gains than higher-rated securities but entail greater risk of loss of principal.

CMO Risk A CMO is a hybrid between a mortgage-backed bond and a mortgage pass-through security. Similar to a bond, interest and prepaid principal on CMOs is paid, in most cases, semi-annually. CMOs may be collateralized by whole mortgage loans, but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by GNMA, FHLMC or FNM, and their income streams.

CMOs may offer a higher yield than U.S. government securities, but they may also be subject to greater price fluctuation and credit risk.

Government-Sponsored Entities Risk PIA invests in securities issued or guaranteed by government-sponsored entities, including GNMA, FNM and FHLMC. However, these securities may not be guaranteed or insured by the U.S. Government and may only be supported by the credit of the issuing agency.

Foreign Securities Risk PIA may invest up to 30% of its total assets in securities of foreign issuers denominated in U.S. dollars, including issuers in emerging markets. Foreign economies may differ from domestic companies in the same industry. Foreign economies may differ from domestic companies in the same industry. Investment in emerging markets involves additional risks, including less social, political and economic stability, smaller securities markets and lower trading volume, restrictive national policies and less developed legal structures.

Counterparty Risk PIA transactions involving a counterparty are subject to the risk that the counterparty or a third party will not fulfill its obligation to PIA. Counterparty risk may arise because of the counterparty's financial condition (i.e., financial difficulties, bankruptcy, or insolvency), market activities and developments, or other reasons, whether foreseen or not. A counterparty's inability to fulfill its obligation may result in significant financial loss to the Fund.

Preferred Stock Risk Preferred stocks may be more volatile than fixed income securities and are more correlated with the issuer's underlying common stock than fixed income securities. Additionally, the dividend on a preferred stock may be changed or omitted by the issuer.

Foreign Securities and Emerging Markets Risk The value of the PIA's foreign investments may be adversely affected by changes in the foreign country's exchange rates, political and social instability, changes in economic or taxation policies, decreased illiquidity and increased volatility. Foreign companies may be subject to less regulation than U.S. companies. Investment in emerging markets involves additional risks, including less social, political and economic stability, smaller securities markets and lower trading volume, restrictive national policies and less developed legal structures.

Currency Risk PIA is subject to the risk that foreign currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency being hedged.

Loan Participation and Assignment Risk Loan participations and assignments involve special types of risk, including credit risk, interest rate risk, liquidity risk, and the risks of being a lender. Bank loans (i.e., loan participations and assignments), like other high yield corporate debt obligations, have a higher risk of default and may be less liquid and/or become illiquid.

New Fund Risk The PIA High Yield Fund is new with no operating history and there can be no assurance that the Fund will grow to or maintain an economically viable size, in which case the Board may determine to liquidate the Fund.

Stocks generally fluctuate in value more than bonds and may decline significantly over short time periods. There is the chance that stock prices overall will decline because stock markets tend to move in cycles, with periods of rising prices and falling prices. The value of a stock in which a fund invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Disciplinary Information

PIA does not have disciplinary information to report.

Other Financial Industry Activities and Affiliations

Mutual Funds

PIA is the investment adviser to five (5) PIA mutual funds: PIA Short-Term Securities Fund, PIA Moderate Duration Bond Fund, PIA High Yield Fund, PIA BBB Bond Fund, MACS, and PIA MBS Bond Fund, MACS, which are overseen by the US Bank Advisory Series Trust. PIA has no financial interest outside of the investment advisory fee. Please see *Fees and Compensation* and *Investment Strategies* for more information on PIA's mutual funds.

Anworth Mortgage Asset Corporation and Anworth Management LLC

Lloyd McAdams, PIA's Chief Investment Officer and Chairman, and Heather Baines, PIA's President and Chief Executive Officer own approximately 0.94% of the issued stock in Anworth Mortgage Asset Corporation ("Anworth Mortgage"), a NYSE listed mortgage REIT. Lloyd McAdams also serves as Chairman, President and Chief Executive Officer of Anworth Management.

Lloyd McAdams, PIA's Chief Investment Officer and Chairman, Heather Baines, PIA's President and Chief Executive Officer, Joseph McAdams, PIA's Senior Vice President and Thad Brown, PIA's Chief Operating and Compliance Officer own all of the outstanding membership interests of Anworth Management LLC ("Anworth Management"). Lloyd McAdams also serves as the Manager of Anworth Management.

Additionally, other officers and employees of PIA are also officers of Anworth Mortgage and members and employees of Anworth Management.

Anworth Management is the external manager for Anworth Mortgage. In exchange for portfolio management services, Anworth Management receives a management fee based on a percentage

applied to the Equity of Anworth Mortgage as defined in the Management Agreement.

Each officer and employee receives compensation from Anworth Management and Anworth Mortgage, which may include incentive compensation based on portfolio performance.

Although such persons are under no contractual obligation to devote any minimum amount of their time to PIA, each has defined roles and responsibilities that must be fulfilled in order to continue employment with the adviser.

Anworth Mortgage has also entered into an administrative services agreement with PIA. In consideration of the administrative services provided by PIA, Anworth Mortgage pays PIA a fee in accordance with an administrative services agreement.

PIA employees, who are also officers of Anworth Mortgage and employees of Anworth Management, may in their capacity as an officer or employee, effect trades for Anworth Mortgage's account. For more information on the possible conflicts of interest and how PIA addresses them, please see *Code of Ethics, Personal Trading and Participation or Interest in Client Transactions*.

Syndicated Capital

PIA's Chairman and Chief Investment Officer, Lloyd McAdams, and Heather U. Baines, are sole stockholders of Syndicated Capital, Inc. ("Syndicated Capital"), a registered broker-dealer, registered investment adviser and general insurance agency. PIA has no direct or indirect dealings with Syndicated Capital's registered investment adviser. Depending on various factors as described in the *Brokerage Practices* section of this brochure, PIA may execute certain client account securities transactions through Syndicated Capital if directed by the client. This creates the following potential conflicts of interest.

