



PACIFIC GLOBAL  
*Investment Management Company*

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**March 30, 2012**

**Pacific Global Investment Management Company is a registered investment adviser. Registration as an Investment Adviser does not, by itself, imply a specific level of skill or training.**

**This brochure provides information about the qualifications and business practices of Pacific Global Investment Management Company. If you have any questions about the contents of this brochure, please contact us at 1-800-989-6693. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about Pacific Global Investment Management Company also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2    Material Changes**

There have been no material changes to this brochure since the last version as of March 31, 2011. Pursuant to SEC Rules, we will ensure that clients receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year on December 31<sup>st</sup>. Furthermore, we will provide clients with other interim disclosure information about any material changes.

Clients or prospective clients may request a copy of our brochure, free of charge, by contacting Pacific Global Client Services at (800) 404-6693 or [clientservices@pgimc.com](mailto:clientservices@pgimc.com). Our brochure is also available on our web site at [www.pacificglobal.us](http://www.pacificglobal.us).

Additional information about Pacific Global is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Pacific Global who are registered, or are required to be registered, as investment adviser representatives of Pacific Global.

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**Item 4 Advisory Business**

Pacific Global Investment Management Company ("Pacific Global" or "we" or the "firm"), a privately held California corporation, was established in 1991 to provide investment management services to the Pacific Advisors family of mutual funds (PAF) (Pacific Advisors Fund Inc. is a dba for Pacific Global Fund Inc.). Pacific Global is registered with the SEC under the Investment Advisers Act of 1940 (Advisers Act). This registration does not imply a certain level of skill or training. Pacific Global also provides investment management services to individuals and institutions.

**A. Ownership Structure**

George A. Henning, Chairman and President of Pacific Global, is a principal owner of the firm.

**B. Advisory Services**

Pacific Global provides investment advisory services to various types of clients as described below in connection with Separately Managed Accounts and Registered Investment Companies. Please refer to Item 7 for further information on the types of clients to which we provide our investment advisory services.

**1. Separately Managed Account ("SMA") Clients**

Pacific Global provides investment advisory services to private high net worth individuals and institutional investors. When providing such services, each client account is governed by a written Investment Management Agreement (IMA) which reflects any circumstances specific to the account. In the IMA, the client selects one of Pacific Global's investment management styles for the account. The management styles, all of which are offered exclusively on a discretionary basis, include equity (growth and value), fixed income and balanced (fixed income and equity mix) options. For individual accounts, the client's financial situation and needs are considered. The final determination as to which of the management styles offered is appropriate and desired, however, remains with the client.

The client may impose reasonable restrictions on investments or the management style selected in the IMA. Restrictions are permissible provided that they do not, in Pacific Global's view, present a significant handicap to the management style. If we determine that the restrictions would present a significant handicap, we would not accept the prospective client, or the IMA would be terminated.

Periodically, an officer or authorized representative of Pacific Global seeks to determine if any changes in a client's financial situation or needs might affect the client's account or make continuation of management services inappropriate.

**2. Registered Investment Company Clients**

Pacific Global provides investment advisory services to registered investment companies (each a "fund company" or, collectively, "fund companies") under the Investment Company Act of 1940 (1940 Act). Pacific Global serves as principal adviser for all six Pacific Advisors Funds (individually, "PAF Portfolio" or, collectively, "PAF Portfolios"):

- Government Securities Fund
- Income and Equity Fund
- Balanced Fund
- Large Cap Value Fund
- Mid Cap Value Fund
- Small Cap Value Fund

Pacific Global also serves as a sub-adviser to AXA Equitable Funds Management Group, LLC, which is the investment adviser to the Multimanager Small Cap Value Portfolio ("AXA Portfolio"), a series of AXA Premier VIP Trust. As a sub-adviser, Pacific Global is responsible for providing investment management services only for an allocated portion of the assets of the AXA Portfolio.

Pacific Global's investment management agreements with the PAF Portfolios and sub-advisory agreement with the AXA Portfolio comply with the requirements of the 1940 Act and Rule 205-3 under the Advisers Act and, therefore, can be terminated by either the fund company's board of directors/trustee's or the fund company's shareholders on not more than 60 days notice without penalty.

In its capacity as adviser to the PAF Portfolios and sub-adviser to the AXA Portfolio, Pacific Global offers advice on the selection of investments. Each PAF Portfolio and the AXA Portfolio are designed to meet a particular investment goal. Investors interested in investing in mutual funds advised or subadvised by Pacific Global should refer to the applicable fund prospectus and statement of additional information (SAI). Important information regarding objectives, investments, risks, fees and additional disclosures are contained in such disclosure documents. The applicable documents are available on-line at the following web addresses:

- For the PAF Portfolios: [www.pacificadvisorsfund.com](http://www.pacificadvisorsfund.com)
- For the AXA Portfolio: [www.axa-equitablefunds.com](http://www.axa-equitablefunds.com)

We may begin to advise or sub-advise other registered investment companies in the future.

### **C. Assets Under Management**

As of December 31, 2011, Pacific Global had \$462.3 million in client assets under management. All assets were managed on a discretionary basis.

### **Item 5 Fees and Compensation**

#### ***Advisory Fees - SMAs***

Pacific Global charges each client with a separately managed account an annual investment management fee based on the value of the client's assets under management in accordance with the following fee schedule:

- Up to \$1 million in net assets under management: 1.25%
- Next \$2.5 million: 1.00%
- Next \$2.5 million: 0.75%
- Next \$5.0 million: 0.65%
- \$11 million and above: 0.50%

As shown in the fee schedule above, Pacific Global provides for "breakpoints" at which the percentage is reduced if assets under management exceed certain amounts.

