

# High Yield Bond Strategy

## December 2016

### OBJECTIVE

The High Yield Bond Strategy seeks to outperform the Barclays High Yield 2% Capped Index.

### INVESTMENT STRATEGY

The Strategy seeks its objective by investing primarily in non-investment grade corporate debt securities.

The Strategy's investment process is fundamental credit analysis with a top-down overlay. The process emphasizes relative value and liquidity, allowing flexibility and enables us to express our views with conviction.

### DIFFERENTIATING FEATURES

We focus on fundamental corporate credit research across the credit spectrum. Our single integrated research and portfolio management team's coverage through the capital structure provides the perspective to identify opportunities and relative value through all areas of the credit markets.

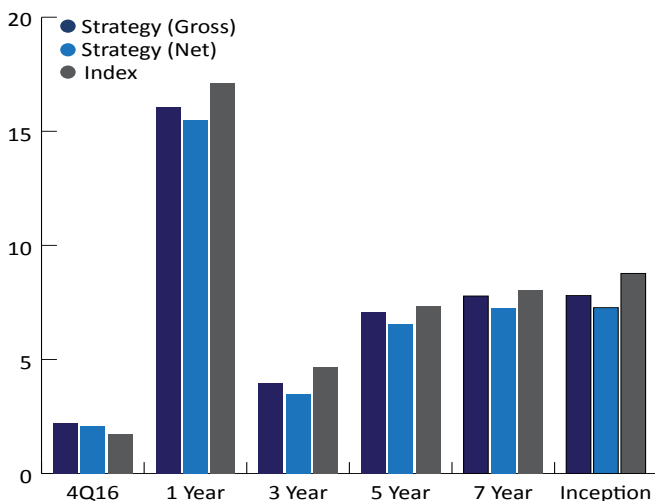
Investment team consists of 16 professionals who, on average, have 16 years investment experience and have worked together for over 10 years.

### STRATEGY BENEFITS

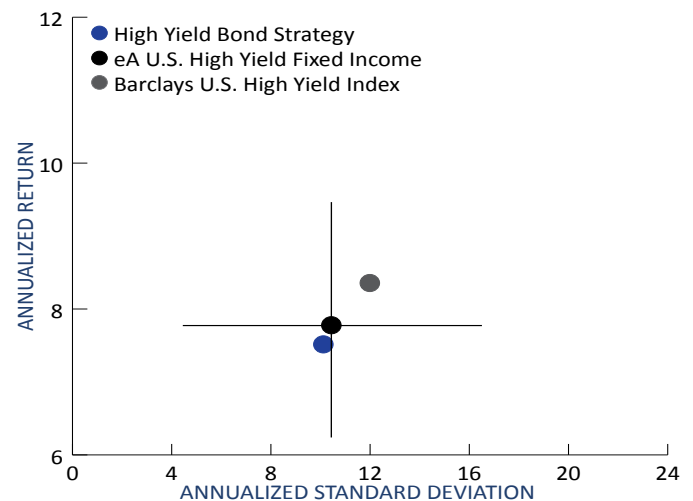
High Yield bonds provide investors higher income and return potential than investment grade bonds. Additionally, High Yield bonds have provided diversification to an overall portfolio through lower correlation and interest rate sensitivity than investment grade bonds.

The Strategy provides investors exposure to High Yield bonds with a flexibility to invest across the capital structure, providing access to our investment team's expertise throughout the credit spectrum.

