

MONEY MANAGER SELECTION



Identifying and maintaining leading money managers for certain variable investment options in Pacific Life's Variable Life Insurance and Variable Annuities Products



Diverse Investment Options

At Pacific Life, we recognize the importance of having a diverse mix of investment options available within our variable life insurance products and variable annuity contracts to help you meet your insurance needs and financial goals. One way we accomplish this is through Pacific Select Fund. Pacific Select Fund is our proprietary variable insurance trust that was established by Pacific Life Insurance Company in 1988 to offer our variable product policyowners an array of investment options managed by various money managers.



Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value

In 2007, Pacific Life Insurance Company created Pacific Life Fund Advisors LLC (PLFA), a wholly-owned subsidiary dedicated to the investment advisory business, which includes the role of investment adviser to Pacific Select Fund. As part of this role, PLFA selects money managers to manage various portfolios of Pacific Select Fund. In doing so,

PLFA considers quantitative and qualitative factors in identifying money managers across a spectrum of investment disciplines and follows a thorough due diligence process to select money managers and evaluate existing portfolios and the need for new portfolios within the Pacific Select Fund.

Money Manager Selection

Over the past 20 years, the manager selection process has evolved and improved, and strives to offer a broad range of industry-leading investment choices. Pacific Select Fund has investment portfolios across multiple asset classes. Each money manager is selected only after thorough analysis in four key areas.

- Philosophy/Style
- People
- Process
- Performance/Risk



Constantly Seeking Excellence

PLFA generally conducts searches to seek out top-performing money managers for Pacific Select Fund when introducing a new asset class or investment style, broadening investment options within an asset class or replacing an existing manager.

The comprehensive manager selection process combines quantitative analysis of portfolio performance and characteristics with qualitative due diligence of money management organizations.

The following describes the typical manager selection process. In certain instances, the process may vary.

MANAGER SELECTION OVERVIEW

1. Determine desired strategy
2. Identifying candidates
3. Narrowing the field
4. Quantitative analysis to identify finalists
5. Qualitative analysis of finalists
6. Meeting the people - portfolio managers, traders, senior management, and other key personnel
7. Evaluate candidate firm's compliance operations and risk resources and procedures.
8. Final recommendation to Board of Trustees of Pacific Select Fund for approval

DETERMINE DESIRED STRATEGY

Periodic evaluation of Pacific Select Fund's investment portfolios helps identify strategies that can broaden its existing lineup and pinpoint asset classes where the offerings can be expanded. This is a precise exercise that considers investment style, market capitalization, and correlation to existing portfolios within each asset class in defining the specific attributes of the desired strategy.

Defining the strategy enables PLFA to offer multiple investment portfolios across many asset classes within Pacific Select Fund.

IDENTIFYING CANDIDATES

Once a target strategy is determined, PLFA's research team assembles a universe of potential managers to analyze from multiple sources:

- Morningstar's mutual funds database
- Morningstar's and eVestment Alliance's separate account databases
- Investment industry contacts, including existing subadvisors
- Investment consultants

NARROWING THE FIELD

The initial universe is narrowed down through broad quantitative screens to isolate portfolio managers possessing:

- Superior performance over three and five-year periods
- Extensive tenure and strategy experience
- Investment characteristics that match the strategy mandate

This list is further segmented by performance to help produce a short list of leading candidates.





Digging Under the Surface

QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINALISTS - RUNNING THE NUMBERS

Utilizing multiple statistical measures, PLFA conducts both returns-based analyses that examine each manager's consistency of performance and attribution relative to peers and benchmark indices and holdings-based analyses that scrutinize portfolio compositions for style consistency and security characteristics.

This process seeks to ensure that the finalists selected (1) exhibit consistently generated above-average performance, (2) have an appropriate risk profile, and (3) possess an investment strategy consistent with the desired mandate.

FINAL RECOMMENDATION AND APPROVAL

The PLFA investment team meets with its senior management, as well as the Life and Retirement Solutions divisions of Pacific Life, to review the investment strategy and the recommended management firm to confirm that the proposed additions or changes will meet the investment needs of variable product clients. The new portfolio and investment manager or the proposed new money manager for an existing portfolio is then presented to the Board of Trustees of Pacific Select Fund for approval.