The specific manner in which fees are charged and paid is established in each client's IMA. In most cases, fees are payable quarterly, in advance. In no event, however, will fees be paid more than six months in advance. Lower fees for comparable services may be available from other companies. The initial fee is based on the account's market value at the inception of Pacific Global's management and is prorated for the number of days in the period that the account is under Pacific Global's management. Subsequent fees are based on the account's market value as of the close of business on the last business day preceding the period for which the fee is due.

The payment schedule and fees may be negotiated. As such, some existing clients pay fees that are different from the fees shown above. As a result, one client's fee may be higher or lower than another client's fee for similarly valued accounts. Fees may be negotiated (either up or down) based on a number of factors, including (among others): (1) the number and type of services provided; (2) the investment strategy or style, types of investment securities and number of portfolios or accounts for which services are provided; (3) the level of reporting and administrative operations required to service the client's account; (4) the terms of the investment management agreement; and (5) other circumstances concerning Pacific Global's relationship with the client. Once Pacific Global enters into an IMA with a client, Pacific Global will only modify its fee as permitted under the IMA and consistent with applicable law.

A client may authorize Pacific Global to withdraw quarterly management fees directly from the client's account. If we are not authorized to withdraw assets from a client's account, we will issue an invoice which is typically payable within 30 days of receipt. Even if a client does not authorize us to withdraw assets from the client's account, the IMA provides that Pacific Global nevertheless shall have the authority to withdraw quarterly management fees (or any unpaid portion thereof) from the client's account if the quarterly management fee (or any portion thereof) is not paid by the client within 30 days after the client receives an invoice from Pacific Global.

If an IMA is terminated prior to the end of a management period, the client receives a pro-rata refund of fees. Clients are notified of the management fee refund calculation in writing. *De minimus* refunds of less than \$10 are only paid upon client request.

#### ***Advisory Fees - Fund Companies***

Fees charged by Pacific Global for managing assets of fund companies are negotiable. Pacific Global charges an asset-based fee for investment management services provided to fund companies. The fee arrangement with respect to each Fund can be found in the applicable Fund prospectus and SAI.

In our investment selection, we may choose, for a variety of reasons, to invest in mutual funds. These funds may include funds advised or subadvised by Pacific Global. Pacific Global clients whose assets are invested by Pacific Global in any fund company advised or sub-advised by the firm will pay only those fees charged to investors by the applicable fund company and will not be charged an additional management fee for Pacific Global advisory services (*i.e.*, the value of the client's investment in the fund company will be excluded from our quarterly portfolio management fee calculation). Pacific Global's IMA with each client discloses this potential conflict of interest.

#### ***Other Fees and Expenses***

Pacific Global's fees are exclusive of transaction fees, and other related costs and expenses which shall be incurred by the client. For example, clients may incur certain charges imposed by custodians, broker/dealers and other third parties such as custodial fees, brokerage commissions, sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds (ETFs), which may be held in a client account, may also charge internal management fees which are disclosed in each fund's prospectus.

Item 12 describes the factors we consider in selecting or recommending the broker/dealers that are selected for client transactions and in determining the reasonableness of their compensation (such as commission level).

#### ***Additional Compensation***

Pacific Global Fund Distributors, Inc. ("PGFD"), a wholly-owned subsidiary of Pacific Global, serves as the exclusive distributor for PAF. PGFD is a registered broker/dealer and FINRA member. These registrations do not imply a certain level of skill or training. PGFD receives fees for services relating to the distribution and sale of shares of PAF. Registered representatives of PGFD may also receive compensation based on the sale of shares of PAF as described below.

Certain employees of Pacific Global are registered representatives of PGFD. These registered representatives may be listed as the registered representative of record for shareholder accounts held at PAF. Accordingly, they receive sales commissions and 12b-1 service fees from PAF for those accounts for which they serve as the registered representative of record. In these circumstances, these practices may create a potential or actual conflict of interest. As previously disclosed, Pacific Global does not receive commissions or 12b-1 fees on the sale of shares of PAF. To avoid a conflict of interest, as described above under "Advisory Fees – Fund Companies," Pacific Global does not charge clients an additional management fee for client assets invested in PAF if Pacific Global is receiving a management fee from the PAF Portfolio.

**Item 6 Performance-Based Fees and Side-By-Side Management**

Pacific Global does not charge any performance-based fees (*i.e.*, fees based on a share of the capital gains on a client's account or on the capital appreciation of the client's assets). For more detailed information on how our fees are calculated please refer to the IMA.

"Side-by-side management" refers to our simultaneous management of different types of client accounts/investment products. For example, the firm manages separate accounts and registered investment companies for different clients at the same time. Our clients have different investment objectives, policies, strategies, limitations and restrictions.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for the firm, our employees and supervised persons. We follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged and we manage our accounts consistent with applicable law. Please see Item 11 for a discussion of such procedures.

**Item 7 Types of Clients**

Pacific Global generally provides advisory services to:

- Individuals, including high net work individuals;
- Registered investment companies;
- Pension and profit sharing plans;
- Trusts, estates or charitable organizations; and
- Corporations or other business entities.

**Account Requirements**

We require clients to enter into an investment management agreement with us, granting us authority to manage their assets. Separate accounts generally require a minimum account size of \$250,000 for new accounts that will be invested primarily in individual securities. For accounts between \$50,000 and \$250,000, we manage SMAs that are invested in mutual funds.

Depending on the unique circumstances, exceptions to these minimums can be negotiated at the sole discretion of Pacific Global.

