



Form ADV, Part 2A  
(the "Brochure")

March 27, 2012

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**This brochure provides information about the qualifications and business practices of Pacific Asset Management. Pacific Asset Management is another legal name for Pacific Life Fund Advisors LLC ("PLFA"), which is a registered investment adviser with the United States Securities and Exchange Commission ("SEC"). Pacific Asset Management's registration as an investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at using the information presented above. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about Pacific Asset Management is also available on the SEC's Investment Adviser Public Disclosure (IAPD) system at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), under IARD/CRD # 105169.**

**ITEM 2: MATERIAL CHANGES**

Pacific Asset Management did not experience any material changes to our organization since the filing date of our last Form ADV, which was November 18, 2011.

Currently, our Brochure may be requested, free of charge, by contacting:  
Pacific Life Insurance Company, Attention Law Department - ADV  
700 Newport Center Drive, Newport Beach, CA 92660

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#### **ITEM 4: ADVISORY BUSINESS**

Pacific Asset Management, formed on May 30, 2007, is a division of PLFA, an SEC registered investment adviser and wholly owned subsidiary of Pacific Life Insurance Company (“Pacific Life”).

**Fixed Income Management.** Pacific Asset Management is a registered investment advisor offering advisory services and institutional fixed income management. Our firm focuses on credit orientated fixed income. We currently manage registered investment companies under the Investment Advisers Act of 1940 as well as separate accounts.

**Client Advice.** Pacific Asset Management provides investment management services to institutional investors through mutual funds and separate accounts. We do not provide financial planning services nor do we provide advice or recommendations about types of investments or the selection of securities. We currently offer five fixed income investment strategies. For clients that meet our minimum investment account requirements, we will work with them to accommodate client-specific restrictions on any of our investment strategies.

**Assets Under Management.** As of December 31, 2011 Pacific Asset Management had \$2,880,001,899 in assets under management. All of these assets were managed on a discretionary basis.

#### **ITEM 5: FEES AND COMPENSATION**

**Fees.** Pacific Asset Management’s fees may be negotiated based upon the type of account to be managed. Pacific Asset Management’s standard advisory/management fee schedules for new accounts are as follows:

<b>Core Plus Strategy</b>			<b>Corporate (Bank) Loan Strategy</b>		
	<u>Asset Value</u>	<u>% of Assets</u>		<u>Asset Value</u>	<u>% of Assets</u>
<b>First</b>	\$100 Million	0.35%	<b>First</b>	\$100 Million	0.50%
<b>Next</b>	\$100 Million	0.30%	<b>Next</b>	\$100 Million	0.40%
<b>Excess</b>	Excess	Negotiable	<b>Excess</b>	Excess	0.30%
<b>Investment Grade Strategy</b>			<b>High Yield Strategy</b>		
	<u>Asset Value</u>	<u>% of Assets</u>		<u>Asset Value</u>	<u>% of Assets</u>
<b>First</b>	\$100 Million	0.30%	<b>First</b>	\$100 Million	0.50%
<b>Next</b>	\$100 Million	0.25%	<b>Next</b>	\$100 Million	0.40%
<b>Excess</b>	Excess	Negotiable	<b>Excess</b>	Excess	Negotiable
<b>Cash Management Strategy</b>			<b>Short Duration Strategy</b>		
	<u>Asset Value</u>	<u>% of Assets</u>		<u>Asset Value</u>	<u>% of Assets</u>
<b>First</b>	\$100 Million	0.20%	<b>First</b>	\$100 Million	0.25%
<b>Next</b>	\$100 Million	0.15%	<b>Next</b>	\$100 Million	0.20%
<b>Excess</b>	Excess	Negotiable	<b>Excess</b>	Excess	Negotiable
<b>Strategic Credit Strategy</b>					
	<u>Asset Value</u>	<u>% of Assets</u>			
<b>First</b>	\$100 Million	0.45%			
<b>Next</b>	\$100 Million	0.40%			
<b>Excess</b>	Excess	Negotiable			

Subsidiaries and/or Affiliates assets are usually managed by us at cost, although a higher fee may be set forth in a written agreement, and are usually payable quarterly.

Mutual Funds have no standard advisory fee schedule. The fees are specifically negotiated based upon the type of account to be managed and/or supervisory services required to be provided. Fees for mutual funds are generally paid monthly in arrears.

**Billing.** Pacific Asset Management charges a fee based on a pre-determined schedule agreed upon between Pacific Asset Management and the client per annum based on assets under management. Assets under management are generally calculated by taking the average of the month-end balance of assets for the previous quarter. We bill for fees incurred on a quarterly basis and in arrears.

