PACIFIC FUNDS TRENDS

INVESTMENT IDEAS FOR TODAY'S PORTFOLIOS MAY 2022

IN HIKING CYCLES, WHY CONSIDER FLOATING-RATE LOANS

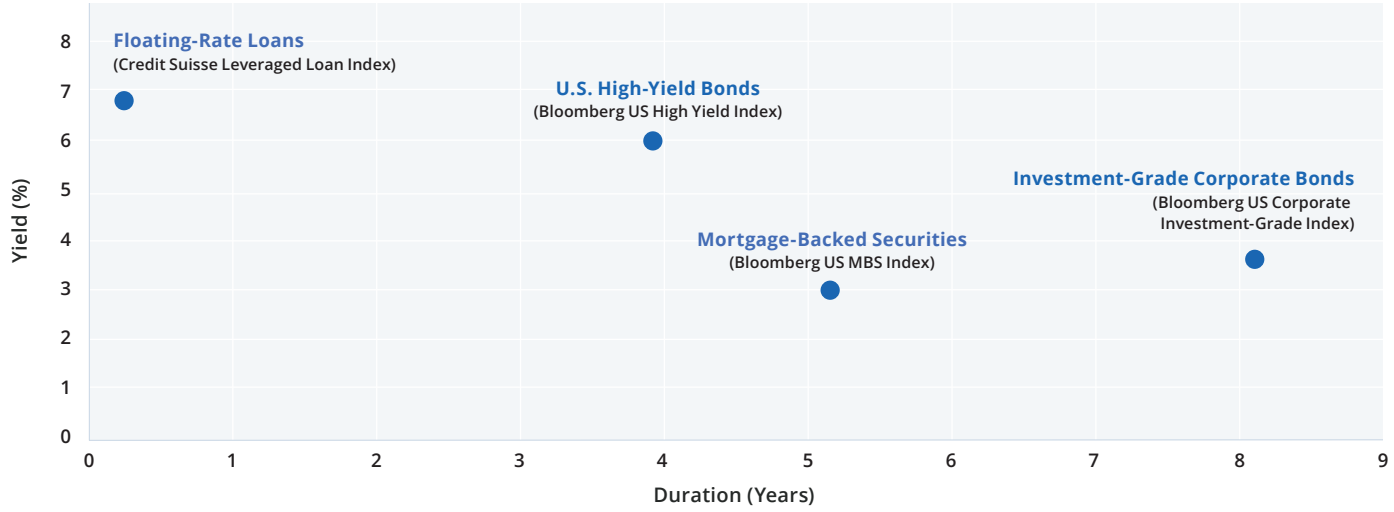
Floating-rate loans may provide higher levels of income than other fixed-income asset classes, along with serving as a potential hedge against rising interest rates.

Historically, during rate-hike cycles, floating-rate loans—whose coupons have tended to rise as interest rates increase—can become attractive to those investors seeking an asset class that may provide a high level of income, a potential defense against rate hikes and diversification.

Historically, Lower Duration Has Generated Higher Income in Rising Rate Environments

Floating-rate loans (bank loans) have historically provided more income per year of duration than other traditional fixed-income asset classes, typically resulting in lower interest-rate sensitivity than traditional fixed-income asset classes.

Higher Income Potential with Lower Duration



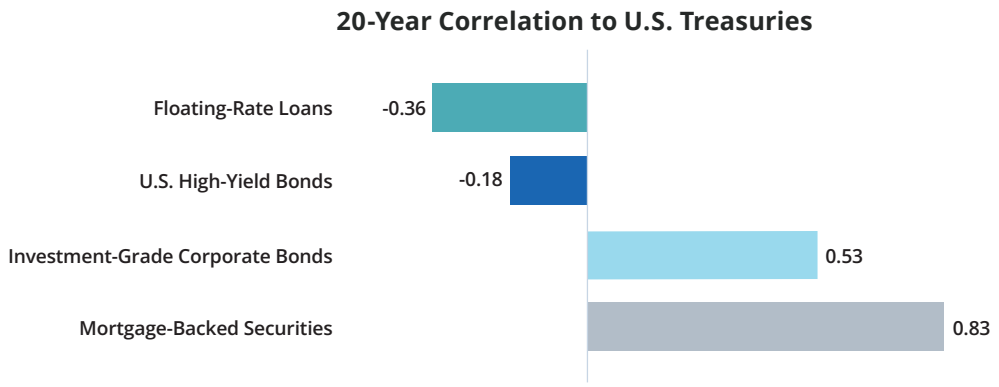
Source: Bloomberg and Credit Suisse as of 3/31/22

Performance data quoted represents past performance, which does not guarantee future results.
Diversification does not assure a profit, nor does it protect against a loss in a declining market.