**Item 8 Methods of Analysis, Investment Strategies and Risk of Loss****Methods of Analysis**

Pacific Global utilizes a variety of methods and strategies when formulating investment advice and managing client assets. Pacific Global's security research primarily relies on fundamental analysis that attempts to measure intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Specifically,

- Potential *equity* investments are identified through a proprietary screening process that focuses on factors including balance sheet strength, growth rates, returns on invested capital, and P/E ratios. Investment candidates are also identified in consideration of factors such as company reorganizations, new management teams, new product developments, economic and sector cycles, and analysts' research. Pacific Global also evaluates the ownership structure of the company as well as the stock's daily trading volumes and price fluctuations over an extended period of time.
- Potential *fixed income* investments are identified through a fundamental analysis of the underlying company and in consideration of the current interest rate environment.

In evaluating investments, Pacific Global utilizes in-house research efforts as well as third-party analyst reports, industry trade data, and other public sources of information. Additionally, Pacific Global's portfolio managers

and analysts may converse with company management through phone interviews, conference call participation, and/or on-site visits. Further, each account is managed individually, consistent with the investment objective and style specified in the client's investment management or investment advisory agreement. In consideration of each client's situation, including account size, investment strategy, time horizon, and other issues, client accounts may be invested in a variety of investments including equity securities, corporate debt securities, municipal securities, U.S. government securities, mutual funds, certificates of deposit and commercial paper.

### ***Investment Strategies***

Pacific Global utilizes the following strategies in the Investment Styles listed below:

- **Equities** are managed using a value strategy that seeks undervalued (or "on-sale") stocks of established companies with strong fundamentals, a solid management team and a sound business strategy. Investment selection is based on analysis that evaluates a variety of factors including a company's industry, financial statements, management and business model. We generally select investments with an anticipated holding period of 2 to 5 years.
- **Fixed Income Securities** are managed for total return to protect principal, provide income and take advantage of opportunities for capital appreciation. Maturities are actively managed to adapt to the interest rate environment. Fixed income securities include, investment grade quality taxable and tax-free bonds, mutual funds, preferred stocks, high-quality money market securities and/or money market funds.

In allocating assets within selected securities and industries (sectors), we generally restrict investments in individual securities to no more than 10%, on a cost basis, of an account's total net asset value; and no more than 30%, on a cost basis, an account's total net assets in any single industry, with the exception of securities issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government including securities issued by U.S. Government Sponsored Enterprises (GSEs).

### ***Investment Styles***

- **Equity** – Pacific Global's equity styles seek capital appreciation through diversified equity investments. Income is considered secondary in the selection of investments. Investments may be diversified in large to small capitalization companies (*i.e.*, companies with market capitalizations of up to \$2 billion) or focused primarily in companies of a particular size.
- **Balanced** – Pacific Global's balanced style seeks capital appreciation and income. At least 25% of the client account's assets are invested at all times in fixed income securities. Equity investments are diversified in large to small capitalization companies.
- **Fixed Income** – Pacific Global's fixed income styles seek income and, secondarily, capital appreciation. At least 50% of the client account's assets are invested at all times in fixed income securities. Equity investments are diversified primarily in mid- to large capitalization companies.

### ***Risks***

Investing in securities involves risk of loss that clients should be prepared to bear. Pacific Global's discretionary management styles include equity, fixed income, and balanced (a mix of fixed income and equity) options which may be subject to some or all of the following risks.

- **Equity Securities** – Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.



Investing in small capitalization and micro-capitalization companies generally involves greater risks than investing in larger companies. The market may value companies according to size or market capitalization rather than financial performance. As a result, if small cap or micro-cap investing is out of favor, small cap and micro-cap holdings may decline in price even though their fundamentals are sound. They may be more difficult to buy and sell, subject to greater business risks, and more sensitive to market changes, than larger capitalization securities.

We seek to reduce these risks by buying stocks of companies that have established operating histories, strong or improving balance sheets, and growth potential. In addition, we seek to diversify each client's equity investments in a variety of stocks and industry sectors.

- **Fixed Income Securities** – Fixed income securities include corporate bonds, municipal bonds, other debt instruments and mutual funds that invest in these securities. Issuers generally pay a fixed, variable, or floating interest rate, and must repay the amount borrowed at maturity. Some debt instruments, such as zero-coupon bonds, do not pay current interest, but are purchased at a discount from their face value. Bond prices generally decline when interest rates rise and rise when interest rates fall. Longer-term debt and zero-coupon bonds are more sensitive to interest rate changes than debt instruments with shorter maturities.

Fixed income securities are subject to *credit risk*, which is the chance that a bond issuer will fail to pay interest or principal on time. Changes in the credit strength of an issuer may reduce the credit rating of its debt investments and may affect their value. High-quality debt instruments are rated at least A or its equivalent by any Nationally Recognized Statistical Rating Organization (NRSRO) or, if unrated, are determined to be of equivalent quality by Pacific Global. Issuers of high-grade debt instruments are considered to have a very strong capacity to pay principal and interest. Investment grade debt instruments are rated at least BBB or its equivalent by any NRSRO or, if unrated, are determined to be of equivalent quality by Pacific Global. BBB rated securities are considered to have adequate capacity to pay principal and interest, although they also have speculative characteristics. Lower rated debt securities are more likely to be adversely affected by changes in economic conditions than higher rated debt securities.

U.S. Government securities include securities issued or guaranteed by the U.S. Treasury; issued by a U.S. Government agency; or issued by a GSE. U.S. Treasury securities include direct obligations of the U.S. Treasury, (*i.e.*, Treasury bills, notes and bonds). U.S. Government agency bonds are backed by the full faith and credit of the U.S. Government or guaranteed by the U.S. Treasury (such as securities of the Government National Mortgage Association (GNMA or Ginnie Mae)). GSE bonds are issued by certain federally-chartered but privately-owned corporations, but are neither direct obligations of, nor backed by the full faith and credit of, the U.S. Government. GSE bonds include: bonds issued by Federal Home Loan Banks (FHLB), Federal Farm Credit Banks (FCS), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and the Federal National Mortgage Association (FNMA or Fannie Mae).