PIA does not execute trades through Syndicated Capital's broker-dealer, unless directed to do so by a client, which PIA discourages. If so directed, this could act as an incentive for Mr. McAdams to direct transactions to Syndicated Capital and should Syndicated Capital accrue any profit or other benefit from providing custody or executing trades for PIA's clients, Mr. McAdams would benefit from the revenue received by Syndicated Capital.

Some of the PIA's employees are registered representatives of Syndicated Capital, Inc., and in that capacity they may receive compensation in relation to client account securities transactions executed through Syndicated Capital. Therefore, the receipt of this compensation may act as an incentive for such employees to execute transactions through Syndicated Capital even if best execution could be achieved elsewhere. Additionally, should Syndicated Capital accrue any profit or other benefit from providing custody or executing trades for PIA's clients, Lloyd McAdams will receive personal economic benefits from the revenue received by Syndicated Capital.

Grandview Capital Management

Additionally, Grandview Capital Management, LLC ("GCM") is a separate investment advisory firm. All

employees of GCM are also employees of PIA. These dual roles impose multiple responsibilities that may create a conflict of interest of which clients should be aware. Each employee receives compensation from GCM. Dual employees may give advice and take action with respect to GCM's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA believes that GCM conflicts are mitigated by the fact that GCM only manages a Collateralized Loan Obligation, which is not in the asset class of PIA.

Code of Ethics, Personal Trading and Participation or Interest in Client Transactions

Code of Ethics & Personal Trading

To avoid potential conflicts of interest, PIA has adopted a Code of Ethics ("Code"). This Code provides employees with guidance in their ethical obligations to clients and governs their personal securities trading activities. PIA and its employees owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere to the general principles of the Code. The Code prohibits the holding of certain securities and outlines PIA's expectations to report personal trading, including exceptions to such reporting, reporting of political contributions, reporting of gifts, entertainment and other forms of non-cash compensation, and escalation and enforcement processes. A copy of PIA's Code in its entirety is available upon written request.

Some employees may transact in the same securities as the client account. In those situations, the account is a PIA advisory account, all trades are reviewed and approved by management and specific pre-determined allocation procedures are followed.

Under unique circumstances, the CCO may in his discretion permit an employee to sell a PIA watch list security in his/her Personal Account if the CCO, in his sole discretion, determines that there would be no impact to PIA clients.

Participation or Interest in Client Transactions

Anworth Mortgage Asset Corporation

Although PIA does not recommend Anworth Mortgage securities for its client's portfolios, some clients may nevertheless own Anworth securities in their portfolio. In this event PIA neither charges a fee nor includes the securities in the calculation of assets under management.

Officers and employees of PIA, who may also be officers and employees of Anworth Mortgage, may recommend Mortgage Backed Securities ("MBS") to its clients that may also be recommended to

Anworth Mortgage. PIA believes that any potential conflicts of interest are mitigated in part by the fact that the mortgage backed securities (“MBS”) market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA’s clients, dual employees are required to attempt to mitigate such conflicts by determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice and take action with respect to ANH’s account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA’s affiliation with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Mutual Funds

PIA is the investment adviser for five (5) mutual funds: PIA Short-Term Securities Fund, PIA Moderate Duration Bond Fund, PIA High Yield Fund, PIA BBB Bond Fund, MACS, and PIA MBS Bond Fund, MACS, which are overseen by the US Bank Advisory Series Trust. PIA has no financial interest outside of the investment advisory fee. Please see *Fees and Compensation* and *Investment Strategies* for more information on PIA’s mutual funds.

Brokerage Practices

Selecting Brokerage Firms & Best Execution

Fixed Income

When the Firm has full discretion to select broker-dealers, PIA takes a two-step approach to selecting broker-dealers and executing client transactions. First, PIA’s Portfolio Management Team creates and periodically maintains an Approved Broker List of those broker-dealers it believes provides a sufficiently high level of qualitative service for its fixed income clients. The Portfolio Management Team considers the following factors when creating and maintaining the Approved Broker List: execution capabilities; the confidentiality provided by the broker; availability of technological aids to process trade data; opportunity for price improvement; the promptness of execution of securities transactions; competent block trading coverage ability, if necessary; capital strength and stability; reliable and accurate communications and settlement capabilities; administrative ability; knowledge of other buyers and sellers; the broker’s ability and willingness to position a portion of the order; the financial stability of the broker-dealer; research provided; breadth of services provided to clients; and availability of information regarding the most favorable market for executing the trade. Second, when executing trades, with respect to fixed income trades, Portfolio Managers and Traders are permitted only to use those broker-dealers that are on the Approved Broker List. Best execution for a client is accomplished through timely submission of electronic or other bids/letters to the broker-dealers offering the best price.

It is PIA's opinion that the expectation of a broker-dealer to receive a reasonable commission or profit is necessary to maintain PIA's ability to benefit from effective communication, quality executions and brokerage services and transactions with that broker-dealer. This is an important consideration when PIA negotiates commissions with broker-dealers and notwithstanding PIA's approach of selecting the approved broker-dealer offering the best transaction price on a transaction by transaction basis, this may still result in a client paying a commission higher than that obtainable from some other broker-dealers. The reasonableness of brokerage commissions is a factor PIA's Portfolio Management Team considers when maintaining its Approved Broker List.

Fixed income securities are often purchased from the issuer or a primary market maker acting as a principal on a net basis with no brokerage commission paid directly by the client. Such securities may also be purchased from underwriters at net prices that include underwriting fees.

By following the above processes, PIA attempts to achieve best execution and mitigates the conflict of interest that may be produced by the association with Syndicated Capital as discussed in the *Other Financial Industry Activities and Affiliations* section of this brochure.