## HISTORICAL RETURNS



## RISK-REWARD ANALYSIS



ANNUALIZED - ENDING 4Q16	1 YEAR	2 YEAR	3 YEAR	4 YEAR	5 YEAR	6 YEAR	7 YEAR	8 YEAR	INCEPTION
High Yield Bond Strategy (Gross)	16.06	5.51	3.98	4.96	7.09	6.58	7.78	11.43	7.80
High Yield Bond Strategy (Net)	15.49	4.98	3.47	4.44	6.56	6.05	7.24	10.88	7.27
Barclays U.S. High Yield Index 2% Capped	17.13	5.80	4.67	5.36	7.36	6.96	8.06	13.39	8.77

CALENDAR YEAR RETURNS	4Q16	2016	2015	2014	2013	2012	2011	2010	2009	2008
High Yield Bond Strategy (Gross)	2.21	16.06	-4.09	1.00	7.94	16.04	4.07	15.26	40.75	-18.84
High Yield Bond Strategy (Net)	2.09	15.49	-4.57	0.50	7.41	15.47	3.55	14.69	40.07	-19.12
Barclays U.S. High Yield Index 2% Cap	1.75	17.13	-4.43	2.46	7.44	15.78	4.96	14.94	58.76	-23.61

Inception of the High Yield Bond Strategy is April 1, 2008.

Past performance is not indicative of future results. Indexes are unmanaged and unavailable for investment.

# High Yield Bond Strategy

## December 2016



### Inception

April 1, 2008

### Benchmark

Barclays High Yield 2% Capped Index

### Strategy Assets

\$ 917m

### Portfolio Managers (experience)

Bob Boyd (18 years)

Brian Robertston, CFA (13 years)

## SINCE INCEPTION RISK-REWARD STATISTICS

	Strategy	Index
Standard Deviation	10.39	12.87
Beta	0.78	1.00
Sharpe Ratio	0.73	0.66
Information Ratio	-0.24	N/A
Upside Capture	91.16	N/A
Downside Capture	96.27	N/A

Source: Evestment Alliance as of 12/31/2016

Pacific Asset Management claims compliance with the Global Investment Performance Standards (GIPS®).

**FIRM DEFINITION** - Pacific Asset Management is a business division of Pacific Life Fund Advisors LLC, an SEC registered investment adviser and a wholly owned subsidiary of Pacific Life Insurance Company.

**COMPOSITE DESCRIPTION** - The High Yield Strategy consists of portfolios primarily invested in non-investment grade securities.

**RETURNS** - presented gross and net of fees.

**BENCHMARK DESCRIPTION** - The Barclays High Yield Index covers the universe of fixed rate, non-investment grade debt.

**CURRENCY** - Valuations are computed and performance is reported in U.S. dollars.

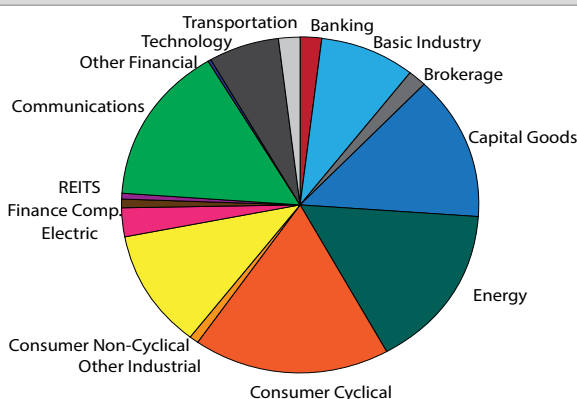
**OBTAINING A COMPLIANT PRESENTATION** along with a list of the firms composite descriptions can be obtained by emailing [contactPAM@PacifiLife.com](mailto:contactPAM@PacifiLife.com).

CHARACTERISTICS	Strategy	Index
Duration	4.19	4.11
Yield to worst (%)	5.82	6.12
Yield to maturity (%)	6.11	6.46
Average maturity	5.87	6.30
Average price	101.77	99.80
Average quality	B	B+/B
Average coupon (%)	5.88	6.50
# of issues	183	2,111
# of issuers	139	1,029

CREDIT QUALITY (%)	Strategy	Index
Cash	0	0
BBB or above	10	0
BB	38	45
B	32	38
CCC or below	9	17
Other / Not Rated	11	0

ASSET BREAKDOWN (%)	Strategy	Index
Corporate	10	0
High Yield	79	100
Bank Loans	0	0
Equities	3	0
Other	8	0
Cash	0	0

## SECTOR BREAKDOWN



### IMPORTANT NOTES AND DISCLOSURES

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