



Electronic Submission

February 14, 2023

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT

(Release No. 33-11130; File No. S7-26-22)

Dear Ms. Countryman:

Pacific Asset Management LLC (“PacificAM”) is a registered investment adviser that actively invests in corporate credit securities on behalf of unregistered investment pools, collective trust funds, separately managed accounts, and various registered open-end and exchange traded mutual funds. As of December 31, 2022, PacificAM had approximately \$20.2 billion in assets under management, with approximately \$7.48 billion in total return bank loan investment strategies – including two open-end bank loan funds. PacificAM appreciates the opportunity to comment on the Commission’s Open-End Fund Liquidity Risk Management Programs and Swing Pricing; Form N-PORT Reporting proposal (the “Proposal”).

As a fiduciary to our advisory clients, PacificAM is supportive of the Commission’s fundamental goal of protecting investors. We are, however, alarmed by multiple aspects of the Proposal. In the interest of brevity, our comments, which are summarized below, focus on the Proposal’s revisions to the liquidity risk management programs of mutual funds and their impact, if adopted as proposed, to open-end bank loan funds (“Loan Funds”).

- Elimination of the “less liquid” bucket and expansion of the “illiquid investment” bucket would be fatal to Loan Funds:

The obvious consequence of the Proposal’s elimination of the less liquid bucket would be that longer-settling investments, such as bank loans, would be deemed illiquid. As a result, Loan Funds would be unable to pursue their current investment strategies, to the detriment of shareholders. The bank loan asset provides current income while also providing a hedge in rising interest rate environments. These attributes help investors obtain diversification of their fixed-income portfolios.

The Proposal’s elimination of Loan Funds as an investment option without consideration of multiple relevant factors (such as shareholder attributes, size, quality of bank loan investments or liquidity sources) is a draconian result.

- Proposed Changes to the Highly Liquid Investment Minimum (“HLIM”) Requirements:

Currently, a fund must determine a minimum percentage of its net assets to invest in highly liquid investments, based on the factors it uses to assess its liquidity risks and must review its HLIM at least annually. PacificAM agrees that Loan Funds inherently have a different liquidity risk profile, arising from the settlement conventions associated with bank loan assets in which Loan Funds invest, than other open-end funds. Precisely for this reason, PacificAM utilizes, as do many other Loan Funds, mitigants such as liquidity buffers, setting appropriate HLIMs, committed lines of credit and, when needed, contractual expedited settlement provisions. Those mitigants have permitted PacificAM to manage our Loan Funds through stressed market periods and have met shareholder redemption requests without incident.

With respect to the proposed changes to the HLIM requirements, PacificAM supports the implementation of a 10% minimum HLIM for Loan Funds, which would serve as a floor. Depending on unique liquidity risk factors, a fund could make upward HLIM adjustments as needed.

PacificAM is concerned that the Proposal attempts to address perceived problems within the open-end fund industry without due consideration of fully developed data, economic analysis, or an evaluation of the potential direct and indirect impacts to shareholders. PacificAM encourages the Commission to consider and evaluate comments provided by other market participants and, where further information is needed, to undertake efforts to engage with the fund industry in order to evaluate potential options.

PacificAM appreciates the Commission’s consideration of our comments. We would be pleased to discuss our views or respond to any questions from the Commission or its staff. Please feel free to contact the undersigned at [REDACTED] [REDACTED] or [REDACTED].

Sincerely,



J. G. Lallande
AVP, Assistant General Counsel