Soft Dollars

In selecting brokers, PIA takes into consideration not only the items listed above, but also the commission paid research and brokerage services provided by broker-dealers in connection with the execution of client transactions, also known as "soft dollars". PIA takes into account both propriety research (research developed by the broker-dealers) and third party research services offered by broker-dealers which may provide lawful and appropriate assistance to the Firm in its investment decision making responsibilities. These services may include, but are not limited to the following: research reports on companies, industries, the economy, and securities; statistical analysis relative to PIA's current portfolios; economic and financial data; financial publications; computer databases; quotation equipment and services; and research oriented software and services.

PIA may pay a brokerage commission in excess of what another broker-dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such a case, however, PIA will determine in good faith that such a commission is reasonable in relation to the value of brokerage, research and other services and soft dollar relationships provided by such broker-dealer.

When we use client brokerage commissions to obtain research or other products or services, this presents a conflict of interest because PIA receives a benefit as we do not have to produce or pay for the research, products or services and we have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. There is a further potential conflict of interest in that research services acquired with soft dollars may or may not be utilized across PIA's entire client base and client accounts may not benefit equally from research derived from soft dollars.

PIA may receive soft dollar credits when it purchases new issues of fixed income securities from broker-dealers who either provide soft dollar credits or direct underwriters to allocate portions of underwriting discounts to broker-dealers who then provide third party research as described above.

To the extent that any product or service may serve additional non-"research" functions that are unrelated to the making of investment decisions (e.g., administrative uses, mixed-use services, etc.), only the percentage of the service or specific component that assists in the investment decision-making process will be allocated to "research" uses and PIA will pay only the "research" portion with soft dollars. PIA will use its own funds to pay the cost of the portion of the service or specific component that provides non-research assistance. When PIA receives mixed-use services on products through soft dollars, it has an inherent conflict of interest when determining the proper allocation of the amount to be paid by PIA and the amount eligible for the soft dollar arrangement.

Directed Brokerage

PIA does not direct, recommend, request or require that its clients direct us to execute transactions through a specified broker dealer. PIA does accept and will place orders with brokerage firms pursuant to direction received from investment advisory clients ("directed brokerage"). If a client or wrap-fee sponsor specifically directs PIA to use a particular broker-dealer, such clients and/or the appropriate wrap-fee sponsor will not be able to participate in aggregate trades, and may incur higher commission rates than other clients who allow PIA to have full brokerage discretion. These clients may also receive less favorable prices and execution. In most of PIA's wrap-fee arrangements, the program sponsor directs PIA to use its own or affiliated broker-dealer to effect wrap-fee client transactions.

Order Aggregation

Where possible and when advantageous to clients PIA will aggregate trades of accounts. Trade aggregation, or "bunching of orders," generally results in better execution and/or better-realized prices. Because of prevailing market conditions, it may not be possible to execute all shares of an aggregated trade, in which case PIA will allocate the trade among participating accounts in accordance with PIA's Allocation and Aggregation of Orders Policy.

In order to ensure that all portfolios are treated fairly it occasionally becomes necessary to use an allocation process in those situations when the security purchased is not in a sufficient quantity to be distributed to all portfolios in the desired portfolio holding percentage. The portfolio manager determines which process is fair and equitable with respect to the portfolios they manage. The methods employed include "pro-rata" whereby the same percentage is allocated to all portfolios even though the percentage is less than a normal allocation and "rotation" whereby a full allocation is given to one group of portfolios and the next allocation is given to another group which rotates so that an attempt is made to give all groups an allocation over time.

Review of Accounts

Periodic Reviews

The Chief Investment Officer is responsible for overseeing material changes to both the institutional SMAs and retail wrap-fee program portfolio strategies. However, the day-to-day portfolio decisions on developing and implementing a portfolio strategy for each account is performed by PIA's portfolio managers. All portfolios are reviewed on an ongoing basis. Furthermore, all accounts are reviewed at least quarterly by a portfolio manager to evaluate compliance with client objectives and to analyze portfolio rates of return.

Review Triggers

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. If a rating on a security is downgraded below the minimum in the client's investment guidelines, the security will be reviewed by the portfolio manager for potential sale.

Regular Reports

PIA delivers written quarterly account summary reports, which include performance, portfolio appraisals, transactions and cash and asset holdings, to clients invested in separately managed accounts, program sponsors in the case of PIA's wrap-fee clients and fund administrators for the mutual fund clients. In addition, PIA will deliver the following reports to clients upon written request: asset listings, rate of return evaluations, economic analysis reports, asset allocation reports and investment strategy reports.

Client Referrals and Other Compensation

Economic Benefit

In exchange for commissions generated by discretionary trading activity, PIA receives research services from a variety of brokerage firms. PIA may also direct brokerage to firms who refer clients to the firm. See the Brokerage Practices section of this Brochure for a description of the services and benefits PIA receives from brokerage firms.

Referrals

PIA has engaged and compensates a third party for client referrals. PIA will pay an annual fee as negotiated with each solicitor equal to a percentage of the aggregate assets to the third party. Client referral and solicitation arrangements by nature present an inherent conflict of interest between the adviser and client. As such, PIA complies with Rule 206(4)-3 (the Cash Solicitation Rule) under the Investment Advisers Act of 1940, which requires that among other things, that PIA not compensate any party for client referrals without a written agreement. This rule also requires that prospective clients

are provided disclosures by the third party, which clearly describes the solicitation terms and compensation arrangement. The advisory fees charged to clients are not increased in any way as a result of the referral fees paid by PIA to persons referring clients.

Custody

Custody

PIA is not a broker-dealer and does not take possession of client assets. Our clients' assets are housed in nationally recognized banks or brokerage firms, otherwise known as custodians. PIA has a limited power of attorney to place trades on the client's behalf. PIA generally has the authority to directly debit client accounts for quarterly fees, if authorized in writing by the client, and therefore is deemed to have Custody. See the *Fee Billing and Direct Debit of Fees* of this brochure.