- **Foreign Securities** - Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the stocks of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets. Investments in foreign securities also are subject to currency fluctuations.

We seek to reduce these risks by investing in foreign securities typically through ADRs. ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting and financial reporting standards as domestic securities, owning ADRs has advantages over owning other foreign securities.

- **Investment Companies** - Investment companies include open-end and closed-end investment companies. Shares in investment companies represent interests in professionally managed portfolios. These investments involve substantially the same risks as investing directly in the underlying

instruments; in addition, the return from such an investment will be reduced by the operating expenses and fees of the investment company, including applicable advisory fees. Certain types of investment companies, such as closed-end funds, issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or discount to their net asset value ("NAV") per share. This premium or discount may change from time to time. Other investment companies are continuously offered at NAV, but are also traded in the secondary market.

ETFs are open-end investment companies, unit investment trusts or depository receipts that hold portfolios of stocks, commodities and/or currencies that commonly are designed, before expenses, to closely track the performance and dividend yield of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. The types of indices sought to be replicated by ETFs most often include domestic equity indices, fixed income indices, sector indices and foreign or international indices. ETF shares are traded on exchanges and are traded and priced throughout the trading day. ETFs permit an investor to purchase a selling interest in a portfolio of stocks throughout the trading day. Because ETFs trade on an exchange, they may not trade at NAV. The prices of ETFs may vary significantly from the NAVs of the ETFs' underlying securities. Additionally, if an investor decides to redeem ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

### **Item 9 Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Pacific Global or the integrity of Pacific Global's management. Neither Pacific Global nor its management personnel have been subject to any legal or disciplinary events that would require disclosure under applicable SEC rules.

### **Item 10 Other Financial Industry Activities and Affiliations**

This section of our brochure describes the activities and relationships in which Pacific Global and our management engage or maintain with other financial industry participants.

#### **A. Broker/Dealer Relationships**

PGFD serves as the exclusive distributor for PAF under terms of a Distribution Agreement with PAF. PGFD also acts as a broker for PAF on certain securities transactions in conformity with applicable securities regulations. Where Pacific Global selects the broker/dealer to effect purchases or sales of securities for client accounts, the firm may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). Pacific Global may have an incentive to enter into transactions with an affiliated broker/dealer, in an effort to direct more commission dollars to its affiliate.

Pacific Global has broker selection policies in place that require its selection of a broker/dealer to be consistent with its duties of best execution, and subject to any client and regulatory proscriptions. Please see Item 12 for a discussion of our brokerage selection process.

#### **B. Transfer, Dividend Disbursing and Administrative Services Agent and Fund Accounting Relationships**

Pacific Global Investor Services, Inc. ("PGIS") is a wholly-owned subsidiary of Pacific Global.

PGIS serves as transfer agent and dividend disbursing agent and administrator for PAF, under terms of a Transfer Agency, Dividend Disbursing Agency, and Administrative Services Agreement and fund accountant for PAF under the terms of a Fund Accounting Agreement.

#### **C. Other Relationships**

Pacific Global may, from time to time, enter into a relationship with financial planning firms to prepare written plans for our clients. These firms do not provide any other services beyond financial plans. One such financial planning firm is owned by a director of Pacific Global.

Pacific Global policies prohibit our related persons from accepting any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients. See Item 11 for a discussion of our "Code of Ethics."

Pacific Global and/or our management persons do not currently have relationships or arrangements with any of the categories of persons below. To the extent that we establish any such relationships or arrangements which are material to our advisory business, they would be disclosed in this brochure:

- accountant or accounting firm;
- lawyer or law firm;
- banking or thrift institution;
- insurance company or agency;
- pension consultant;
- real estate broker or dealer;
- municipal securities dealer or government securities dealer or broker;
- futures commission merchant, commodity pool operator, or commodity trading advisor; or
- sponsor or syndicator of limited partnerships.

### **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Pacific Global maintains a Code of Ethics (the "Code") which complies with the requirements of Rule 17j-1 under the 1940 Act and Rule 204A-1 under the Advisers Act. All officers, directors, employees and registered persons of Pacific Global (collectively "access persons") are subject to the Code and must acknowledge the terms of the Code annually, or as amended. The Code permits access persons to trade in securities, including those that could be recommended to clients. However, it contains safeguards designed to protect clients from abuses in this area, such as requirements to obtain prior approval for, and to report, particular transactions. Among other policies, the Code also contains certain restrictions on the misuse of client/prospective client information; serving on the boards of directors of issuing companies; and disclosure of gifts given and received, charitable contributions and conflicts of interest.

Accordingly under the Code, certain classes of securities have been designated as exempt transactions, based upon the determination that these would not materially interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code would permit employees to, in some circumstances, invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code and to reasonably prevent conflicts of interest between Pacific Global and its clients.

There are times when the same portfolio manager is managing fund company assets and assets of other clients with the same or similar investment style or strategy. In these situations, when selecting securities for these various clients, consistent with each client's investment objectives, policies and limitations, we take into account a variety of factors, including, without limitation, general management techniques, cash flows, permissible investments and restrictions, and applicable regulatory requirements. In these situations, Pacific Global has procedures in place that are designed to address potential conflicts of interest and protect client interests. Pacific Global's policy is to not systematically favor one client over another and to select securities for investment consistent with each client's investment policies and limitations and, in certain cases, directed trading instructions.

