PORTFOLIO OPTIMIZATION CONSERVATIVE COMMENTARY

MARCH 31, 2022

MANAGED BY PACIFIC LIFE FUND ADVISORS LLC

Class A		Class C		Advisor Class	
Ticker	Fund Number	Ticker	Fund Number	Ticker	Fund Number
POAAX	141	POACX	341	PLCDX	041

Market Review

The first quarter of 2022 saw a retreat from 2021's positive market performance with the S&P 500 Index down 4.6% and volatility returning to the market. Small-cap growth experienced the largest quarterly loss, while large-cap value faced the least amount of damages among domestic equities. Rising interest rates particularly hurt growth, as valuations on information technology had gotten to elevated levels.

Within fixed income, longer-duration bonds faced headwinds, but short-duration bonds, including bank loans, were generally flat.

Fund Performance

The fund returned -6.02% during the first quarter of 2022 and -2.13% for the trailing 12-month period (Class A at NAV).

Performance Review

The domestic equity group slightly lagged the S&P 500 Index in the first quarter and the 12-month period. While PF Large-Cap Value contributed to performance over the trailing 12-month period, our overall value tilt detracted from performance over the trailing 12-months as investors continued to pile into large-growth stocks. Although large-cap stocks performed relatively well, the allocation to small-cap stocks as well as the underperformance of PF Small-Cap Growth detracted from performance.

International equities as a group underperformed the MSCI EAFE Index over the first quarter and the trailing 12-months. Overweight to emerging markets dragged performance over the first quarter and trailing 12-months. Additionally, PF Emerging Markets underperformed its benchmark over both periods, which also detracted from performance.

The broad fixed-income lineup underperformed the Bloomberg US Aggregate Bond Index over the first quarter and the trailing 12-months. Our overweights to bank loans, high yield and TIPS were strong contributors to performance for the quarter and over the trailing 12-months. However, underperformance from PF Managed Bond detracted from performance over the trailing 12-month period. The exposure to emerging market bonds held back performance, but the outperformance of PF Emerging Markets Debt helped performance over both periods.

Outlook

Inflation has been running at its fastest pace in four decades, and it's become a multi-factor problem that will require multi-solutions—a herculean job that threatens to overwhelm the Federal Reserve. The sticky inflation has been a result of many fundamental and geopolitical disruptions, including supply-chain woes, elevated oil prices, shifting consumer demands, and now the Ukraine-Russia war.

The question everyone has been asking is how to properly knock down inflation, especially in a pandemic-driven world. The pandemic led to business slowdowns and shutdowns, leading to a shortage of goods that people want to buy. Next, transporting those goods turned out to be complicated by the lack of infrastructure investments. This underinvestment has been evident by the slow progress in the supply-chain recovery, which has been a major reason for this stubborn inflation that few had predicted.

Energy and gas prices have also fueled price increases. Even before the Ukraine-Russia war, energy and gas prices were on the rise and becoming a global economic threat. Now, sanctions on Russia have further driven up prices on oil prices and other commodities, including wheat.

Finally, China's heavy-handed COVID-19 strategies have been an

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important additional factor to global inflation.

So, what has kept the economy stable? Low unemployment, which suggests people still have money to spend. But again, this has led to more inflation since the consumers have had only a few places to spend their savings.

With so many factors pushing prices higher, there is no simple solution to fix today's rising inflation. The Federal Reserve has started its interest-rate hike regime, and the balance-sheet quantitative tightening is expected to be not far behind.

Raising rates would make borrowing more expensive, which means less spending and less demand for large ticket items such as houses and cars. The problem with addressing inflation with rate hikes is that it takes time before these hikes are felt through the broader economy.