MEETING THE PEOPLE

Manager finalists are required to complete a request for proposal (RFP) that seeks detailed information about their organization, resources, investment strategy, and compliance controls. The RFP serves as a starting point for onsite interviews of portfolio managers, traders, senior management and other key personnel. PLFA uses this opportunity to address any areas of concern and to confirm what the earlier analysis has suggested about a firm's philosophy, people, and process.

Based on a full review of all relevant data and the results of the onsite visit, a final manager is selected and a formal recommendation is prepared for final approval.

The analytical expertise of PLFA is truly brought to bear through an in-depth evaluation of these leading managers.

Promoting Consistency

Due diligence doesn't end with manager selection. Markets change and so do money managers. To ensure that the managers PLFA chooses continue to provide the results that are expected, PLFA conducts continuous oversight of existing managers and their portfolios.

DAILY AND MONTHLY REPORTS

These summaries provide a snapshot of a strategy's short-term performance relative to its peer group and benchmark. It is an effective means of monitoring asset flows and flagging areas of dispersion for further analysis.

QUARTERLY SCORECARD

Robust performance analysis is conducted every 90 days to measure a strategy's relative and risk-adjusted performance over multiple time periods. PLFA has found this analysis useful in monitoring the managers. Based on performance scoring, PLFA determines whether any action is necessary.

QUARTERLY CHECKLIST

Strong performance isn't the only metric scrutinized. PLFA speaks with all managers on a quarterly basis to find out how the portfolio's performance was achieved and whether it was done so within the confines of the portfolio's investment strategy parameters. This regular review of a manager's philosophy and process helps to reaffirm the portfolios are managed as expected, and to assist PLFA in setting expectations.

ANNUAL REQUEST FOR INFORMATION

Every firm managing an investment portfolio for Pacific Select Fund is required to annually complete a request for information (RFI) questionnaire which serves as yet another form of quality control. PLFA also targets an onsite meeting with each money manager once a year where organizational changes, performance, style, compliance and any other matters raised in the RFI are reviewed.

Success in selecting and keeping the right money managers is not reflected in raw numbers alone, but in the confidence of the people who continue to own Pacific Life variable universal life insurance policies and/or variable annuity contracts.

About Pacific Life

For more than 150 years, Pacific Life has helped millions of individuals and families with their financial needs through a wide range of life insurance products, annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses, and pension plans. Whether your goal is to protect loved ones or grow your assets for retirement, Pacific Life offers innovative products and services that provide value and financial security for current and future generations. Pacific Life counts more than half of the 100 largest U.S. companies as its clients and has been named one of the 2020 World's Most Ethical Companies® by the Ethisphere Institute. For additional company information, including current financial strength ratings, visit www.PacificLife.com.

*Pacific Life refers to Pacific Life Insurance Company and its affiliates, including Pacific Life & Annuity Company.
Client count as of June 2019 is compiled by Pacific Life using the 2019 FORTUNE 500® list.*

A variable universal life (VUL) insurance policy is primarily purchased to provide death benefit protection. Additionally, owning a VUL policy requires decisions about allocating your policy cash values among the product's variable and fixed investment options. There are certain policy fees or expenses that are associated with a VUL policy which include but are not limited to premium loads, Cost of Insurance, policy administration fees and charges, asset-based charges, and surrender charges.

Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.

Variable annuities are long-term investments designed for retirement. Annuity withdrawals and other distributions of taxable amounts, including death benefit payouts, will be subject to ordinary income tax. For nonqualified contracts, an additional 3.8% federal tax may apply on net investment income. If withdrawals and other distributions are taken prior to age 59 1/2, an additional 10% federal tax may apply. A withdrawal charge may also apply. Withdrawals will reduce the contract value and the value of the death benefits, and also may reduce the value of any optional benefits.

Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.



PACIFIC LIFE

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eVestment delivers insight and intelligence to the institutional investing community through a comprehensive, global database and cloud-based analytics technology.

Morningstar, Inc., headquartered in Chicago, Illinois, is a leading provider of independent investment research and data.

You should carefully consider a variable insurance product's risks, charges, limitations, and expenses, as well as the risks, charges, expenses and investment goals/objectives of the underlying investment options. This and other information about Pacific Life insurance products are provided in the applicable product and underlying fund prospectuses. These prospectuses are available from your life insurance producer or at www.PacificLife.com. Read them carefully before investing or sending money.