**Other Fees.** Fees associated with custodial arrangements are negotiated between the client and the custodian.

We do not pay or accept any sort of sales-based compensation for our investment management services.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Pacific Asset Management bases its fee arrangements on assets under management and currently does not have any performance based fee arrangements. We do manage accounts that have similar investment strategies. Please see “Allocation and Aggregation” under Item 12: **Brokerage Practices** for a discussion of how we monitor and manage potential conflicts of interest associated with side-by-side management of portfolios with similar investment goals.

#### **ITEM 7: TYPES OF CLIENTS**

**Clients.** Pacific Asset Management’s current clients are registered investment companies. We also offer investment management services primarily to government pension plans, corporations, foundations and endowments, Taft-Hartley pension plans, investment consultants, and high net worth individuals.

**Account Requirements.** The minimum account size for separate accounts is \$25 million; however Pacific Asset Management may agree to manage separate accounts below our stated minimum account size. Please see Item 5: **Fees and Compensation** for additional information on advisory fees for separate accounts. Currently there are no maintenance requirements in order to keep a separate account open.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

**Investment Strategies.** Pacific Asset Management offers seven fixed income investment strategies described as follows:

**Core Plus Strategy** – This strategy seeks to outperform the Barclays Aggregate Index by investing primarily in investment-grade corporate debt. The strategy may also invest in non-investment grade corporate debt along with corporate debt outside that of the Barclays Aggregate Index.

**Corporate (Bank) Loan Strategy** – This strategy seeks to outperform the Credit Suisse Leveraged Loan index by investing primarily in first lien bank debt of non-investment grade companies. At the client’s discretion, this strategy may employ the use of leverage as well as investments in high yield securities and loan credit default swaps.

Investment Grade Corporate Strategy – This strategy seeks to outperform the Barclays U.S. Credit Index by investing primarily in U.S. Corporate Bonds. The strategy may also invest opportunistically in other areas, including high yield bonds, bank loans and other non-investment grade sectors. At the client’s discretion, the strategy may invest opportunistically in bank debt, high yield bonds, credit default swaps, investment grade securities, dollar denominated foreign debt, structured products and equities.

High Yield Strategy – This strategy seeks to outperform the Barclays High Yield 2% Capped Index by investing primarily in debt securities of non-investment grade companies. At the client’s discretion, the strategy may invest opportunistically in bank debt, credit default swaps, investment grade securities, dollar denominated foreign debt, structured products and equities.

Cash Management Strategy – This strategy aims to provide current income consistent with preservation of capital through investment in the highest quality money market instruments believed to have minimal credit risk. The strategy is benchmarked against the Merrill Lynch 3-Month U.S. T-Bill Index.

Short Duration Strategy – This strategy seeks to outperform the Barclays Capital 1-3 Year Government/Credit Bond Index by investing primarily in investment-grade corporate debt. The strategy may also invest in non-investment grade corporate debt along with corporate debt outside that of the Barclays Aggregate Index.

Strategic Credit Strategy – This strategy seeks to outperform the Barclays Capital U.S. Aggregate Bond Index by investing in a combination of investment and non-investment-grade debt. The strategy must hold a minimum of 35% in non-investment grade securities and 30% in investment grade securities. This strategy may also invest in non-U.S. dollar securities, convertible securities, and equities.

***Strategy Specific Risks.*** Each strategy managed by Pacific Asset Management and the principal risks associated with each strategy are as follows:

Core Plus Strategy –

- |                                  |                             |
|----------------------------------|-----------------------------|
| •Active Management Risk          | •Market and Regulatory Risk |
| •Price Volatility Risk           | •Interest Rate Risk         |
| •Credit Risk                     | •High-Yield Securities Risk |
| •Floating Rate Loan Risk         | •Liquidity Risk             |
| •U.S. Government Securities Risk | •Foreign Markets Risk       |
| •Issuer Risk                     | •Debt Securities Risk       |

Corporate (Bank) Loan Strategy –

- |                          |                             |
|--------------------------|-----------------------------|
| •Active Management Risk  | •Market and Regulatory Risk |
| •Price Volatility Risk   | •Interest Rate Risk         |
| •Credit Risk             | •High-Yield Securities Risk |
| •Floating Rate Loan Risk | •Liquidity Risk             |
| •Foreign Markets Risk    | •Issuer Risk                |
| •Debt Securities Risk    |                             |

Investment Grade Corporate Strategy –

- |                         |                             |
|-------------------------|-----------------------------|
| •Active Management Risk | •Market and Regulatory Risk |
| •Interest Rate Risk     | •Credit Risk                |

- Price Volatility Risk
- U.S. Government Securities Risk
- Issuer Risk
- Debt Securities Risk