Pacific Global also maintains a separate policy concerning the misuse of material non-public information ("Insider Trading Policy.") From time to time Pacific Global and its affiliates may, as a result of their business activities, come into possession of confidential or privileged information about issuers of securities, or other persons or entities and their securities. In such cases, we may be restricted from executing certain trades if doing so could violate our Insider Trading Policy or applicable legal requirements/laws. Pacific Global's Insider Trading Policy addresses its treatment of such confidential or privileged information in a manner that Pacific Global believes to be reasonable.

In addition, Pacific Global's access persons are also subject to the Code for PAF and PGFD, as well as the compliance policies and code of ethics of the AXA Portfolio. A copy of Pacific Global's Code is available free of charge upon request by contacting Client Services.

Pacific Global maintains a policy to prohibit conduct in violation of Rule 206(4)-5 under the Investment Advisers Act, so-called "pay-to-play" arrangements, by the firm and certain designated employees of the firm and comply with the recordkeeping requirements under amended Rule 204-2(a)(18)(i)(B). The Rule prohibits an adviser from providing investment services for compensation to a government entity within two years after a contribution to an official of the government entity is made by the firm or certain designated employees of the firm.

Pacific Global accepts accounts on a directed brokerage basis. Additionally, we establish accounts where Pacific Global directs brokerage to an entity in which it may have a financial interest. A significant number of equity transactions for PAF are executed through Pacific Global's affiliated broker/dealer, PGFD which maintains a clearing relationship with Wedbush Securities. Pacific Global does not have commission sharing arrangements with any broker/dealers. These affiliated transactions are executed pursuant to procedures which are annually reviewed and approved by PAF's Board of Directors in compliance with Rule 17e-1 of the 1940 Act. Pacific Global does not execute trades for any of its other accounts, including the AXA Portfolio, through PGFD.

Pacific Global limits its own investments to mutual funds, which may include those recommended to clients.

## **Item 12 Brokerage Practices**

### ***Factors Considered in Selecting or Recommending Broker/Dealers***

Unless a client directs Pacific Global to use a particular broker/dealer to execute transactions for the client's account, we select broker/dealers to effect client transactions to seek the best combination of net price and execution. The best net price, including any brokerage commission, is an important factor in this decision. However, a number of other factors may also enter into the decision including:

- Pacific Global's knowledge of negotiated commission rates currently available and other current transaction costs;
- the nature of the security being purchased or sold;
- the size of the transaction;
- the desired timing of the transaction;
- the activity existing and expected in the market for the particular security;
- managing the extent of information known by the broker/dealer of Pacific Global's trading activity;
- the execution, clearance and settlement capabilities of the broker/dealer selected and others considered;
- Pacific Global's knowledge of the financial condition of the broker/dealer selected and such other broker/dealers; and
- Pacific Global's knowledge of actual or apparent operation problems of any broker/dealer.

Recognizing the value of these factors, we may cause a client to pay a brokerage commission in excess of that which another broker/dealer might have charged for effecting the same transaction.

For SMAs, transactions can be executed with a broker/dealer unaffiliated with the client's custodian (a "trade away") only after a trading account has been established with the unaffiliated broker/dealer. The client's custodian typically charges the client a processing fee on each trade away. In addition, unaffiliated brokers/dealers may be reluctant to open a client trading account based on the anticipated trading activity and the administrative burden associated with establishing and maintaining the trading account(s). Trade settlement complexities at the broker/dealer, as well as at the custodian, may result in significant administrative burdens for trade aways. Considering the charges and other administrative issues, trade aways may not result in the best net price.

Pacific Global has established internal policies to provide guidance to its trading personnel regarding the duty to seek best execution. These policies specify the minimum and maximum commissions to be paid for various types and sizes of transactions effected for clients where Pacific Global has discretion to select the broker/dealer by which the transaction is to be executed. Transactions which vary from the guidelines are subject to periodic supervisory review. These guidelines are reviewed and may be revised periodically. Also, Pacific Global periodically reviews the general level of brokerage commissions paid.

Pacific Global maintains and periodically updates a list of approved broker/dealers which are, in Pacific Global's judgment, generally capable of providing best price and execution and are financially stable. Pacific Global's trading personnel are directed to use only broker/dealers on the approved list, except in cases where a client has designated broker/dealers to effect transactions for the client's account.

### ***Research and Other Soft Dollar Benefits***

When we select a broker/dealer, we will exercise our best judgment to choose the broker/dealer most capable of providing the brokerage services necessary to obtain the best available price and most favorable execution. In determining whether the broker/dealers selected can offer the services needed to obtain the best available price and most favorable execution, we may take into consideration the fact that a particular broker can also supply research services.

Pacific Global will not make commitments to any broker/dealer that would bind Pacific Global to compensate a broker/dealer, directly or indirectly, for client referrals. However, in determining whether to enter into any agreement with a broker/dealer, Pacific Global may consider any past referral by such broker/dealer of the particular client for whom the transaction is being executed, or of other clients, or in recognition of possible future referrals from the broker/dealer.

