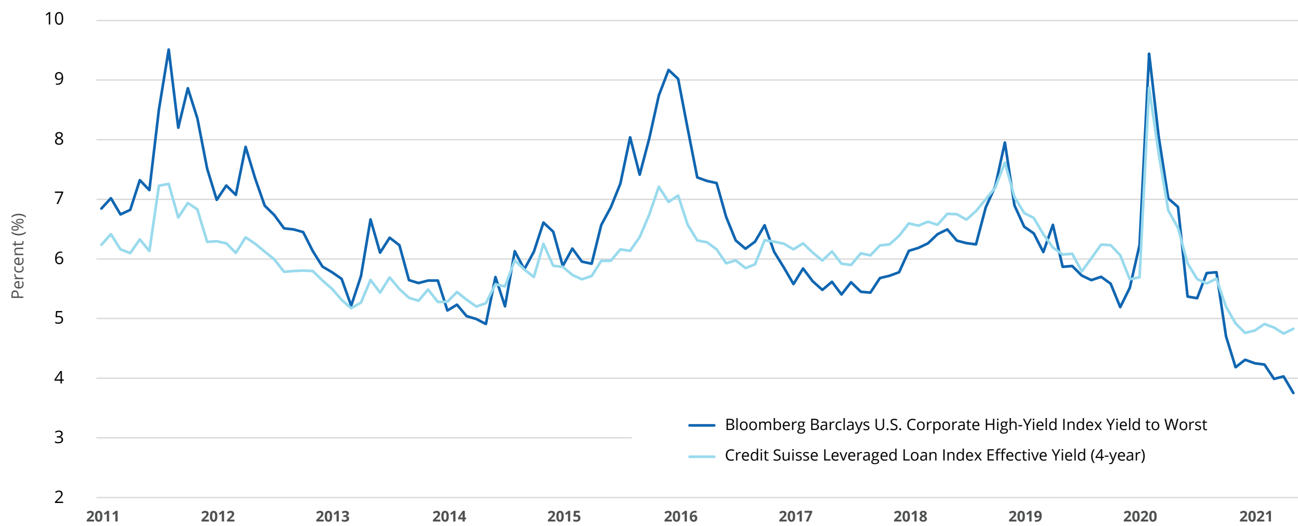
Loans or Bonds?

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

The combined effects of strong technicals, fiscal and monetary stimulus, and the search for yield have once again pushed high-yield bond yields below floating-rate loans. While high-yield bonds have historically provided a higher yield than floating-rate loans (due to their lower position in the capital structure and greater downside risk), investors can benefit at times from the risk-adjusted yield dislocation between the two non-investment-grade sectors.

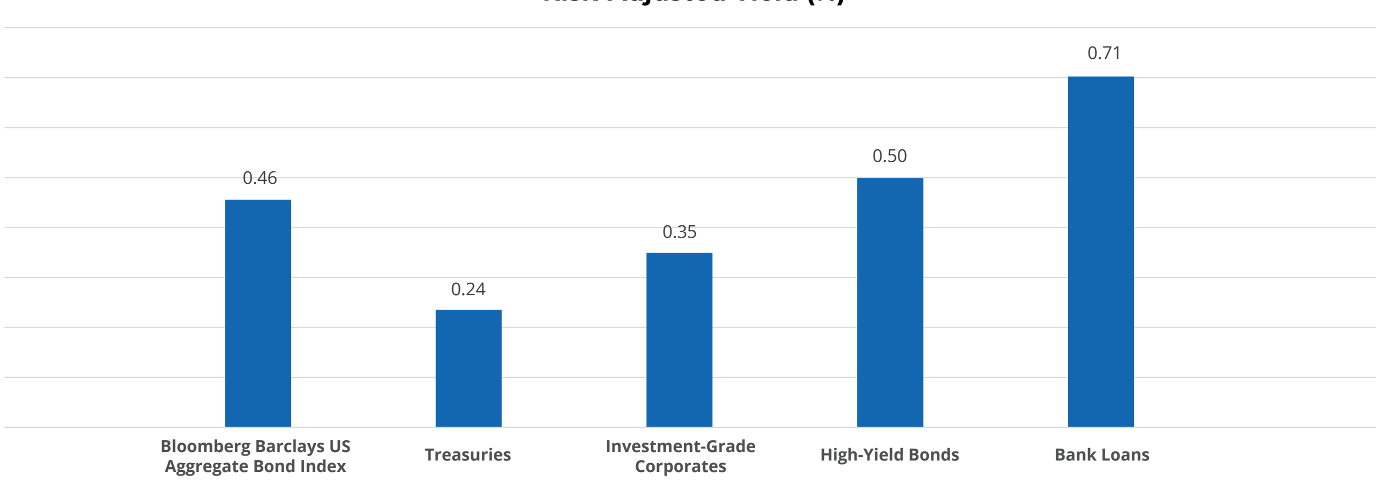
As of June 30, 2021, high-yield bond yields are now 1.08% below floating-rate loans. Over the past ten years, high-yield bonds have averaged a yield of 0.26% above floating-rate loans. Thus, we believe a better relative value opportunity resides in moving up the capital structure and increasing yield by favoring loans over bonds.