- Liquidity Risk
- Foreign Markets Risk

#### High Yield Strategy –

- Active Management Risk
- Price Volatility Risk
- Credit Risk
- Liquidity Risk
- Floating Rate Loan Risk
- Debt Securities Risk

- Market and Regulatory Risk
- Interest Rate Risk
- High-Yield Securities Risk
- Foreign Markets Risk
- Issuer Risk

#### Cash Management Strategy –

- Active Management Risk
- Interest Rate Risk
- U.S. Government Securities Risk
- Issuer Risk
- Mortgage-Related and Other Asset –Backed Securities Risk

- Market and Regulatory Risk
- Credit Risk
- Foreign Markets Risk
- Debt Securities Risk

#### Short Duration Strategy –

- Active Management Risk
- Price Volatility Risk
- Credit Risk
- Floating Rate Loan Risk
- Issuer Risk
- U.S. Government Securities Risk

- Market and Regulatory Risk
- Interest Rate Risk
- High-Yield Securities Risk
- Liquidity Risk
- Foreign Markets Risk
- Debt Securities Risk

#### Strategic Credit Strategy –

- Active Management Risk
- Price Volatility Risk
- Credit Risk
- Floating Rate Loan Risk
- Issuer Risk
- U.S. Government Securities Risk
- Convertible Securities Risk
- Debt Securities Risk

- Market and Regulatory Risk
- Interest Rate Risk
- High-Yield Securities Risk
- Liquidity Risk
- Foreign Markets Risk
- Currency Risk
- Equity Securities Risk

### ***Descriptions of Each Type of Risk.***

Active Management Risk – There is no guarantee that the portfolio manager’s principal investment strategies and techniques, as well as particular investment decisions, will achieve an investment strategies objective, which could have an adverse impact on the strategies performance.

Market and Regulatory Risk – Events in the financial markets and in the economy may cause volatility and uncertainty and may affect performance. Events in one market may adversely impact other markets. Future events may impact a strategies performance in unforeseen ways. Traditionally liquid investments may experience periods of diminished liquidity. Governmental and regulatory actions may impair portfolio management and have unexpected consequences on particular markets, strategies, or investments.

Price Volatility Risk – The market value of investments within each strategy will go up or down, sometimes rapidly or unpredictably, or may fail to rise, as a result of market conditions or for reasons specific to a particular issuer. The volatility of non-investment grade debt securities (including loans) may be greater than for investment grade securities.

Interest Rate Risk – The values of debt securities fluctuate as interest rates change. Debt securities with longer durations or fixed interest rates tend to be more sensitive to changes in interest rates, making them more volatile than debt securities with shorter durations or floating or adjustable interest rates.

Credit Risk – The risk that an issuer or guarantor of a debt instrument is unable or unwilling to meet its financial obligations.

High-Yield Securities Risk – High yield securities are typically issued by companies that are highly leveraged, less creditworthy or financially distressed and are considered to be mostly speculative in nature (high risk), are potentially less liquid, and have a greater risk of loss, that is they are more likely to default than higher rated securities.

Floating Rate Loan Risk – Floating rate loans (or bank loans) are usually rated below investment grade. The market for floating rate loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Investments in floating rate loans are typically in the form of an assignment or participation. Investors in a loan participation assume the credit risk associated with the borrower and may assume the credit risk associated with an interposed financial intermediary. Accordingly, if a lead lender becomes insolvent or a loan is foreclosed, the portfolio could experience delays in receiving payments or suffer a loss. In an assignment, the portfolio effectively becomes a lender under the loan agreement with the same rights and obligations as the assigning bank or other financial intermediary. Accordingly, if the loan is foreclosed, the portfolio could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral.

Liquidity Risk – Liquidity is the ability to sell securities or other investments at about carrying cost within a reasonable amount of time, which relies on the willingness of market participants to buy and sell securities. Certain investments may be difficult to purchase and sell, particularly during adverse market conditions, because there is a limited market for the investment or restrictions on resale. If the portfolio holds illiquid securities, it may be unable to take advantage of market opportunities or it may be forced to sell other, more desirable, liquid securities or sell illiquid securities at a loss if it is required to raise cash to conduct its operations.

Foreign Market Risk – Exposure to foreign markets through issuers can involve additional risks relating to market, economic, political, regulatory, geopolitical, or other conditions. These factors can make foreign investments more volatile and less liquid than U.S. investments. In addition, foreign markets can react differently to these conditions than the U.S. market.

Mortgage-Related and Other Asset –Backed Securities Risk – Mortgage-related and other asset-backed securities are subject to certain other risks. The value of these securities will be influenced by the factors affecting the housing market and the market for the assets underlying such securities. As a result, during periods of declining asset value, difficult or frozen credit markets, swings in interest rates, or deteriorating economic conditions, mortgage-related and asset-backed securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid. These securities are also subject to extension risk, where issuers may pay principal later than expected, and prepayment risk, where issuers may pay principal more quickly than expected, causing proceeds to be reinvested at lower prevailing interest rates.