An affiliate may have actual custody, but the potential conflict of interest is mitigated because there is an arm's length relationship and the affiliate and the advisor are operationally independent. See the *Other Financial Industry Activities and Affiliations* of this brochure.

Account Statements

The client will receive account statements directly from the broker-dealer, bank or other qualified custodian. PIA urges the client to compare the statement the client receives from the qualified custodian with the statement the client receives from PIA.

Investment Discretion

Discretionary Authority for Trading & Limited Power of Attorney

Unless otherwise agreed with a client in writing, PIA has complete discretion, in accordance with a limited power of attorney authorized in writing in the client's investment management agreement, over the selection of brokers and selection and amount of securities to be bought or sold without obtaining specific client consent. The only limitation on this discretion is that PIA must manage all client accounts in accordance with the portfolio's guidelines, applicable client restrictions and/or investment policy statements and mutual fund investment guidelines.

Voting Client Securities

Proxy Votes

In 2003 the Securities and Exchange Commission (“SEC”) adopted Rule 206(4)-6 requiring formal proxy voting policies and procedures for SEC registered investment advisers with voting authority over client portfolio securities. Pursuant to this rule, PIA adopted a policy to vote proxies for portfolio securities, consistent with the best interests of its clients unless any client explicitly retains responsibility for proxy voting. PIA maintains written policies and procedures for the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about its proxy policies and practices.

Any conflict or potential conflict of interest that arises in the execution of PIA’s proxy voting responsibilities will be referred to PIA’s Compliance Committee who will review and resolve any such conflict in the best interest of all affected clients by either deciding how to vote the proxy or (unless the client is an ERISA client) requesting the client to vote their own proxies or abstaining from any voting. In all cases, the conflict and any specific action taken will be disclosed to all affected clients.

Unless directed otherwise by a client in writing, PIA will vote the proxy for its clients. If the client chooses to vote their own proxy, the proxy is made available through the custodian and PIA will be happy to consult with the client about the various proxy issues. Additionally, the client may direct PIA to vote proxies in a manner the client desires.

PIA will not advise upon or conduct or participate in any litigation, such as class action litigation, on behalf of clients arising from the client’s ownership of assets held in the client’s account. For example, if an issuer defaults on a bond, PIA will not advise any client on the merits of pursuing a legal claim against the issuer and will not conduct any such claim on the client’s behalf.

A complete copy of PIA’s current Proxy Voting Policies and Procedures is available to clients upon written request. In addition, clients may obtain full information regarding how PIA has voted proxies for their account at any time.

Financial Information

PIA has never been the subject of a bankruptcy petition and PIA is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to clients. However, should PIA at some future date, file for bankruptcy or should the principal owners decide to withdraw their capital, PIA may no longer be able to meet its contractual commitments to clients.

Additional Disclosures

Business Continuity Plan

PIA has created and implemented a Business Continuity Plan (“BCP”) to allow PIA to maintain critical business operations and recover from a significant business disruption in the event of a catastrophic emergency.

PIA has proactively planned for how to handle natural, physical, electronic and other disasters. The BCP provides for data back-up and recovery in both hard copy and electronic format as well as in remote locations. PIA is continually enhancing and developing procedural safeguards, which will allow PIA to minimize downtime in the face of a significant business disruption (“SBD”). PIA’s Business Continuity Plan is formally tested annually.

For BCP purposes, both regional and localized disruptions may occur. Regional disruptions include such issues as earthquake, flood, fire or terrorist act(s), and localized disruptions include such issues as power outage, telephone and Internet disconnections, server, and computer systems failure.

In the event of a disaster or operational disruption, all employees will go to the company Intranet for the most recent version of our Disaster Recovery (“DR”) Plan and other disaster updates.

PIA utilizes Agility Recovery Solutions, a company who will provide a mobile hotsite within 48 hours in the event of a disaster, with up to 40 employee stations.

PIA has also created and implemented a Succession Plan to enable PIA to continue to manage client assets on in the event of an unexpected death or disability of a company principal.

Privacy Notice

The relationship between PIA and our customers is the most important asset in its business. PIA strives to maintain its clients’ trust and confidence by protecting confidential client information (including former clients) to the best of our ability. PIA is committed to protecting our client’s (and former client’s) privacy and will not disclose personal information to anyone unless it is required by law, by the client’s direction, or is permitted by law and is necessary to provide clients with advisory services. PIA has not and will not sell personal information to any third party.

Personal Information PIA Collects and Communicates

The primary reason PIA collects and maintains personal information is to service our clients and administer the customer relationship. The types and categories of information PIA collects about our clients may include the following:

- Information received on applications and/or other documents to provide investment advice, including the client’s name, home address, social security number, email address and telephone number;
- Information about client’s net worth; and
- Information that PIA may receive from third-parties.

In order for PIA to administer client accounts, we may disclose this personal information that we collect as permitted by law, to service client accounts. Examples include providing account information to companies that perform administrative services, such as printing and mailing client invoices or company newsletters. These companies must use this information solely for the services for which PIA hired them and are not permitted to use, reuse or share this information for any other purpose. PIA does not provide personal client information to affiliates for marketing purposes.

How PIA Protects Personal Information

To fulfill its privacy commitment, PIA has instituted practices to safeguard the information maintained about our clients. These include:

- Maintaining physical, electronic and procedural safeguards that comply with government requirements to keep personal information safe;
- Limiting access to personal information to PIA personnel who need it;
- Proper destruction and disposal of client documents;
- Taking the appropriate steps to ensure that third-parties who perform services for PIA agree to keep company and/or personal information secure and confidential; and
- Protecting the personal information of former clients to the same extent as current clients.