MFC0152-0322
PF-20220513-0533

A Source of Diversification

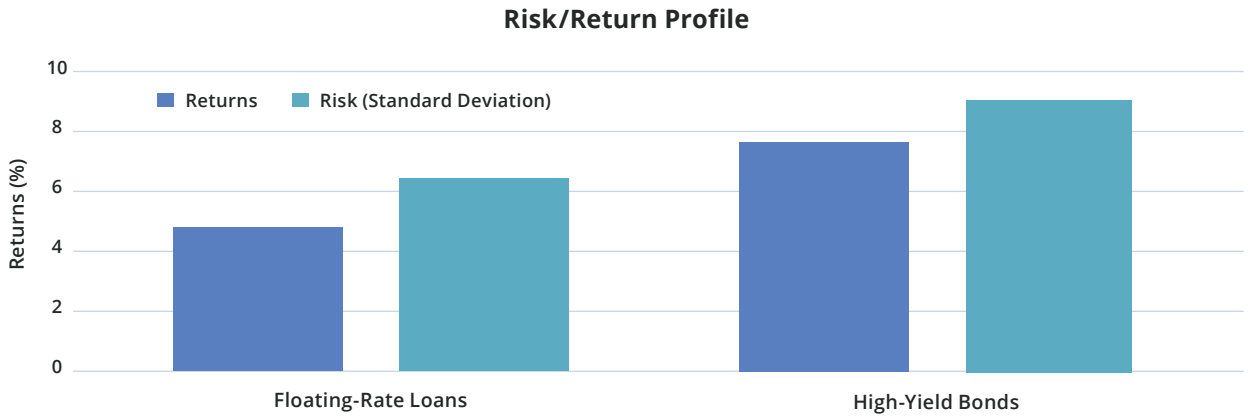
One of the risks inherent in traditional fixed-income asset classes is interest-rate risk, which can be measured by their correlation to U.S. Treasuries. Floating-rate loans have historically carried a low or negative correlation to U.S. Treasuries, having provided positive returns in rising interest-rate environments. This is because floating-rate loans generally have a lower sensitivity to interest-rate movements than other fixed-income asset classes since coupon rates can be periodically reset. This can provide a diversification benefit when added to a portfolio.



Source: Morningstar Inc. as of 3/31/22

Minimizing Risk: Senior-Secured Loans in a Low-Default Environment

The challenge investors face when constructing a diversified fixed-income portfolio is identifying asset classes that have the potential for attractive returns with minimal risk. Investors should be aware that during periods of economic decline, floating-rate loans can struggle as these securities can be exposed to increased credit risk. However, thanks to the current strong economy, defaults on floating-rate loans in 2021 stood at a decade-low 0.6%, and many expect defaults to remain low, at least in the near term. But even in cases of default, floating-rate loans—in contrast to other high-yield asset classes—sit at the top of a company's capital structure, are usually secured by assets, and may feature terms or covenants that offer holders of loans some measure of downside protection (for example, minimum levels of liquidity).



Source: Morningstar Inc. as of 3/31/22

Indexes are unmanaged and cannot be invested in directly.
Performance data quoted represents past performance, which does not guarantee future results.
Diversification does not assure a profit, nor does it protect against a loss in a declining market.

PACIFIC FUNDS

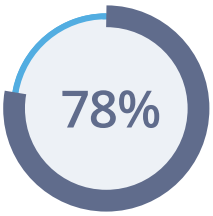
FLOATING RATE INCOME

Class A	Class I	Advisor Class
PLFLX	**PLBCX**	**PLFDX**

Pacific Funds Floating Rate Income is designed to seek high levels of income while limiting interest-rate sensitivity by investing primarily in floating-rate loans. The Fund has generated consistent returns relative to both its benchmark and the Morningstar Category™ average across a variety of environments. Since inception, the Fund has outperformed the Morningstar Bank Loan category in every rolling three-year period.