U.S. Government Securities Risk – Not all U.S. government securities are backed or guaranteed by the U.S. government. There is risk that the U.S. government will not provide financial support to U.S. government agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law.

Issuer Risk - The value of a security or instrument may decline for reasons directly related to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services.

Currency Risk - Securities denominated in foreign currencies may be affected by changes in rates of exchange between those currencies and the U.S. dollar. Currency exchange rates may be volatile and may be affected by, among other factors, the general economic conditions of a country, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls, and speculation. A decline in the value of a foreign currency versus the U.S. dollar reduces the value in U.S. dollars of investments denominated in that foreign currency.

Convertible Securities Risk – Convertible securities have credit risk and interest rate risk and may present less risk than investments in a company's common stock but more risk than investments in the company's senior debt securities.

Equity Securities Risk – Stock markets are volatile. The price of equity securities tend to go up or down in value, sometimes rapidly and unpredictably, in response to many factors, which may be due to the particular issuer, its industry or broader economic or market events.

Debt Securities Risk – Debt securities are affected by many factors, including prevailing interest rates, market conditions and market liquidity. Volatility of below investment grade fixed income securities (including loans) may be relatively greater than for investment grade securities.

***Frequent Trading Investing.*** Frequent trading or “portfolio turnover” is the frequent buying and selling of assets within a portfolio by the portfolio manager. Portfolio turnover may result in increased transaction costs which could have a negative impact on performance. In general, the higher the turnover rate, the higher the transaction costs.

During normal market environments, we expect the annual turnover for our strategies to be between 30% - 50% per year. The source of the turnover will be the result of sector rotation and security selection as part of our investment process. However, in periods of extreme volatility of the markets and financial conditions, as witnessed over the past three years, the annual turnover may exceed 100%. Additionally, due to inflows expected from the launch of new accounts, turnover may exceed 100% during the first few years.

***Managing Frequent Trading Risks.*** The Portfolio Management group is responsible for portfolio construction, trading, and risk management as it pertains to investment risk. Activities include setting portfolio parameters, initial screening of primary and secondary investment opportunities, managing individual issuer and single industry investment limits, monitoring overall credit quality and liquidity risk, and providing key market information.

Pacific Asset Management takes a holistic view regarding risk management and carefully monitors all portfolio investments in the portfolios on an on-going basis. Pacific Asset Management takes a disciplined approach to managing investment risk by focusing on the following factors:

Capital preservation – Portfolio Management works closely with our research team, actively monitoring credits.

Diversification – In addition to monitoring sector and security weights, duration, term structure, and credit quality are monitored on a portfolio level and on an individual security basis.

Liquidity – A significant portion of the positions in each strategy are considered liquid securities. Our research focus is geared toward companies with an EBITDA of greater than \$100 million. These companies tend to issue more liquid debt.

Active Management – As an active investment manager, we manage portfolios using quick, decisive decision making. We believe this aspect of our firm drives performance for our clients, and helps to mitigate risk in the portfolio.

***Methods of Analysis.*** Pacific Asset Management’s investment process is anchored by a fundamental, bottom-up approach that is complemented by a top-down analysis. As part of our process, multiple members of the investment team are active throughout each stage of the investment process. As a result, the investment decisions are the product of significant scrutiny.

The investment process begins with a top-down assessment, which incorporates both the macro-economic environment as well as technical factors that could materially impact the credit markets. Members of Pacific Asset Management meet daily to discuss major economic releases, market news, and government policy. We assess the economic climate and outlook and also incorporate a review of credit events that may impact the portfolios and the new issue calendar. In addition to daily investment meetings, Pacific Asset Management conducts quarterly sector reviews that help formulate short-term and long-term sector outlooks. Pacific Asset Management articulates the top-down assessment through the portfolio duration position and asset class selection. These considerations also drive the allocation strategies, in terms of weights for rating quality and sector selection.

Pacific Asset Management’s bottom-up analysis employs a screening process. The screening process focuses primarily on larger, more liquid issuers within the respective fixed income asset classes. Companies that pass the primary screens are then subjected to additional screening by the analysts and portfolio managers to assist in the decision to initiate the fundamental analysis based on the company’s relative attractiveness. Research on other issuers may also be initiated by the portfolio managers and research analysts for other reasons such as an issue’s relative attractiveness, company specific events, upcoming new issues and temporary market dislocations.