PIA will update its policy and procedures whenever necessary in an effort to ensure that client's privacy is maintained. If we make any material changes to our privacy policy, we will promptly make that information available to clients.

Anti-Money Laundering and Anti-Terrorist Policies & Procedures

PIA takes reasonable steps to detect terrorist activities in its client accounts. Specifically PIA reviews client accounts upon opening and reports any information to the authorities necessary in order to comply with the Presidential Executive Order and the United Nations Suppression of Terrorism Regulations.

Prior to opening an account, PIA'S Anti-Money Laundering Officer, verifies client information against databases such as OFAC, FATF and FinCEN to check for potential matches. In the event that PIA has a potential hit, PIA reports its findings to the FBI and applicable financial regulators, such as the SEC. We will take any necessary action to freeze said open accounts for any persons or entities that are on the terrorist list and report the information to the relevant authorities.

In addition, at least annually, PIA provides training to our employees on our anti-money laundering and anti-terrorist policies and procedures. PIA notifies senior management and reports transactions relating to known and suspected federal crimes, including potential securities law violations.

ADV Part 2 - Brochure Supplement

Pacific Income Advisers, Inc.

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This brochure supplement provides information about Lloyd McAdams, Heather U. Baines, Timothy Tarpening, Joseph E. McAdams, Thad M. Brown, Evangelos Karagiannis, Daniel F. Meyer, H. Mitchell Harper, Robert Sydow, Kevin Buckle, James Lisko, Bistra Pashamova and George A. Frole, III that supplements Pacific Income Advisers, Inc. ("PIA") brochure. You should have received a copy of that brochure. Please contact us at (310) 393-1424 if you did not receive PIA's brochure or if you have any questions about the contents of this supplement.

Additional information about Lloyd McAdams, Timothy Tarpening, Joseph E. McAdams, Evangelos Karagiannis, Daniel F. Meyer, H. Mitchell Harper, Robert Sydow, Kevin Buckle, James Lisko, Bistra Pashamova and George A. Frole, III is available on the SEC's website at www.adviserinfo.sec.gov.

March 20, 2012

Lloyd McAdams, CFA, CEBS

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March 20, 2012

Lloyd McAdams, CFA, CEBS

Education and Business Experience

Lloyd McAdams, CFA, CEBS was born in 1945. Mr. Lloyd McAdams co-founded PIA in 1986 and serves as the Chairman and Chief Investment Officer of PIA. Mr. Lloyd McAdams received his M.B.A. from University of Tennessee and his undergraduate degree from Stanford University with a major in Statistics.

Professional Designations

CFA

Mr. Lloyd McAdams received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

CEBS

Mr. Lloyd McAdams received a Certified Employee Benefits Specialist designation. The Certified Employee Benefits Specialist (CEBS) designation, sponsored by International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, is an eight-course (6 required, 2 elective) curriculum that focuses on group benefits, retirement and compensation.

Disciplinary Information

Mr. McAdams does not have disciplinary information to report.

Other Business Activities

Since 1991, Mr. Lloyd McAdams has served as Chairman and is a registered principal and sole stockholder of Syndicated Capital, Inc. ("Syndicated Capital"), a registered broker-dealer, registered investment adviser and general insurance agency. PIA has no direct or indirect dealings with Syndicated Capital's registered investment adviser. This relationship may act as an incentive Mr. McAdams to execute transactions through Syndicated Capital even if best execution could be achieved elsewhere. Additionally, should Syndicated Capital accrue any profit or other benefit from providing custody or executing trades for PIA's clients, Lloyd McAdams will receive personal economic benefits from the revenue received by Syndicated Capital. As a result, PIA does not execute trades through Syndicated Capital, unless directed to do so by a client.

Since 1997, Mr. Lloyd McAdams has served as the Chairman, President and Chief Executive Officer of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

Both PIA and ANH invest in mortgage-backed securities (“MBS”). However, PIA believes that such ANH conflicts are mitigated in part by the fact that the MBS market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA’s clients, dual employees are required to attempt to mitigate such conflicts by determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice and take action with respect to ANH’s account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA’s association with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Mr. Lloyd McAdams devotes a portion of his time to ANH in capacities that could create conflicts of interest that may harm PIA’s investment opportunities; this lack of a full-time commitment could also harm PIA’s operating results. Although Mr. Lloyd McAdams is under no contractual obligation to devote any minimum amount of his time to PIA, he has defined roles and responsibilities which must be fulfilled.

Additional Compensation

Mr. Lloyd McAdams receives annual compensation for his roles at both Syndicated Capital and Anworth Mortgage Asset Corporation.

Supervision

As Chairman and Chief Investment Officer of PIA, Mr. Lloyd McAdams is not directly supervised. However, he does report to the Board of Directors for overall supervision.

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March 20, 2012

Heather U. Baines

Education and Business Experience

Heather U. Baines was born in 1941. Ms. Baines co-founded PIA in 1986 and serves as the President and Chief Executive Officer of PIA. Ms. Baines received her Bachelor of Arts degree in Business from Antioch College.

Disciplinary Information

Ms. Baines does not have disciplinary information to report.

Other Business Activities

Since 1997, Ms. Baines has served as Executive Vice President of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

Both PIA and ANH invest in mortgage-backed securities ("MBS"). However, PIA believes that such ANH conflicts are mitigated in part by the fact that the MBS market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA's clients, dual employees are required to attempt to mitigate such conflicts by determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice and take action with respect to ANH's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA's association with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Ms. Baines devotes a portion of her time to ANH in capacities that could create conflicts of interest that may harm PIA's investment opportunities; this lack of a full-time commitment could also harm PIA's operating results. Although Ms. Baines is under no contractual obligation to devote any minimum amount of her time to PIA, she has defined roles and responsibilities which must be fulfilled.