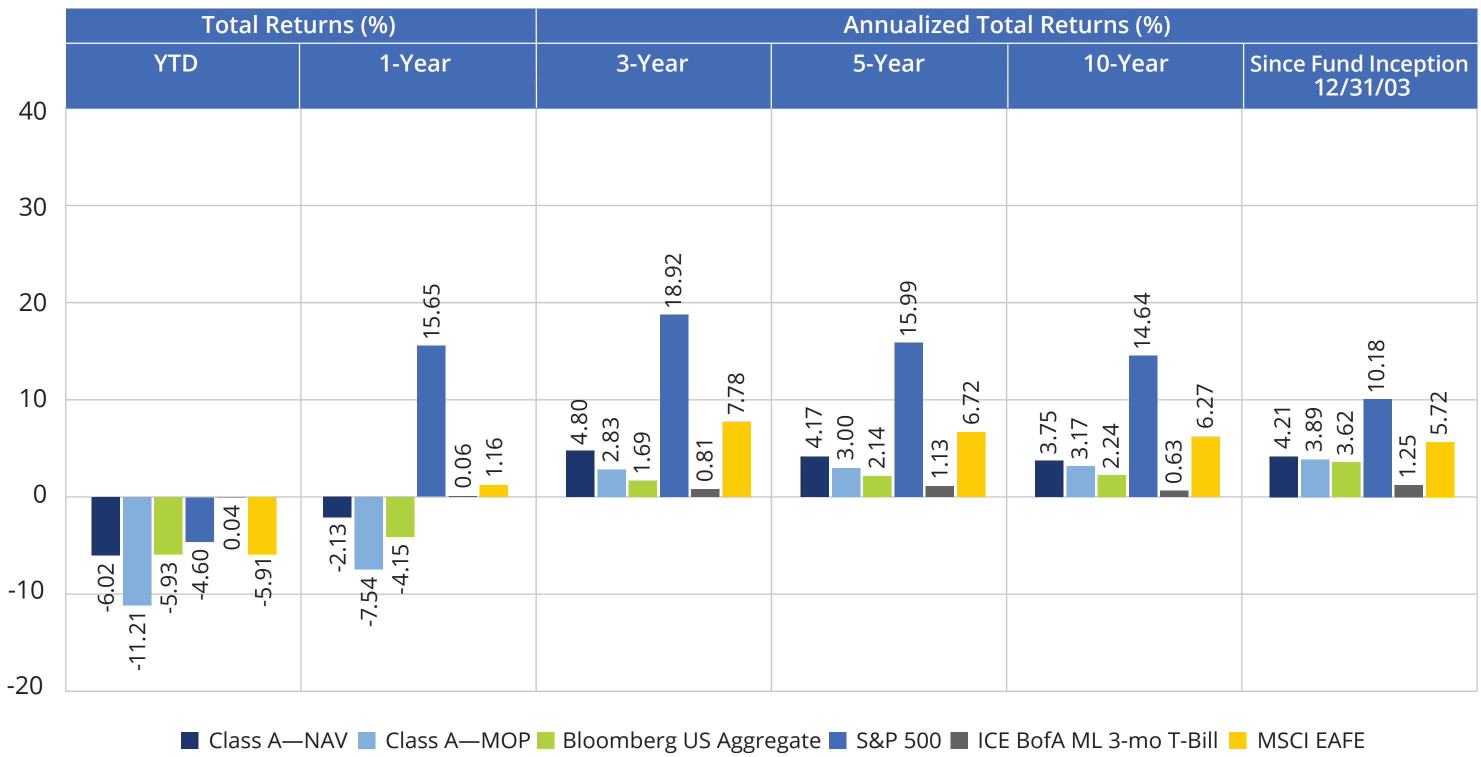
Recently, more Fed members have spoken with a hawkish tone to, in part, to dampen fear of continued increases in inflation. When everyone anticipates a rise in inflation, businesses and workers tend to charge more, self-perpetuating the cycle. The idea is to reduce this expectation of future inflation before it spirals out of control as it did in the 1970s.

But a danger in this hawkish strategy is that it could lead to the Fed moving too aggressively on rates, which could risk the chances of a soft-landing where the economy and inflation are slowed to a manageable pace.

While the Fed tries to adjust inflation expectations, there is very little it or the White House can do about price increases caused by supply-chain disruptions, COVID variants and a war in Ukraine. As we said, today's inflation has been caused by multiple factors and will require a multi-pronged and potentially painful solution, which will likely include raising interest rates, quantitative tightening, fixing supply chains, getting COVID under better control, and, hopefully, ending the Russia-Ukraine War.

Those are a lot of moving parts. In the coming months, it will be interesting to see if they will work together to bring down inflation while keeping the economy healthy.

Total Returns–Class A



Returns shown at net asset value (NAV) have all distributions reinvested. Returns shown at maximum offering price (MOP) for Class A shares reflect payment of the maximum sales charge of 5.50%. When a sales charge is illustrated, it is applied at the beginning of the period.

Net annual operating expenses for Class A are 1.21% and total (gross annual) expenses are 1.28%. Returns reflect reinvestment of dividends and distributions. The Fund's annual operating expenses shown above are effective 8/1/21 through 7/31/22. Gross Expense Ratio reflects the total annual operating expenses paid by the Fund. **Net Expense Ratio** reflects waivers, reductions, reimbursements, and the limitation of certain "Other Expenses." Expense caps and/or fee waivers are reevaluated annually. There is no guarantee that the investment adviser will continue to cap expenses after the expiration date. Please see the current prospectus for detailed information.

All share classes may not be available at all firms, and not all investors may be eligible for all share classes.

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Indexes are unmanaged and cannot be invested in directly. Further, they hold no cash and incur no expenses.

Definitions

The **Bloomberg US Aggregate Bond Index** is composed of investment-grade U.S. government and corporate bonds, mortgage passthrough securities, and asset-backed securities and is commonly used to track the performance of U.S. investment-grade bonds.

The **MSCI EAFE Index** is designed to measure the equity-market performance of developed markets in Europe, Australasia, and the Far East.

Quantitative tightening (QT) (or quantitative hiking) is a contractionary monetary policy applied by a central bank to decrease the amount of liquidity within the economy.

The **S&P 500 Index** is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the U.S. stock market.

Treasury Inflation-Protected Securities (TIPS) are a type of Treasury security issued by the U.S. government. TIPS are indexed to inflation in order to protect investors from a decline in the purchasing power of their money.

It is not possible to invest in an index.

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