With the universe of potential investments narrowed through the screening process, fundamental credit analysis is the primary determinant in constructing Pacific Asset Management’s investment strategies. Credit analysis is performed on each company and a relative value analysis is performed on each security. Together, we determine relative value across companies and within a capital structure.

Pacific Asset Management’s approach to underwriting credit uses traditional methodology in a highly scrutinized process. Cash flow generation and the particular company’s ability to service its debt is paramount. When operating cash flow is not sufficient to service a company’s debt obligations, Pacific Asset Management will look for reliable secondary sources of liquidity. We also scrutinize the capital structure to determine the optimal relative value. Since each of the analysts researches issuers with loans and/or bonds, they are able to scrutinize the capital structure of a company in greater detail and with greater understanding in order to determine the best relative value. Additionally, they assess factors such as a company’s cost structure, competitive position, and management. The investment team may also meet with management teams to gain additional insight into a potential investment.

Portfolio managers are responsible for all final buy and sell decisions. Portfolio managers will construct portfolios that they feel contain the most effective mix of investment in accordance with the objective and portfolio guidelines. Investments with the most favorable risk/reward analysis will tend to have a greater representation in the portfolio. Other considerations include how an investment contributes to the overall portfolio's composition (diversification, ratings, duration, yield, etc.).

Once an investment is made, Pacific Asset Management's monitoring takes place each business day. Portfolio values are monitored daily through third-party pricing. Credit updates are captured in their proprietary research system. The system aggregates information such as portfolio holdings, analyst comments and investment theses for portfolio management, operations, and credit teams. Research on individual issuers is typically updated quarterly and instantly shared with the investment teams. On a monthly basis, Pacific Asset Management's Investment Committee along with the portfolio manager and portfolio support professionals will formally meet to review portfolio positioning, investment views, and benchmarks to ensure all investment decisions are known and the portfolio is not subjected to unintended risks. Decisions to sell investments are generally based upon achieving appreciation targets, relative value opportunities elsewhere and/or changes in the corporate fundamentals.

#### **ITEM 9: DISCIPLINARY INFORMATION.**

Pacific Asset Management has no legal or disciplinary events to report.

#### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

***Registered Representatives.*** Certain employees of Pacific Asset Management are registered representatives. None are registered or pending registration for any additional licenses related to commodities or futures trading as a futures commission merchant, commodity pool operator, commodity trading adviser or an associated person of the aforementioned.

***Pacific Asset Management's Other Financial Industry Activities or Affiliations.*** Pacific Asset Management is a division of PLFA, an SEC registered investment adviser and wholly owned subsidiary of Pacific Life. As such, Pacific Asset Management has business arrangements with the following broker-dealer ("B/D"), registered investment company ("RIC"), insurance company or other financial entities, some of which may be considered material as described below:

1. Pacific Life Insurance Company, an insurance company;
2. Pacific Life & Annuity Company, an insurance company;
  - Investment professionals at Pacific Asset Management are responsible for managing certain Pacific Life and Pacific Life & Annuity accounts
3. Pacific Life Funds, a RIC, is an open-end investment management company. PLFA serves as Investment Adviser to Pacific Life Funds;
  - Pacific Asset Management serves as the portfolio manager for certain Pacific Life Funds portfolios.
4. Pacific Select Fund, a RIC, an open-end investment management company which serves as the underlying investment vehicle for the Variable Products offered by Pacific Life and PL&A. PLFA serves as Investment Adviser to Pacific Select Fund;
  - Pacific Asset Management serves as the portfolio manager for certain Pacific Select Fund portfolios.
5. Pacific Select Distributors, Inc., a B/D, serves as distributor to Pacific Select Fund, Pacific Life Funds, and the Variable Products;

- Certain employees of Pacific Asset Management are registered representatives of Pacific Select Distributors for the purpose of marketing retail funds managed by Pacific Asset Management to institutional investors.
- 6. Ibbotson Associates, Inc., and Ibbotson Associates Advisors, LLC, each an RIA, provide consulting services to PLFA;
- 7. Pacific Global Advisors LLC, an affiliate of Pacific Life, provides pension advisory services.

There are potential material conflicts of interest associated with the side-by-side management of accounts with similar investment strategies and/or asset types. These potential conflicts are addressed by 1) fee arrangements based on assets under management and 2) Trade allocation policies, procedures and monitoring. Please see “Allocation and Aggregation” under Item 12: **Brokerage Practices**.

Pacific Asset Management does not recommend or select other investment advisers for client accounts nor do we receive direct or indirect compensation from recommending or selecting other investment advisers.

### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

***Code of Ethics Procedures.*** Pacific Asset Management, in its capacity as a registered investment adviser, has adopted a written Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Adviser Act of 1940. The Code is intended to ensure that all acts, practices and courses of business engaged in by our firm reflect the high standards and comply with the requirements of federal securities laws. Employees that have access to nonpublic trading or securities holding information of the client accounts managed by Pacific Asset Management are considered Access Persons under the requirements of the Code. Employees deemed Access Persons must avoid activities, interest and relationships that might interfere or appear to interfere with making decisions in the best interest of our advisory clients. Violations of the Code by an Access Person could result in personal sanctions including termination of employment. In accordance with the Code, all Access Persons must pre-clear certain transactions as outlined in the Code, and are restricted from trading in certain other securities. In order to monitor compliance with the Code, Access Persons are required to provide quarterly transactions reports and annual securities holdings reports to the Chief Compliance Officer. Additionally all Access Persons must certify to the terms of the Code annually or whenever the Code is amended.

The following are general principles governing personal securities transactions by Access Persons.

Each Access Person is required to:

- place the interests of client accounts first and not take inappropriate advantage of their position;
- comply with the Code and avoid any actual or potential conflicts of interest in personal securities transactions;
- comply with Pacific Life’s Code of Business Conduct; and
- comply with all applicable federal securities laws, rules and regulations.

Access Persons must not:

- take inappropriate advantage of their positions, including in particular, front-running purchases or sales by client accounts;
- defraud, manipulate, or plan to defraud a client account;
- trade a security in any account where they have direct or indirect beneficial ownership if that Access Person has actual knowledge that the security is being considered for purchase or sale, or is being purchased or sold for a client account.

***Applying the Code of Ethics to Conflicts of Interests.*** Nonetheless, there is the possibility of conflicts of interests for various reasons including: (i) Access Persons may invest in the same securities as our advisory clients and as such may benefit from market activity resulting from transactions done for our advisory clients and (ii) Access Persons may trade for their own accounts in close proximity to trades done for our advisory clients. The Code is designed to assure that the personal securities transactions, activities and interests of the Access Persons of Pacific Asset Management will not interfere with (i) making decisions in the best interest of our advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

***Requesting a Copy of the Code of Ethics.*** A copy of Pacific Asset Management's Code of Ethics may be obtained by written request. Please send your request to:

Pacific Life, Attention Law Department - ADV  
700 Newport Center Drive, Newport Beach, CA 92660

Email requests may be sent to: PAM\_Compliance@PacificLife.com.

## **ITEM 12: BROKERAGE PRACTICES**

***Soft Dollars.*** Pacific Asset Management's policy is not to receive, seek, or benefit from soft dollars.

***Selecting Broker-Dealers.*** Pacific Asset Management does not participate in directed brokerage. Our affiliated broker-dealer, Pacific Select Distributors, is a special purpose broker-dealer organized only to distribute shares of our registered products.

***Allocation and Aggregation.*** Pacific Asset Management's allocation process is designed so that investment opportunities are made in a fair and equitable manner among all eligible accounts when placing trade orders, including the aggregation and allocation of trades for multiple portfolios. Pacific Asset Management invests funds for client accounts, including mutual funds, in accordance with the client's specific objectives, together with investment guidelines or restrictions.

Pacific Asset Management currently manages multiple portfolios that are eligible for similar asset types. Opportunities arise (both to accumulate and dispose of assets) which may be appropriate for multiple accounts. There are many considerations that go into the investment decision-making process that may ultimately affect whether a trade is allocated to one or more portfolios. These considerations may include, but are not limited to:

- Client investment guidelines and objectives
- Cash availability
- Sector weights and allocations
- Account mandates
- Regulations and restrictions
- Liquidity
- Investment objective towards sector allocations, market conditions, account size
- Fund flows with consideration given to open-ended funds that tend to have a more volatile fund flow action
- New portfolios in the initial start up phase that undergo a construction period in which the allocation of certain issues might be allocated up to 100% to these portfolios

We evaluate these factors to determine the optimal investment in a particular asset and the desired allocation. Generally, when an order is placed for multiple portfolios for the same asset, the orders are aggregated and placed as one order. The trader or portfolio manager may determine, based on market conditions at the time, that placing multiple, smaller orders will result in better trade execution overall.

One of the primary considerations in determining the allocation of a trade among one or more eligible portfolios is the account mandate. Generally, when a security type represents a core investment for an account with a particular mandate the allocation may be greater than an account for which the security type represents a tactical investment outside its particular mandate.

Where ample supply exists, the portfolio manager(s) of each account will independently determine the optimal investment in a particular asset and place their orders. These orders may be aggregated and placed together or placed separately subject to best execution considerations. When the order is filled, the trade is allocated according to the original allocation determination.

Supply of certain assets, particularly new issues, may be limited. The allocation of the order is determined and documented when the order is placed. Orders that are partially filled are generally allocated pro-rata relative to the size of its original order for each portfolio unless the original allocation determination specifies an alternative method.