Pacific Global's authority to directly exercise brokerage discretion and the factors we will consider in selecting brokers will be in compliance with the requirements of the 1940 Act and Section 28(e) of the Securities and Exchange Act of 1934. Section 28(e) of the Securities Exchange Act of 1934 permits an investment adviser to cause an account to pay commission rates in excess of those another broker/dealer would have charged for effecting the same transaction if the adviser determines in good faith that the commission paid is reasonable in relation to the value of the brokerage and research services provided. The determination may be viewed in terms of either the particular transaction involved or the overall responsibilities of the adviser with respect to the accounts over which it exercises investment discretion. Thus, such research furnished by the broker/dealer may be used to service one or more PAF Portfolios and/or the AXA Portfolio and may be used in connection with accounts other than those that pay commissions to the broker/dealer providing the research. If and when Pacific Global receives such research services in return for "soft dollar" commissions and such services are also used by Pacific Global for administrative purposes (such as the preparation of client account valuations), a reasonable allocation will be made by Pacific Global so that the value of the research service in making investment decisions is borne by the client accounts and the value attributable to administrative functions is borne by Pacific Global. Pacific Global will not accept soft dollar benefits that are not permissible under Section 28(e) of the Exchange Act.

Where more than one broker/dealer is believed to be capable of providing a combination of best net price and execution with respect to a particular transaction, we often select a broker/dealer which furnishes to Pacific Global investment research products or services, such as:

- economic, industry or company research reports or investment recommendations;
- statistical information;
- information on accounting and tax law interpretations and political developments affecting portfolio securities;
- credit analysis;
- risk measurement analysis;
- performance analysis and analysis of corporate responsibility issues;
- subscriptions to financial publications or research data compilations;

- seminars;
- research or analytical services; or services of economic and other consultants.

Such research services are received primarily in the form of written reports, telephone contacts and personal meetings with securities analysts. In addition, such research services may be provided in the form of access arranged with corporate and industry spokespersons, economists, academicians and government representatives. Given our limited internal research capabilities, as a practical matter, it would not be possible for us to generate all of the information presently provided by broker/dealers. To the extent that research services of value would be provided by a broker, Pacific Global may be relieved of expenses that it might otherwise bear.

Such selections are not pursuant to any agreement or understanding with any of the broker/dealers. However, Pacific Global does, in some instances, request a broker/dealer to provide specific research products or services which may be proprietary to the broker/dealer or produced by a third party and made available by the broker/dealer and, in such instances, the broker/dealer in agreeing to provide the research product or service frequently will indicate to Pacific Global a specific minimum amount of commissions which it expects to receive by reason of its provision of the product or service. Pacific Global does not agree with any broker/dealer to direct such specific or minimum amounts of commissions. However, Pacific Global does maintain an internal procedure to identify those broker/dealers which provide it with research products or services and the value of such products or services; and we endeavor to direct sufficient commissions on client transactions to ensure the continued receipt of research products and services Pacific Global feels are useful. Pacific Global usually does not pay brokerage commissions higher than those obtained from other broker/dealers in return for research products or services provided by broker/dealers. Research products or services provided by broker/dealers may be used in servicing any or all of the clients of Pacific Global. Such research products or services may not necessarily be used in connection with the client accounts which paid.

#### ***Client-Directed Brokerage Arrangements***

Pacific Global does not routinely recommend, request or require a client to direct us to execute transactions through a specified broker/dealer. Our clients maintain the right to direct us to use a specified broker/dealer to execute all or a portion of the client's securities transactions. When this occurs, a client directs Pacific Global in writing (subject to certain conditions which may from time to time be imposed by Pacific Global) to effect portfolio transactions for the client's account through particular broker/dealers ("restricted brokerage"). Such a direction may be conditioned upon a broker/dealer being competitive as to net price and execution of each transaction, or may be subject to varying degrees of "restriction." For example, a client may instruct us to use the particular broker/dealer whether or not competitive as to net price and execution, or at specified commission rates which are less favorable than those we might obtain.

Before restricting brokerage to a particular broker/dealer, including designating a broker/dealer as custodian for the client's assets, a client should consider whether such designation may result in certain costs or disadvantages. For example, the client may pay higher commissions than might otherwise be obtainable by Pacific Global and/or may receive less favorable net prices and executions on some transactions or the value of the custodial services may be diluted. A client who restricts our discretion in choosing broker/dealers to effect transactions for the client's account(s) may also be subject to the disadvantages described below regarding priority of execution, allocation of new issues, purchases, and aggregation of orders. More information on Pacific Global's trade aggregation policies and procedures is provided under "Trade Aggregation" below.

If a client designates in writing to Pacific Global a specific broker/dealer acceptable to us through which trades are to be executed, the client may be required in the IMA to execute a trading instruction letter in a form satisfactory to us. The client also acknowledges that (1) we generally will not be in a position to select broker/dealers on the basis of best execution, negotiate commission rates or spreads, obtain volume discounts, commingle, batch, or aggregate orders for purposes of execution or otherwise seek to obtain best execution; and (2) that directed transactions may result in less favorable net prices and execution on the purchase and sale of securities than might be the case if we were to select broker/dealers solely on the basis of best execution. In addition, a client considering a directed brokerage arrangement should be aware that, where the client does not

specify the commission rate to be paid in directed brokerage transactions, such an arrangement may create a potential conflict of interest between the client's interest in having Pacific Global negotiate a lower commission rate and our interest in obtaining referrals from the broker/dealer.

