

# Corporate (Bank) Loan Strategy

## December 2018

### OBJECTIVE

The Corporate (Bank) Loan Strategy seeks to outperform the Credit Suisse Leveraged Loan Index.

### INVESTMENT STRATEGY

The Strategy invests primarily in first lien bank loans of non-investment grade companies. The investment process is fundamental credit analysis focused on the larger companies. This process emphasizes relative value and liquidity, allowing us to be flexible and express views with conviction.

### DIFFERENTIATING FEATURES

We believe our differentiator is a more selective approach with a focus on larger companies. We look for companies having strong fundamental characteristics with a catalyst for outperformance. Our process generally filters out companies with less than \$100m in EBIT-DA and loan facilities/sizes of less than \$300m.

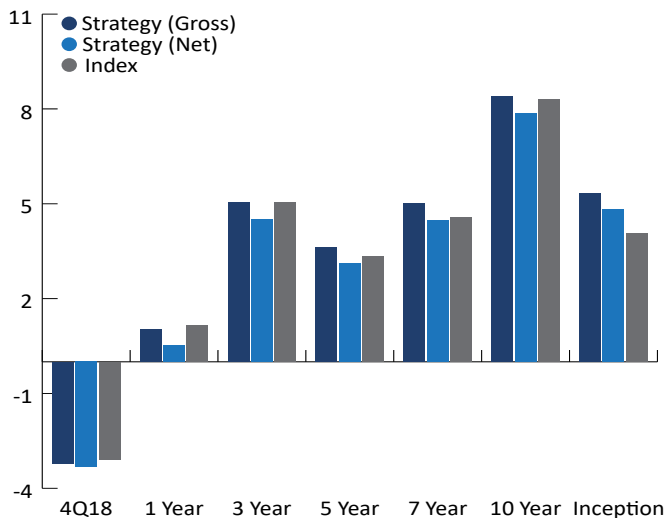
We believe our focus on providing attractive income, total return, and liquidity while minimizing downside risk is a key differentiator in our process.

### STRATEGY BENEFITS

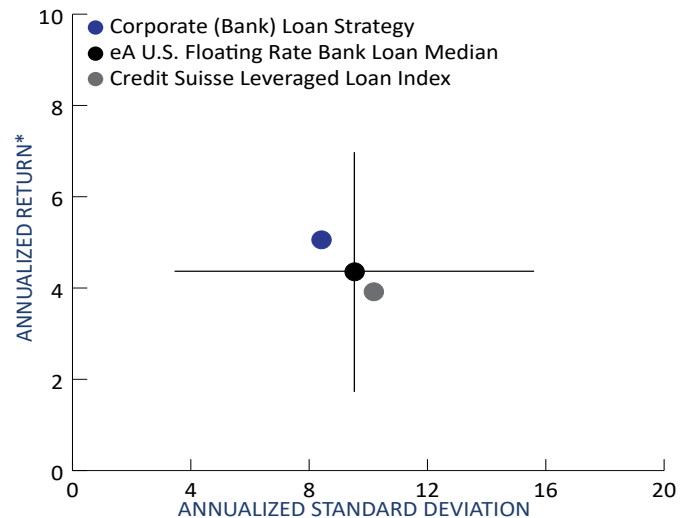
Loans provide attractive levels of income while mitigating two very distinct risks within fixed income; interest rate and credit risk. Floating rate coupons result in little interest rate sensitivity (duration). Regarding credit risk, bank loans are senior in a company's capital structure. This typically results in much higher recovery rates when compared to high yield bonds.

Bank loans can also provide diversification benefits as loan returns have been negatively correlated with the returns of Treasuries and positively correlated with inflation.