Additional Compensation

Ms. Baines receives annual compensation for her role at Anworth Mortgage Asset Corporation.

Supervision

As President and Chief Executive Officer of PIA, Ms. Baines is not directly supervised. However, she does report to the Board of Directors for overall supervision.

Timothy Tarpening, CIMA®

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March 20, 2012

Timothy Tarpening, CIMA®

Education and Business Experience

Timothy Tarpening was born in 1960. Mr. Tarpening has been with PIA since 1993 and serves as the Executive Vice President and Portfolio Strategist. Mr. Tarpening earned his Bachelor of Arts degree in Psychology from the University of California, Santa Barbara.

Professional Designations

Mr. Tarpening received a Certified Investment Management AnalystSM designation. The CIMA® certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA® certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA® certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an AACSB accredited university business school, and pass an online Certification Examination. CIMA® designees are required to adhere to IMCA®'s Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for Use of the Marks. CIMA® designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association (IMCA®).

Disciplinary Information

Mr. Tarpening does not have disciplinary information to report.

Other Business Activities

Mr. Tarpening does not participate in other business activities.

Additional Compensation

Mr. Tarpening does not receive additional compensation.

Supervision

Mr. Tarpening reports to Heather U. Baines and Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Heather U. Baines: (310) 393-1424

Lloyd McAdams: (310) 255-4466

Joseph E. McAdams, CFA

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March 20, 2012

Joseph E. McAdams, CFA

Education and Business Experience

Joseph E. McAdams was born in 1969. He joined PIA in 1998 and serves as a Senior Vice President and Portfolio Manager. Mr. McAdams earned his Master's degree in Economics from the University of Chicago and his Bachelor's degree magna cum laude from The Wharton School of the University of Pennsylvania.

Professional Designations

Mr. Joseph McAdams received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Joseph E. McAdams does not have disciplinary information to report.

Other Business Activities

Since 1998, Mr. Joseph McAdams has served as a registered representative of Syndicated Capital, Inc., and in that capacity he receives compensation in relation to client account securities transactions executed through Syndicated Capital. Therefore, the receipt of this compensation may act as an incentive for him to execute transactions through Syndicated Capital even if best execution could be achieved elsewhere. As a result, PIA does not execute trades through Syndicated Capital, unless directed to do so by a client.

Since 1998, Mr. Joseph McAdams has served as Chief Investment Officer and Director of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

Both PIA and ANH invest in mortgage-backed securities ("MBS"). However, PIA believes that such ANH conflicts are mitigated in part by the fact that the MBS market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA's clients, dual employees are required to attempt to mitigate such conflicts by determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice

and take action with respect to ANH's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA's association with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Mr. Joseph McAdams devotes a portion of his time to ANH in capacities that could create conflicts of interest that may harm PIA's investment opportunities; this lack of a full-time commitment could also harm PIA's operating results. Although Mr. Joseph McAdams is under no contractual obligation to devote any minimum amount of his time to PIA, he has defined roles and responsibilities which must be fulfilled in order to continue employment with the adviser.

Additional Compensation

Mr. Joseph McAdams receives annual compensation for his roles at Anworth Mortgage Asset Corporation. As a Registered Representative of Syndicated Capital, Mr. McAdams would be entitled to commissions on securities that he sold.

Supervision

Mr. Joseph McAdams reports to Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Lloyd McAdams: (310) 255-4466

Thad M. Brown, CPA, CFP®, IACCPsm

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March 20, 2012

Thad M. Brown, CPA, CFP®, IACCPsm

Education and Business Experience

Thad Brown was born in 1950. Mr. Brown joined PIA in 2002 and serves as the Chief Operating Officer, Chief Compliance Officer, Corporate Secretary and Corporate Treasurer. Mr. Brown studied Business Management and Finance at Metropolitan State College of Denver, graduating magna cum laude and completed a Master's Degree in Tax Law from the University of Denver.

Professional Designations

CPA

Mr. Brown received a Certified Public Accountant designation. CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own.

CFP

Mr. Brown received a Certified Financial Planner designation. The Certified Financial Planner™, CFP® marks are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk

management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks.

IACCP

Mr. Brown received an Investment Adviser Certified Compliance Professional designation. The Investment Adviser Compliance Certificate Program is a professional education program, created by the National Regulatory Services, granting a certified designation, Investment Adviser Certified Compliance Professional (IACCP), to individuals who complete certain requirements. This certification:

- signals recognition of an advanced knowledge and skill level, and clarifies competency requirements;
- provides essential face-to-face training combined with the convenience of instructor-led online training
- provides a blended learning experience that produces a highly effective new breed of compliance professionals; and
- allows firms that train compliance personnel to add another cost- and time-effective risk management tool.

Disciplinary Information

Mr. Brown does not have disciplinary information to report.

Other Business Activities

Since 2002, Mr. Brown has served as Chief Financial Officer, Corporate Secretary and Corporate Treasurer of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

Both PIA and ANH invest in mortgage-backed securities ("MBS"). However, PIA believes that such ANH conflicts are mitigated in part by the fact that the MBS market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA's clients, dual employees are required to attempt to mitigate such conflicts by

determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice and take action with respect to ANH's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA's association with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Mr. Brown devotes a portion of his time to ANH in capacities that could create conflicts of interest that may harm PIA's investment opportunities; this lack of a full-time commitment could also harm PIA's operating results. Although Mr. Brown is under no contractual obligation to devote any minimum amount of his time to PIA, he has defined roles and responsibilities which must be fulfilled in order to continue employment with the adviser.

Additional Compensation

Mr. Brown receives annual compensation for his roles at Anworth Mortgage Asset Corporation.