Allocation of partially filled orders across multiple portfolios may be adjusted up or down, and one or more portfolios may not receive any portion of an allocation since the allocation is subject to minimum lot sizes appropriate for that particular security type.

Pacific Asset Management monitors and manages potential conflicts of interest associated with side by side management of accounts with similar investment goals according to policies and procedures which speak to the fair and equitable treatment of all accounts.

**Cross Trades.** A cross trade involves the pre-arranged purchase and sale of securities between two accounts managed by us or our affiliates in order to benefit the accounts by eliminating or minimizing transaction and market impact costs. For example, if one portfolio needs to liquidate a position to raise cash while a second portfolio plans to invest, and the security is appropriate for the acquiring portfolio then a cross trade makes sense both operationally and from a cost savings standpoint. Pacific Asset Management generally does not utilize cross trades as a portfolio management tool. However, if a portfolio manager determines that a cross trade opportunity exists and is in the best interest of the portfolios involved, then any transactions with affiliated accounts done by Pacific Asset Management will be carried out according to SEC rules and regulations.

**Best Execution.** Pacific Asset Management as an investment adviser has a fiduciary duty and obligation to seek best price and execution of client transactions under the circumstances of particular transactions. To ensure an environment where best execution is sought for our clients, we have established internal policies, access to information and robust systems, and communication forums for traders and portfolio managers. Primary responsibility to seek best execution of trades rests with the traders and portfolio managers. We take several qualitative factors into consideration when assessing best execution for fixed-income trades besides the easily identifiable measuring costs which include mark-ups, commission costs, trading prices, and transactions costs. A subjective review of less tangible factors by the portfolio managers include certainty of execution, competitiveness of rates and spreads, ability to provide liquidity, IPO allocations and secondary market considerations to name but a few of the qualitative factors. Pacific Asset Management has policies and procedures in place for the selection and approval of broker-dealers which outline criteria focused on seeking best execution including, but not limited to, creditworthiness, professional capabilities, value, and the quality of brokerage services offered. Approval is not based upon

soft-dollars, revenue sharing, distribution ability, relationships, or any other supplemental benefits that Pacific Asset Management may receive. Our policy is to not base the selection of broker-dealers upon any influence of sales of shares of mutual funds that we manage by these broker-dealers.

### **ITEM 13: REVIEW OF ACCOUNTS**

**Account Review.** We consistently monitor our accounts and utilize performance attribution analysis as a quantitative check on the results of our decision making process. The portfolio managers/managing directors are in charge of reviewing the accounts that they are assigned. The Senior Managing Director of Portfolio Management oversees the review process for all of the portfolios managed by Pacific Asset Management. The various elements that make up the portfolio manager's daily review might include comparisons against benchmark figures, performance, structure, adherence to client guidelines, prices, market conditions, portfolio holdings, transactions, and cash flows. Compliance monitors client accounts daily for consistency with client objectives and restrictions.

**Account Reporting.** We provide reports to our clients that communicate account activity, strategy and performance updates. The reports also contain key statistical data for the reporting period, including characteristics, benchmark comparisons, attribution, and written commentary. The frequency of reports may be either monthly or quarterly at the client's discretion. For the registered investment companies sub-advised by Pacific Asset Management, we provide the Board of Trustees a quarterly commentary. Communication regarding consistency with the established guidelines and restrictions for our sub-advisory accounts occurs monthly and quarterly in the form of schedules and certifications of compliance. At the client request, communication regarding their accounts may be more frequent than the regularly scheduled reviews of the account, including ad hoc reviews. Additionally, unusual conditions that are considered outside of the norm of everyday trading activity will trigger more intensive scrutiny of the account by the portfolio managers in light of the potential effect of these events to the portfolios. Members of Pacific Asset Management are available for calls or face-to-face meetings as needed.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Pacific Asset Management does not have any arrangements with non-clients to provide any economic benefits to our professionals at Pacific Asset Management in connection with advice or other advisory services. Additionally, Pacific Asset Management does not compensate any unsupervised person for client referrals.

### **ITEM 15: CUSTODY**

Pacific Asset Management does not have custody of any client funds or securities. Instead, client assets are held with banks, registered broker-dealers or other qualified custodians. Clients should receive statements directly from the qualified custodians at least quarterly indicating the amounts of any funds or securities in your account as of the end of the statement period and any transactions in the account during the statement period. We urge clients to carefully review those statements. Additionally, you should contact us immediately if you do not receive account statements from your custodian on at least a quarterly basis.