### **Trade Aggregation**

When a portfolio manager intends to place an order for the purchase or sale of the same security for one or more fund company portfolios and one or more SMA portfolios at the same time, the portfolio manager must place the fund company trade first or aggregate the trades for the fund company portfolio(s) and the SMA portfolio(s) as a single transaction with the same broker/dealer. If the portfolio manager places the trades separately, the portfolio manager must wait until the outstanding trade order for the fund company portfolio(s) has been executed before any transaction in the same security is placed for a SMA portfolio. If the orders are aggregated as a single trade, the fund company portfolio(s) and the SMA portfolio(s) will receive equal treatment. We intend to aggregate trade orders for fund company portfolios and SMA portfolios for execution, which may result in lower commission rates being attained. We will not aggregate transactions unless we believe such aggregation is consistent with our duty to seek best execution (which includes best price) for the investment companies and Pacific Global's other clients. No SMA will be favored over any fund company or any other SMA; and each portfolio that participates in an aggregated order will participate at the average share price for the transaction, with all transaction costs shared on a pro rata basis. Individual investment advice and treatment will be accorded to each client. In the case of a client who has restricted transactions to a particular broker/dealer, however, such client's account generally will be unable to participate in aggregated orders unless executed with the client's designated broker/dealer. Even where an aggregated transaction is executed with the client's designated broker/dealer, if the client also has specified a particular commission rate to be paid on transaction, that specification may preclude the client from receiving the benefit, if any, of a lower commission resulting from the aggregation; and the accounts of other clients participating in the aggregation order may receive a correspondingly greater benefit.

Pacific Global will not receive additional compensation or remuneration of any kind as a result of the proposed aggregation.

Before entering an aggregated order, we prepare a written statement (the "Allocation Statement") specifying the participating investment companies and/or SMAs and how we intend to allocate the order among the participants. If the aggregated order is filled in its entirety, it is allocated among the participants in accordance with the Allocation Statement. If the order is partially filled, it is allocated pro rata based on the Allocation Statement. *De minimis* orders may be allocated at the discretion of the portfolio manager to prevent any participant from incurring unnecessary transaction costs. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all participants receive fair and equitable treatment; and the reason for the different allocation is documented by the portfolio manager in writing to a Pacific Global compliance officer no later than one hour after the market open on the trading day following the day the order was executed. Pacific Global's IMA discloses that, in instances where we determine not to aggregate orders, transactions in a specific security may not be accomplished for all client accounts at the same time or at the same price.

Funds and securities of the investment companies and SMAs whose orders are aggregated will be deposited with one or more banks or broker/dealers. Neither the fund company or the SMAs' cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis. Cash or securities held collectively for investment companies and/or clients will be delivered out to the custodian bank or broker/dealer as soon as practicable following the settlement.

Pacific Global annually reviews its trade aggregation procedures to ensure that they are adequate to prevent any account from being systematically disadvantaged as a result of the aggregation of orders. If we discover that such aggregation policies are not being adhered to, we will take whatever corrective measures are necessary, including revising the procedures. For each fund company or SMA whose orders are aggregated, Pacific Global's books and records will separately reflect the securities held by, and bought and sold for, that account. We will disclose these policies concerning the aggregation of transactions to our existing clients and to broker/dealers through which such orders are placed.

**Item 13 Review of Accounts****A. Account Reviews**

Pacific Global assigns one or more portfolio managers (who may be principal executive officers) to manage each client account. All accounts are subject to periodic and continuous review and monitoring by the assigned portfolio manager(s). Client accounts are also reviewed by Pacific Global's principal executive officers. Overall portfolio policy, as well as the allocation of assets among market sectors, individual securities, mutual funds and cash reserves, is reviewed on an ongoing basis. Changes in general market conditions, as well as changes in relative price performance in market sectors or individual securities typically result in changes to portfolio strategy. A buy/sell/hold list of individual securities is prepared and approved regularly. While accounts are tailored to each client's needs and objectives, each account is reviewed and compared to an approved list to determine what actions, if any, are appropriate. Significant additions to, or withdrawals from, an account would result in an individual review of that account to determine what action, if any, is appropriate.

**B. Account Reports**

SMA clients receive monthly account statements from their custodians detailing account activity, positions held and market value. It is important for clients to carefully review their custodial statements to verify their accuracy. Clients should contact us directly if they believe that there may be an error in their statement. SMA clients also receive quarterly reports from Pacific Global which include a market valuation, the client's account performance and Pacific Global's economic and market outlook. We also provide detailed account information as specifically requested by the client, or when significant economic factors warrant. Clients should carefully review their custodial statements and compare them with portfolio reports they receive from us. From time to time, Pacific Global's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

At the end of each calendar year, each SMA client receives a tax accounting summary of gains, losses and income generated by the account from the account's custodian and from Pacific Global. Clients should consult their tax adviser and rely upon tax accounting information provided by their custodians when preparing their tax returns. Further, clients should rely upon cost basis reporting information provided by their custodian when preparing their tax returns.

With respect to fund company clients, Pacific Global provides reports to the Boards of Directors/Trustees of the investment companies as necessary or requested. Reports typically are provided no less frequently than quarterly. Where Pacific Global serves as sub-adviser to a fund company, reports also may be requested by, and provided to, the primary adviser. The reports include management reports which detail, as applicable, performance information, purchases and sales information, commissions paid, Rule 12(b)-1 fees, shareholder purchases and redemptions, and other reports as requested by the Board of Directors/Trustees and, where Pacific Global serves as sub-adviser, the primary adviser. Pacific Global's reporting obligations are typically described in the investment management agreements with our fund company clients or, where Pacific Global serves as sub-adviser, in the investment management agreement with the fund company's primary adviser.

**Item 14 Client Referrals and Other Compensation**

Pacific Global may pay cash referral fees to independent persons or firms ("solicitors"). Each such referral agreement and the related activities of Pacific Global will be in compliance with Rule 206(4)-3 of the Advisers Act and the related SEC Staff interpretations and other applicable laws and regulations. Rule 206(4)-3 specifies certain standards that must be met by an investment adviser and any person who solicits any client for, or refers any client to, an investment adviser prior to payment of a cash fee directly or indirectly, for client solicitation or referral.