Source: Bloomberg Barclays, Credit Suisse, S&P Global Market Intelligence, June 30, 2021.
Past performance does not guarantee future results.

On a risk-adjusted yield basis across fixed income, bank loans have offered the highest yield per unit of volatility over the past five years.

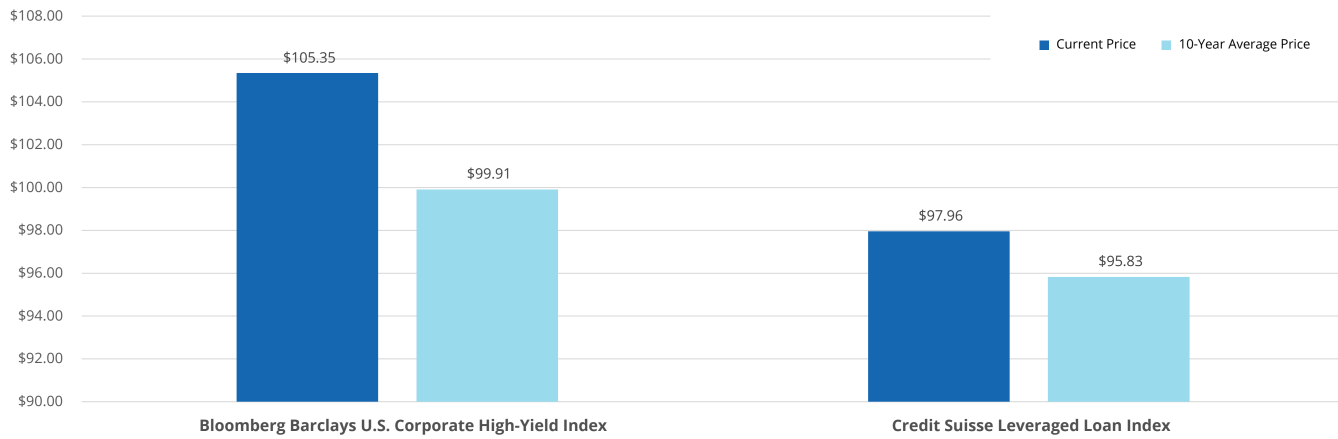
Risk-Adjusted Yield (%)



Source: Morningstar, as of June 30, 2021.

Additionally, from a price perspective, high-yield bonds trade at a 5% premium compared to their 10-year average.