### HISTORICAL RETURNS



### RISK-REWARD ANALYSIS



ANNUALIZED - ENDING 4Q18	4Q18	1 Year	3 Year	5 Year	7 Year	10 Year	INCEPTION
Corporate (Bank) Loan Strategy (Gross)	-3.21	1.03	5.04	3.63	5.01	8.41	5.34
Corporate (Bank) Loan Strategy (Net)	-3.33	0.53	4.51	3.11	4.49	7.87	4.82
Credit Suisse Leveraged Loan Index	-3.08	1.14	5.03	3.33	4.58	8.30	4.05

CALENDAR YEAR RETURNS	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Corporate (Bank) Loan Strategy (Gross)	1.03	4.91	9.33	1.85	1.26	6.43	10.69	3.29	10.67	39.30	-19.55	3.50
Corporate (Bank) Loan Strategy (Net)	0.53	4.39	8.79	1.34	0.76	5.91	10.14	2.78	10.12	38.62	-19.96	2.99
Credit Suisse Leveraged Loan Index	1.14	4.25	9.88	-0.38	2.06	6.15	9.43	1.82	9.97	44.87	-28.75	1.88

Inception of the Corporate (Bank) Loan Strategy was January 1, 2007. Past performance is not indicative of future results. Indexes are unmanaged and unavailable for investment. For Institutional Investor use only. Gross-of-fee returns are presented before management fees but after all trading expenses. Net-of-fee returns are presented after management fees and trading expenses. \* Risk/Reward Analysis chart provides annualized inception return and annualized inception standard deviation. Risk/Reward Analysis performance represents gross-of-fee returns.

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## Inception

January 1, 2007

## Benchmark

Credit Suisse Leveraged Loan Index

## Strategy Assets

\$ 3,637m

## Portfolio Managers (experience)

JP Leasure (22 years)

Michael Marzouk, CFA (21 years)

## SINCE INCEPTION RISK-REWARD STATISTICS

	Strategy	Index
Standard Deviation	8.23	10.25
Beta	0.77	1.00
Sharpe Ratio	0.55	0.31
Information Ratio	0.38	N/A
Upside Capture	100.55	N/A
Downside Capture	74.15	N/A

Source: eVestment, as of 12/31/2018

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 Corporate (Bank) Loan Composite consists of fixed income portfolios comprised primarily of bank loans of non-investment grade companies.

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

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

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

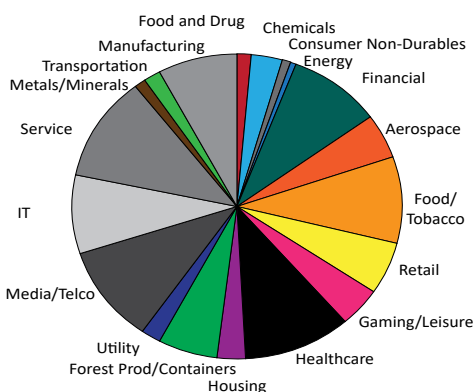
**OBTAINING A COMPLIANT PRESENTATION** along with a list of the firms composite descriptions can be obtained by emailing [contactPAM@PacifiLife.com](mailto:contactPAM@PacifiLife.com).

CHARACTERISTICS	Strategy	CS Leveraged Loan Index
Duration	0.28	0.25
Effective yield (%)	7.30	7.86
Average maturity	5.07	5.13
Average price (\$)	95.31	94.09
Average quality	B+	BB-
Average coupon (%)	5.94	6.12
# of issues	152	1,664
# of issuers	124	1,358

CREDIT QUALITY (%)	Strategy	CS Leveraged Loan Index
Cash	3	0
BBB	2	8
BB	24	32
B	61	52
CCC	10	5
CC or below	0	1
Not rated	0	2

ASSET BREAKDOWN (%)	Strategy	CS Leveraged Loan Index
Cash	3	0
Bank Loans		
- First lien	87	96
- Second lien	8	4
- Third lien/Unsecured	0	0
High Yield Bonds		
- Secured	1	0
- Unsecured	1	0

## SECTOR BREAKDOWN (%)



## IMPORTANT NOTES AND DISCLOSURES

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