As discussed in Item 12, in certain cases, when we believe one or more broker/dealer is capable of providing the best price and most favorable execution with respect to a particular portfolio transaction, we may select a



broker/dealer in recognition of the broker/dealer's past referral of the particular client for whom the transaction is being executed, or other clients, or in recognition of possible future referrals from that broker/dealer.

Pacific Global may receive administrative support, pricing and other services from a related party without paying direct compensation for such services.

Pacific Global maintains an internal bonus compensation plan which rewards officers and employees of Pacific Global for new investment advisory client accounts developed by them.

### **Item 15 Custody**

Pacific Global does not maintain actual physical custody of the assets that we manage for our clients. However, under SEC rules, we are deemed to have custody of our SMA client assets when clients authorize us to instruct the custodian to deduct our advisory fees directly from their accounts.

### **Item 16 Investment Discretion**

As described in Item 4, Pacific Global provides discretionary advisory services with respect to SMAs. Before assuming this authority, the types and amounts of securities traded, and the manner of execution, is generally determined by the IMA with each client. Therefore, we have authority to supervise and direct the investments of and for the client's account without prior consultation with the client. We approve and accept accounts only after the client has provided all of the required new account paperwork including, but not limited to, a Pacific Global IMA and personal profile and a limited power of attorney for the client's custodial account. Once an account is accepted, we assume discretionary authority. In the case of fund company clients, the written investment objective, policies and limitations set forth in the applicable fund company's formation documents, prospectus and SAI generally govern.

Pursuant to this discretionary authority, we determine which securities are bought or sold for the account and the total amount of such purchases and sales. Pacific Global's authority may be made subject to conditions imposed in writing by the client and accepted by us. For example, a client may restrict or prohibit purchases of certain types of securities, or direct that transactions be effected through specific brokers/dealers, or impose other limitations.

### **Item 17 Voting Client Securities**

Pacific Global has adopted a written Proxy Voting Policy detailing procedures and guidelines to be used when voting shareholder proxies for those investment companies and clients for whom we have been granted proxy voting authority (the "Proxy Policy"). The Proxy Policy's voting guidelines include issues related to corporate governance; compensation; social and corporate responsibility; mergers and acquisitions; and other potential conflicts of interest.

Pacific Global has established a Proxy Committee which consists of portfolio managers and other professional staff. The Proxy Committee determines how to vote proxies based upon information developed in day-to-day portfolio management activities, proxy materials and guidelines set forth in the Proxy Policy. Depending on the issue(s) presented, the decision on proxy ballot issues is made by a designated member of the Proxy Committee, or by the Committee as a whole. The Proxy Committee may also consult with outside counsel or other advisers on proxy ballot issues which raise corporate governance or potential conflict of interest issues.

We do not anticipate that conflicts will arise frequently because Pacific Global and its affiliates do not engage in the types of business activities (such as underwriting, banking or insurance services, or benefit plan administration) that would give rise to potential conflicts affecting proxy voting. Any potential conflicts will be considered by the Committee.

Clients can contact Pacific Global Client Services at (800) 404-6693 with questions about any proxy solicitation. Clients cannot direct Pacific Global's vote in any solicitation. However, clients can request that their custodians

provide proxies and other solicitations to them by submitting instructions directly to their custodians. Voting instructions submitted to the custodian by a client will supersede any voting instructions for this client's shares that are submitted to the custodian by Pacific Global.

Pacific Global's Proxy Policy, as well as information regarding how we voted proxies during the most recent 12-month period ended June 30, is available without charge, upon written request by contacting Client Services at 101 N. Brand Blvd., Suite 1950, Glendale, CA 91203.

Pacific Global has been delegated proxy voting responsibility for PAF and the AXA Portfolio, subject to oversight by each fund company's Board of Directors/Trustees. At least annually, we report to the respective Boards on each fund company's voting record, including information of any conflicts of interest or other special circumstances.

For PAF, Pacific Global annually files a report on SEC Form N-PX of how we voted proxies during the most recent 12-month period ended June 30. Information on how we voted proxies for PAF is available without charge, upon request by contacting us or on the SEC's website at [www.sec.gov](http://www.sec.gov).

For the AXA Portfolio, the primary investment adviser, AXA Equitable Funds Management Group, LLC, annually files Form N-PX for the most recent 12-month period ended June 30. The proxy voting policy for the AXA Portfolio, as well as information as to how proxies were voted during the most recent 12-month period ended June 30, is available without charge, upon request from AXA Equitable Funds Management Group, LLC.

#### **Item 18 Financial Information**

Pacific Global is not required to include a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. In this Item, we are required to disclose that Pacific Global has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Additionally, Pacific Global has not been the subject of a bankruptcy petition during the past ten years.

#### **Privacy Policy**

We respect our clients' right to privacy. We understand that clients expect us to act in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about each client from account forms provided by the client and from the client's transactions with us or the custodian of the client's account(s). We do not disclose any nonpublic personal information about any client or any former client to anyone, except (1) our affiliates and service providers, (2) pursuant to the client's written authorization (so long as such authorization has not been revoked), or (3) or as permitted by law. We also may collect and maintain certain personal information about a client's attorneys-in-fact and others authorized to act with respect to a Client's account ("Authorized Representatives"). We treat such Authorized Representative personal information under our policies in a similar manner to the way we treat Client personal information.

To protect the personal information of clients and their Authorized Representatives, we permit access to client and Authorized Representative's personal information only to authorized employees who need to know the information to provide products and services to the client. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' such personal information.

We are authorized, in our sole discretion, to engage agents and independent contractors, including, but not limited to, outsourcers, proxy voting services, affiliates and other persons or entities (collectively, "Service Providers"), to perform, or to advise or assist us in the performance of, our duties under the investment management agreements.