Pacific Funds Floating Rate Income Outperformed the Morningstar Bank Loan Category

OF ROLLING 1-YEAR PERIODS



31 out of 40 Periods

OF ROLLING 3-YEARS PERIODS

32 out of 32 Periods

Source: Morningstar® Inc., as of 3/31/22. Morningstar Category: Bank Loan (242 funds as of 3/31/22). The Morningstar Category Average is the average return for the peer group based on the returns of each individual fund within the group for the period shown. This average assumes reinvestment of dividends and capital gains, if any, and excludes sales charges.

Advisor Class shares as of March 31, 2022

Morningstar Rating™ ★★★★

Overall Rating out of 228 Bank Loan funds based on risk-adjusted returns

PERFORMANCE	**Total Returns (%)**				**Annualized Total Returns (%)**		
	3-Month	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**Since Inception 12/19/11**
Pacific Funds Floating Rate Income	0.02	0.02	3.25	3.47	3.49	4.12	4.20
Morningstar Bank Loan Category	-0.55	-0.55	2.25	2.86	2.92	3.37	3.79

CALENDAR YEAR-END RETURNS (%)

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
10.49	6.22	0.30	0.80	8.84	4.27	0.36	8.24	1.45	4.68

Advisor Class shares incepted 6/29/12. **Net** (reflects waivers, reductions, reimbursements, and the limitation of certain "Other Expenses")and **gross** (reflects the total annual operating expenses) **expense ratio** are 0.80% and 0.94%, respectively. Performance shown prior to that date is hypothetical and is that of Class I shares (6/30/11 inception date), restated to reflect applicable service and/or 12b-1 fees. Advisor Class shares are sold at net asset value without an initial sales charge and do not include a contingent deferred sales charge. Performance reflects any applicable fee waivers and expense reimbursements. 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.

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the performance quoted. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For performance data current to the most recent month-end, call Pacific Funds at (800) 722-2333 or go to PacificFunds.com/Performance.

For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. The top 10% of funds in each category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. Morningstar Ratings for other share classes may have different performance characteristics. The Fund's Advisor Class shares also received a five-year rating of 4 stars out of 212 funds and three-year rating of 4 stars out of 228 funds. For Overall, three-, five-, and ten-year (if applicable) Morningstar Ratings for other share classes, visit PacificFunds.com/Performance.

For more information about
Pacific Funds Floating Rate Income, visit **PacificFunds.com**.

Definitions

Bank Loan portfolios primarily invest in floating-rate bank loans instead of bonds. In exchange for their credit risk, these loans offer high interest payments that typically float above a common short-term benchmark such as the London interbank offered rate, or LIBOR.

Duration measures a fund's sensitivity to interest-rate risk where the longer a fund's duration, the more sensitive, and vice versa.

The **Bloomberg US Corporate Index** includes publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

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

The **Bloomberg US Mortgage-Backed Securities Index**, is a market value-weighted index composed of agency mortgage backed pass-through securities of the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) with a minimum $150 million par amount outstanding and a weighted-average maturity of at least 1 year.

The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.

Correlation is a statistical measurement that shows the degree to which two securities move in relation to each other.

Standard Deviation measures the dispersion of a data set relative to its mean and can be used as a measurement of volatility and/or risk of a security.

About Principal Risks
All investing involves risks including the possible loss of the principal amount invested. There is no guarantee the Fund will achieve its 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 Fund is 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 Fund is also subject to foreign-markets risk.

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 investment products.

Investors should consider a fund's investment goal, risks, charges, and expenses carefully before investing. The prospectus and/or summary prospectus should be read carefully before investing. The prospectus can be obtained by visiting PacificFunds.com.

Pacific Funds are distributed by **Pacific Select Distributors, LLC** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company (Newport Beach, CA), and are available through licensed third parties. Pacific Funds refers to Pacific Funds Series Trust.

MFC0152-0322
PF-20220513-0533

Mailing address:
P.O. Box 9768, Providence, RI 02940-9768
(800) 722-2333 • www.PacificFunds.com

PACIFIC FUNDS