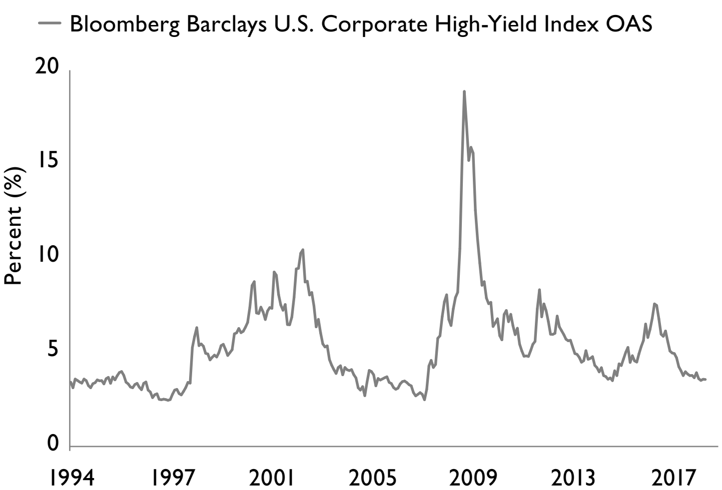
Loans or Bonds?

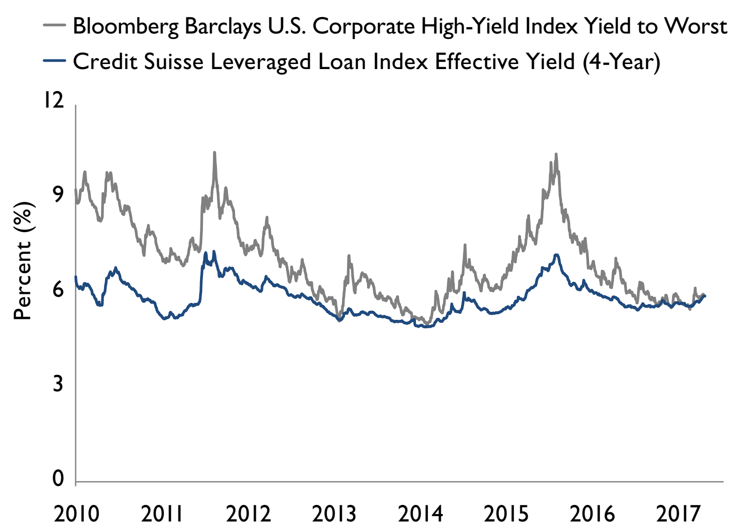
Relative value currently favors floating-rate loans over high-yield bonds.

U.S. credit markets have benefited from the sharp improvement in market sentiment following the U.S. presidential election that took place in November 2016. Consumer and business sentiment in the U.S., as measured by the University of Michigan Consumer Sentiment Index, have reached 20-year highs in the U.S. on the hope that fiscal, tax, and regulatory reform will drive meaningfully higher growth rates. In particular, high-yield bonds have seen positive performance during this risk-on market environment. U.S. high-yield bond yields have moved lower by 0.69%, and option-adjusted spreads (OAS) have moved lower by 1.46% since November 8, 2016. The Bloomberg Barclays U.S. Corporate High-Yield Index returned 9.39% during the same period. With high-yield credit spreads below long-term averages, the potential for spread-tightening of high-yield bonds could be limited.

The outperformance of high-yield bonds has brought yields in line with floating-rate loans. Since 2010, high-yield bonds have averaged a yield 1.16% higher than floating-rate loans, given their lower position in the capital structure and greater downside risk, as shown in the chart below. With yields now near equivalency between the two asset classes, investors give up little income potential to move higher in the capital structure, which helps reduce downside risk and volatility in their portfolios. Combined with limited duration risk for floating-rate loans, Pacific Funds portfolio managers believe this provides a favorable relative-value advantage for floating-rate loans over high-yield bonds in the near term.