Supervision

Mr. Brown reports to Heather U. Baines and Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Heather U. Baines: (310) 393-1424

Lloyd McAdams: (310) 255-4466

Evangelos Karagiannis, Ph.D., CFA

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March 20, 2012

Evangelos Karagiannis, Ph.D., CFA

Education and Business Experience

Evangelos Karagiannis was born in 1962. Mr. Karagiannis joined PIA in 1992 and serves as a Senior Vice President and Portfolio Manager. Mr. Karagiannis earned a Bachelor of Science in Physics from the University of Athens, Greece; and M.S., Ph.D. from the University of California at Los Angeles.

Professional Designations

Mr. Karagiannis received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Mr. Karagiannis does not have disciplinary information to report.

Other Business Activities

Since 1997, Mr. Karagiannis has served as a Vice President of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

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Mr. Karagiannis devotes a portion of his time to ANH in capacities that could create conflicts of interest that may harm PIA's investment opportunities; this lack of a full-time commitment could also harm PIA's operating results. Although Mr. Karagiannis is under no contractual obligation to devote any minimum amount of his time to PIA, he has defined roles and responsibilities, which must be fulfilled in order to continue employment with the adviser.

Additional Compensation

Mr. Karagiannis receives annual compensation for his role at Anworth Mortgage Asset Corporation.

Supervision

Mr. Karagiannis reports to Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Lloyd McAdams: (310) 255-4466

Daniel F. Meyer, CFA

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March 20, 2012

Daniel F. Meyer, CFA

Education and Business Experience

Daniel F. Meyer was born in 1971. Mr. Meyer joined PIA in 1998 and serves as a Senior Vice President and Portfolio Manager. Mr. Meyer earned a Bachelor of Arts degree cum laude in Business Economics from the University of California at Santa Barbara.

Professional Designations

Mr. Meyer received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Mr. Meyer does not have disciplinary information to report.

Other Business Activities

Mr. Meyer does not participate in other business activities.

Additional Compensation

Mr. Meyer does not receive additional compensation.

Supervision

Mr. Meyer reports to Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Lloyd McAdams: (310) 255-4466

H. Mitchell Harper, CFA, CMT

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March 20, 2012

H. Mitchell Harper, CFA, CMT

Education and Business Experience

H. Mitchell Harper, CFA, CMT was born in 1945. Mr. Harper joined PIA in 2002 and serves as a Senior Vice President and Portfolio Manager. Mr. Harper earned a B.A. in Business Administration from the University of Arizona and an Masters in Management in Finance, Marketing and Accounting from Northwestern University.

Professional Designations

CFA

Mr. Harper received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

CMT

Mr. Harper received a Chartered Market Technician designation. The CMT (Chartered Market Technician) program is administered by the MTA (Market Technicians Association). It aims to develop technical analysis, professional analytical skills and a code of ethics that gives analysts an ethical framework to work within. CMT certification includes three exams. Chartered Market Technicians must uphold the MTA Code of Ethics.

Disciplinary Information

Mr. Harper does not have disciplinary information to report.

Other Business Activities

Mr. Harper does not participate in other business activities.

Additional Compensation

Mr. Harper does not receive additional compensation.

Supervision

Mr. Harper reports to Evangelos Karagiannis formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Evangelos Karagiannis: (310) 255-4468

Robert Sydow

Pacific Income Advisers, Inc.

820 Manhattan Avenue, Suite 200

Manhattan Beach, CA 90266

Phone: (310) 393-1424

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www.pacificincome.com

March 20, 2012

Robert Sydow

Education and Business Experience

Robert Sydow was born in 1955. Mr. Sydow joined PIA in May of 2010 and serves as a Senior Vice President and Portfolio Manager, High Yield Bond Investments. Beginning in 1999, he also founded Grandview Capital Management, LLC and currently serves as the President. Mr. Sydow received his joint undergraduate degrees (Summa Cum Laude) in Economics and History from UCLA and joint graduate degrees with high honors in finance (M.B.A.) and law (Juris Doctor) from UCLA.

Disciplinary Information

Robert Sydow does not have disciplinary information to report.

Other Business Activities

Since 1999, Mr. Sydow has served as President and Founder of Grandview Capital Management, LLC.

Mr. Sydow is also an employee of Grandview Capital Management, LLC (GCM). GCM is a separate investment advisory firm which employs all of PIA's High Yield Department. These dual roles impose multiple responsibilities that may create a conflict of interest of which clients should be aware. Mr. Sydow receives compensation from GCM, including incentive compensation, as an employee. As a dual employee, Mr. Sydow may give advice and take action with respect to GCM's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA believes that GCM conflicts are mitigated by the fact that GCM only manages a Collateralized Loan Obligation, which is not in the asset class of PIA.

Additional Compensation

Mr. Sydow receives annual compensation for his roles at *Grandview Capital Management, LLC*.

Supervision

Mr. Sydow reports to Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Lloyd McAdams: (310) 255-4466

Kevin Buckle, CFA

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March 20, 2012

Kevin Buckle, CFA

Education and Business Experience

Kevin Buckle, CFA was born in 1963. Mr. Buckle joined PIA in May of 2010 and serves as a Senior Vice President and Portfolio Manager, High Yield Bond Investments. Beginning in 2002, Mr. Buckle joined Grandview Capital Management, LLC and currently serves as a Senior Vice President and Portfolio Manager. Mr. Buckle earned a B.S. in finance and accounting and an M.B.A. with honors from the University of Southern California.

Professional Designations

Mr. Buckle received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Mr. Buckle does not have disciplinary information to report.

Other Business Activities

Since 1999, Mr. Buckle has served as Senior Vice President and Portfolio Manager of Grandview Capital Management, LLC.

Mr. Buckle is an employee of Grandview Capital Management, LLC (GCM). GCM is a separate investment advisory firm which employs all of PIA's High Yield Department. These dual roles impose multiple responsibilities that may create a conflict of interest of which clients should be aware. Mr. Buckle receives compensation from GCM, including incentive compensation, as an employee. As a dual employee, Mr. Buckle may give advice and take action with respect to GCM's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA believes that GCM conflicts are mitigated by the fact that GCM only manages a Collateralized Loan Obligation, which is not in the asset class of PIA.