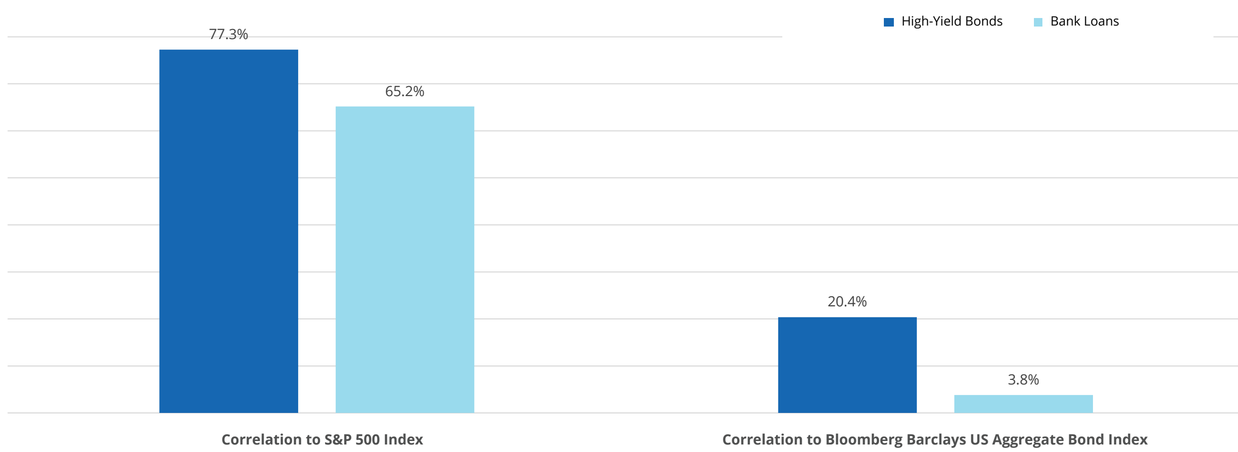
Current Price Versus 10-Year Average



Source: Morningstar, as of June 30, 2021

As a diversifier relative to major asset classes, bank loans offer better diversification characteristics compared to high-yield bonds.

10-Year Correlation to the S&P 500 Index and Bloomberg Barclays US Aggregate Bond Index



Source: Morningstar, as of June 30, 2021

Navigating this Environment with Pacific Funds

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.

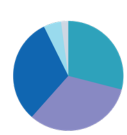
Pacific Funds Floating Rate Income and Pacific Funds Strategic Income have the flexibility to adapt to changing market conditions by adjusting its asset mix to better reflect the investment team's views on market segments and the interest-rate environment.

Asset-class mix as of June 30, 2021

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 | Asset-Backed

Definitions

Bank Loans are represented by Credit Suisse Leveraged Loan Index, which is designed to mirror the investable universe of the U.S. senior secure credit (leveraged loan) market.

Bloomberg Barclays US Aggregate Bond Index includes investment-grade U.S. government and corporate bonds, mortgage pass-through securities, and asset-backed securities.

Duration is often used to measure a bond's or fund's sensitivity to interest rates. The longer a fund's duration, the more sensitive it is to interest-rate risk. The shorter a fund's duration, the less sensitive it is to interest-rate risk.

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

High-Yield Bonds are represented by Bloomberg Barclays US Corporate High-Yield Index, which measures the USD-denominated, high-yield, fixed-rate corporate bond market.

Investment Grade Corporates are represented by Bloomberg Barclays U.S. Credit Index which includes publicly issued U.S. corporate and specified foreign debentures and secured notes.

Mortgage-Backed Securities are represented by Bloomberg Barclays U.S. Mortgage-Backed Securities Index which covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Treasuries are represented by Bloomberg Barclays US Treasury Index which includes public obligations of the U.S. Treasury with a remaining maturity of one year or more.

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

For more insights from Pacific Funds, visit
PacificFunds.com

About Principal Risks: All investing involves risks including the possible loss of the principal amount invested. There is no guarantee the Funds will achieve their investment goal. Corporate bonds are subject to issuer risk in that their value may decline for reasons directly related to the issuer of the security. Not all U.S. government securities are checked or guaranteed by the U.S. government, and different government securities are subject to varying degrees of credit risk. Mortgage-related and other asset-backed securities are subject to certain rules affecting the housing market or the market for the assets underlying such securities. The Funds are subject to liquidity risk (the risk that an investment may be difficult to purchase, value, and sell particularly during adverse market conditions, because there is a limited market for the investment, or there are restrictions on resale) and credit risk (the risk an issuer may be unable or unwilling to meet its financial obligations, risking default). High-yield/high-risk bonds ("junk bonds") and floating-rate loans (usually rated below investment grade) have greater risk of default than higher-rated securities/higher-quality bonds that may have a lower yield. The Funds are also subject to foreign-markets risk.

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 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 PacificFunds.com. The prospectus and/or summary prospectus should be read carefully before investing.

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MFC0258-0621

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