Historically speaking, when financial markets experienced volatility despite an otherwise sound economy, credit-sensitive sectors recovered quickly. And this most-recent bout of volatility in February 2018 was no different. During this period, fixed-income credit spreads remained quite stable with floating-rate loans unchanged and high-yield bonds modestly wider. Floating-rate loans fared best as they experienced lower levels of volatility than high-yield bonds due to their floating-rate nature and seniority in the company's capital structure. During February, the Credit Suisse Leveraged Loan Index returned 0.18%, while the Bloomberg Barclays U.S. Corporate High-Yield Index returned –0.85%.





Source: Bloomberg Barclays, Credit Suisse, December 31, 2017.

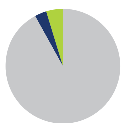
Navigating this Environment with Pacific Funds[SM]

Pacific Funds offers fixed-income funds that are carefully constructed using a combination of investment-grade corporate bonds, high-yield bonds, floating-rate loans, and short-term debt securities. The portfolio management team stays true to its strength as corporate income specialists by researching individual securities and investing across the credit spectrum.

Pacific Funds[SM] Floating Rate Income and Pacific Funds[SM] Strategic Income have the flexibility to adapt to changing market conditions by adjusting its asset mix to better reflect the investment team's views on market segments and the interest-rate environment.

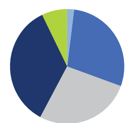
Asset-class mix as of December 31, 2017.

PACIFIC FUNDS FLOATING RATE INCOME



Ticker		
Class A	Class C	Advisor Class
PLFLX	PLBCX	PLFDX

PACIFIC FUNDS STRATEGIC INCOME



Ticker		
Class A	Class C	Advisor Class
PLSTX	PLCNX	PLSFX

High-Yield Bonds · Floating-Rate Loans · Investment-Grade Corporate Bonds · Cash and Other · Securitized

The **Bloomberg Barclays U.S. Corporate High-Yield Index** represents the U.S.-dollar denominated, high-yield, fixed-rate corporate bond market.

The **Bloomberg Barclays U.S. Corporate High-Yield Index** covers the universe of fixed rate, non-investment-grade debt.

The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. senior secure credit (leveraged loan) market.

Effective yield is the yield of a bond, assuming the periodic interest payments or coupons received are reinvested.

Option-adjusted spread (OAS) is the measure of the spread of a fixed income security and the risk-free rate of return, which is adjusted to take into account an embedded option.

The **University of Michigan Consumer Sentiment Index** uses telephone surveys to measure the overall health of the economy as determined by consumer opinion.

Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting.

All investing involves risk including the possible loss of the principal amount invested. Past performance does not guarantee future results, ensure a profit or protect against loss. Debt securities with longer durations or fixed interest rates tend to be more sensitive to changes in interest rates, making them generally more volatile than debt securities with shorter durations or floating or adjustable interest rates. Floating-rate loans (usually rated below investment grade) and high-yield/ high-risk ("junk bonds") have greater risk of default than higher-rated securities/higher-quality bonds that may have a lower yield. Interest rates and bond prices have an inverse relationship. The Funds are also subject to other risks including, but not limited to, liquidity risk, foreign markets risk, and credit risk. Please see each Fund's prospectus and/or summary prospectus for details on these and other risks associated with Pacific Funds Floating Rate Income and Pacific Funds Strategic Income.

All share classes may not be available at all firms, and not all investors may be eligible for all share classes. Please see the prospectus for additional information about availability.
Pacific Life Fund Advisors LLC (PLFA), a wholly owned subsidiary of Pacific Life Insurance Company, is the investment adviser to the Pacific Funds. PLFA also does business under the name Pacific Asset Management and manages certain funds under that name.

Pacific Life Insurance Company is the administrator for Pacific Funds. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.

You should consider a fund's investment goal, risks, charges, and expenses carefully before investing. The prospectus and/or the applicable summary prospectus contain this and other information about the Fund and are available from your financial advisor or www.PacificFunds.com. The prospectus and/or summary prospectus should be read carefully before investing.

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