Additional Compensation

Mr. Buckle receives annual compensation for his roles at Grandview Capital Management, LLC.

Supervision

Mr. Buckle reports to Robert Sydow formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Robert Sydow: (310) 255-4402

James Lisko

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113 16th Ave N

St. Petersburg, FL 33704

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March 20, 2012

James Lisko

Education and Business Experience

James Lisko was born in 1967. Mr. Lisko joined PIA in May of 2010 and serves as a Senior Vice President and Portfolio Manager, High Yield Bond Investments. Beginning in 1999, Mr. Lisko joined Grandview Capital Management, LLC and currently serves as a Senior Vice President and Portfolio Manager. Mr. Lisko received his joint undergraduate degrees in Finance and Accounting from Ohio State and his M.B.A. from the University of Miami.

Disciplinary Information

Mr. Lisko does not have disciplinary information to report.

Other Business Activities

Since 1999, Mr. Lisko has served as Senior Vice President and Portfolio Manager of Grandview Capital Management, LLC.

Mr. Lisko is an employee of Grandview Capital Management, LLC (GCM). GCM is a separate investment advisory firm which employs all of PIA's High Yield Department. These dual roles impose multiple responsibilities that may create a conflict of interest of which clients should be aware. Mr. Lisko receives compensation from GCM, including incentive compensation, as an employee. As a dual employee, Mr. Lisko may give advice and take action with respect to GCM's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA believes that GCM conflicts are mitigated by the fact that GCM only manages a Collateralized Loan Obligation, which is not in the asset class of PIA.

Additional Compensation

Mr. Lisko receives annual compensation for his roles at Grandview Capital Management, LLC.

Supervision

Mr. Lisko reports to Robert Sydow formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Robert Sydow: (310) 255-4402

Bistra Pashamova, CFA

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March 20, 2012

Bistra Pashamova, CFA

Education and Business Experience

Bistra Pashamova, CFA was born in 1970. Ms. Pashamova joined PIA in 1997 and serves as a Vice President and MBS Specialist. Ms. Pashamova studied Economics and International Studies at Denison University, earning her Bachelor's Degree cum laude. She earned a Master's Degree in Economics from the University of Southern California.

Professional Designations

Ms. Pashamova received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations over two to four years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charter holders must have at least four years of acceptable professional experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Ms. Pashamova does not have disciplinary information to report.

Other Business Activities

Since 2002, Ms. Pashamova has served as Senior Vice President and Portfolio Manager of Anworth Mortgage Asset Corporation (ANH), a NYSE listed mortgage REIT. Some employees of PIA are also employees of ANH. Although PIA clients may own ANH securities in their portfolios, PIA does not recommend ANH securities and if owned in a PIA portfolio, PIA will not charge an investment management fee for any ANH security in the portfolio.

Both PIA and ANH invest in mortgage-backed securities ("MBS"). However, PIA believes that such ANH conflicts are mitigated in part by the fact that the MBS market is characterized by an abundance of available securities and the supply of MBSs typically targeted by ANH and PIA client accounts, is rarely insufficient. However, in the unlikely event that there is an insufficient supply to satisfy the competing demands of ANH and PIA's clients, dual employees are required to attempt to mitigate such conflicts by determining whether the investment in question is more suitable for ANH or PIA clients based on their respective investment strategies and guidelines relating to acquisition of assets, leverage, liquidity and other factors that such dual employees determine to be appropriate. Dual employees may give advice and take action with respect to ANH's account that may differ from advice given or the timing or nature of action taken with respect to any PIA client account. PIA makes available copies of the latest annual report of ANH to all PIA clients upon written request. For more information on PIA's association with ANH see the *Other Financial Industry Activities and Affiliations* section of this brochure.

Ms. Pashamova devotes a portion of her time to ANH in capacities that could create conflicts of interest that may harm PIA's investment opportunities; this lack of a full-time commitment could also harm PIA's operating results. Although Ms. Pashamova is under no contractual obligation to devote any minimum amount of his time to PIA, she has defined roles and responsibilities which must be fulfilled in order to continue employment with the adviser.

Additional Compensation

Ms. Pashamova receives annual compensation for her roles at Anworth Mortgage Asset Corporation.

Supervision

Ms. Pashamova reports to Joseph E. McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Joseph E. McAdams: (310) 255-4467

George A. Froley III, CFA

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March 20, 2012

George A. Froley III, CFA

Education and Business Experience

George A. Froley III, CFA was born in 1938. Mr. Froley joined PIA in February 2011 and serves as Director of Convertible Securities. From 1975 to 2005, Mr. Froley was Principal and Founder of Froley Revy Investment Co., Inc. Mr. Froley served as consultant to the successor firm until 2007. Mr. Froley earned both his B.A. and M.B.A. at the University of California at Los Angeles.

Professional Designations

Mr. Froley received a Chartered Financial Analyst designation. The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must pass three sequential, six hour examinations over a minimum of two years. The three levels of the CFA Program test a wide range of investment topics, including ethical and professional standards, fixed income analysis, alternative and derivative investments and portfolio management and wealth planning. In addition, CFA charterholders must have at least four years of acceptable professional experience in the investment decision-making process, must become a member of CFA Institute and must commit to abide by, and annually reaffirm, adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Disciplinary Information

Mr. Froley does not have disciplinary information to report.

Additional Compensation

Mr. Froley does not receive additional compensation.

Other Business Activities

Mr. Froley does not participate in other business activities.

Supervision

Mr. Froley reports to Lloyd McAdams formally at scheduled board of directors and management meetings and informally as required to discuss various business aspects of the position responsibilities.

Lloyd McAdams: (310) 255-4466