### **ITEM 16: INVESTMENT DISCRETION**

Pacific Asset Management manages client accounts on a discretionary basis. We receive discretionary authority from the client to determine the securities to be bought or sold, amount of securities to be bought or sold and the broker or dealer to be used. In all cases, however, such discretion is exercised

subject to the investment objectives and guidelines that are established by agreement between Pacific Asset Management and the client at the time the account is opened.

For registered investment companies sub-advised by Pacific Asset Management, the respective Board of Directors, Managers, or Trustees of such companies establish guidelines and restrictions which Pacific Asset Management complies with in respect to investment strategies such as the type of securities to be bought and sold and the percentage limits of securities, issuers, and sectors. Such guidelines can be found in each fund's prospectus.

#### **ITEM 17: VOTING CLIENT SECURITIES**

***Proxy Voting Authority and Procedures.*** Pacific Asset Management as per its fiduciary obligation follows adopted policies and procedures that are reasonably designed to ensure that we vote proxies in the best interest of our clients for whom we have voting authority, to disclose information about those policies and procedures, and to disclose how our clients may obtain information on how we have voted their proxies. The policies address, among other things, conflicts of interest that may arise between Pacific Asset Management's interest and our clients' interest. We will take steps to identify the existence of any material conflicts of interest relating to the securities to be voted. Conflicts based on business relationships or dealings with affiliates of Pacific Asset Management will only be considered to the extent that we have actual knowledge of such business relationships.

Given the nature of the portfolios managed, Pacific Asset Management does not typically invest in equity securities, and therefore the volume of proxies is relatively low. From time to time, voting securities may be held in the advisory portfolios, or other managed portfolios as the result of corporate actions or because equity securities may be attached to debt securities purchased by the portfolio, although such positions are expected to be minimal. If required by other advisory accounts, we will provide proxy voting information to the trustee where applicable. All custodian banks and Trustees are notified of their responsibility to forward to Pacific Asset Management all proxy materials. Pacific Asset Management does not engage any third-party proxy voting services for processing proxies.

Pacific Asset Management's process in dealing with proxy issues is geared to promote maximum long-term shareholder value. Pacific Asset Management analysts review all proxies that are received on an individual basis, weighing our knowledge about a company, its current management, and the management's past performance records against the merits of each proxy issue. We generally vote with the recommendations of a company's Board of Directors on standard or non-controversial items, unless otherwise warranted following a review of the issues involved. Analyst recommendations to vote with management on certain items are voted accordingly, and all other recommendations and issues are reviewed by management. Pacific Asset Management tailors its review and voting of proxies based on the domicile of the company, the nature of the clients holding the security, and the positions held.

Proxy proposals generally fall into one of the three following categories: routine matters, social issues, and business proposals. Routine proxy proposals, amendments, or resolutions are defined as those, which do not change the structure, by-laws, or operations of the corporation. With regards to routine matters, Pacific Asset Management has determined to vote with management on routine matters and generally votes for the proposals that are reflective of reasonable and equitable corporate standards. Social issues appear in proxy proposals that attempt to deal with activities of social conscience. Shareholders' groups sometimes submit proposals to change lawful corporate activities in order to meet the goals of certain groups or private interests that they represent. As a fiduciary, Pacific Asset Management must serve exclusively the financial interests of the account beneficiaries. Pacific Asset Management seeks to determine the business benefits of corporate actions as well as the social costs of such actions. Pacific Asset Management supports management in areas where acceptable efforts are made on behalf of special

interest of social conscience, which are not detrimental to its clients. Pacific Asset Management believes the burden of social responsibility rests with management. Business proposals are resolutions that change the status of the corporation, its individual securities, or the ownership status of those securities. Pacific Asset Management votes in favor of business proposals as long as the client position or value is either preserved or enhanced.

***Proxy Conflicts Procedures.*** When a material conflict of interest exists, Pacific Asset Management chooses among the following options to eliminate such conflict: (1) vote in accordance with our policies if doing so involves little or no discretion; (2) if possible, erect information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (3) if practical, notify affected clients of the conflict of interest and seek a waiver of the conflict; or (4) if agreed upon in writing with the client, forward the proxies to the affected client and allow the client to vote the proxies. Any vote not clearly stated within the guidelines above is reviewed by management. Votes determined to be outside the guidelines are approved by management.

***Contact Information Regarding Proxy Voting.*** If you are a client of Pacific Asset Management and you would like to find out how your proxies have been voted or you would like a complete copy of our current Proxy Voting Policies and Procedures, please send a written request to:

Pacific Life Insurance Company, Attention Law Department - ADV  
700 Newport Center Drive, Newport Beach, CA 92660.

Email requests may be sent to [PAM\\_Compliance@PacificLife.com](mailto:PAM_Compliance@PacificLife.com).

#### **ITEM 18: FINANCIAL INFORMATION**

Pacific Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.