
QDIA Validation

Pacific Life Funds

PL Portfolio Optimization Funds

- Aggressive
 - Moderate-Aggressive
 - Moderate
 - Moderate-Conservative
 - Conservative
-

August 19, 2013

DALBAR, Inc.
Audit & Due Diligence Division



Federal Reserve Plaza
600 Atlantic Ave, FL 30
Boston, MA 02210
617.723.6400
www.DALBAR.com

Table of Contents

QDIA VALIDATION - STATUS AS OF AUGUST 2013	2
THE INVESTMENT	3
→ VALIDATION GRID	3
INTRODUCTION	5
CAPITAL PRESERVATION/APPRECIATION ANALYSIS	6
ASSET ALLOCATION OUTCOMES FOR <i>PL PORTFOLIO OPTIMIZATION FUNDS</i>	6
CAPITAL PRESERVATION AND APPRECIATION HISTORY	7
APPLICABILITY AS QDIA ALTERNATIVE	8
QUALIFICATION ANALYSIS	13
REASONABLENESS AS AN INVESTMENT	16
APPENDICES	18
A. ASSET ALLOCATORS	19
B. PORTFOLIO MANAGERS –UNDERLYING INVESTMENTS	20
C. RISK/RETURN ANALYSIS	22
1. INVESTMENT	22
2. UNDERLYING INVESTMENTS	22
D. PERFORMANCE ANALYSIS	24
1. INVESTMENT	24
2. UNDERLYING INVESTMENTS	25
E. EXPENSE ANALYSIS	27

QDIA Validation - Status as of August 19, 2013

V
A
L
I
D
A
T
I
O
N

DALBAR APPROVED

VALIDATED for QDIA

DALBAR has evaluated the *PL Portfolio Optimization Funds* of the *Pacific Life Funds (Trust)* to determine if they comply with the requirements to be used as a Qualified Default Investment Alternative (QDIA) as defined by the Employee Retirement Income Security Act of 1974, as amended [ERISA] Section 404(c)(5) and associated regulations.

PL Portfolio Optimization Funds are referred to as the Investment and are registered investment companies that are reported to be in compliance with all applicable regulations.



The Investment

The *Pacific Life Funds PL Portfolio Optimization Funds (Investment)*, open end regulated investment companies managed collectively by *Pacific Life Fund Advisors LLC (Manager)* were examined in relation to requirements for use as a Qualified Default Investment Alternative under ERISA Section 404(c)(5). The *Investment* consists of the:

- PLPO Aggressive Fund** - high, long-term capital appreciation.
- PLPO Moderate-Aggressive Fund** - moderately high, long-term capital appreciation with low, current income.
- PLPO Moderate Fund** - long-term growth of capital and low to moderate income.
- PLPO Moderate-Conservative Fund** - current income and moderate growth of capital.
- PLPO Conservative Fund** - current income and preservation of capital.

→ Validation Grid

The following table summarizes the ways in which the *PL Portfolio Optimization Funds* qualifies as a QDIA.

In each case the *Investment* being validated may be applicable as the only one used (stand-alone) or may be used in conjunction with other investments (sleeve) in a model portfolio managed by an investment adviser that qualifies under ERISA section 3(38). The QDIA validation determines which QDIA alternative(s) apply and whether the *Investment* may be used stand-alone and/or as a sleeve in a portfolio.

<i>PL PORTFOLIO OPTIMIZATION FUNDS</i>			
QDIA Alternative		Stand Alone	Sleeve of portfolio
1	Age Based	No	Yes
2	Risk Based	Yes	Yes
3	Managed Account	No	Yes
4	Short Term	No	No
5	Grandfathered	No	No

NOTEWORTHY OBSERVATIONS:

- The *PL Portfolio Optimization Funds* have demonstrated consistency with the intrinsic principles of asset allocation and the emphasis of each fund during the most stressful periods in recent history. The group of funds performed well during the market decline of 2008, the recovery of 2009, the turbulence of 2011 and the most recent calendar year of 2012.

➔ **Conclusion.** The selection and use of *PL Portfolio Optimization Funds* have the distinct advantage of success during the most stressful periods of recent investment history.

In our opinion, a fiduciary that prudently identifies appropriate participants for the applicable *PL Portfolio Optimization Fund* has fully complied with the duty to act in the best interest of those plan participants.

- The *PL Portfolio Optimization Funds* were found to be suitable as an array of QDIAs for plans that serve more than one demographic group of participants. The range of risk profiles, from Aggressive to Conservative, permits plan fiduciaries and advisors to select one or more funds as appropriate.

➔ **Conclusion.** The *PL Portfolio Optimization Funds* as a group represent a range of capital preservation and potential appreciation to be used collectively as a QDIA in a computer model that can assign risk tolerances to participants.

Introduction

This report contains DALBAR's independent analysis of the *Pacific Life Funds PL Portfolio Optimization Funds* and *Pacific Life Fund Advisors LLC* and is intended to supplement the duty of fiduciaries to prudently select investments for use as a Qualified Default Investment Alternative. Since this is a supplement, the content of this report is intended as a guideline and is not a substitute for the evaluation required by regulations.

As an independent expert, DALBAR has no affiliation with the *Pacific Life Funds, PL Portfolio Optimization Funds* or *Pacific Life Fund Advisors LLC* and has the training, experience and proficiency to conduct this analysis. DALBAR has a 30-year history recognized by industry and government as an independent third-party expert in the business of providing evaluations, ratings and due diligence. DALBAR certifications are recognized as marks of excellence in adviser services, communications, electronic and telephone services. DALBAR is the only ratings firm with an SEC no-action letter exempting certain of its evaluations from the testimonial rule.

This analysis consists of four separate evaluations that are designed to validate if the *Pacific Life Funds PL Portfolio Optimization Funds* and *Pacific Life Fund Advisors LLC* meet the requirements of ERISA section 404(c)(5) and related regulations. These evaluations are:

- **Capital Preservation/Appreciation Analysis:** Compares ability of the *Investment* to preserve capital in a down market and realize appreciation in an up market.
- **Applicability as QDIA Alternative:** A determination of which class or classes of QDIA are appropriate uses of the *PL Portfolio Optimization Funds*.
- **Qualification Analysis:** An evaluation of the qualifications of *Pacific Life Fund Advisors LLC* to meet the regulatory requirements for a QDIA manager.
- **Reasonableness as an Investment:** An assessment of whether *PL Portfolio Optimization Funds* meets the DALBAR standard of reasonableness.

For more information concerning this report, please contact DALBAR at:



Attn: Audit & Due Diligence

**Federal Reserve Plaza
600 Atlantic Ave, FL 30
Boston, MA 02210
617.723.6400**

audit@DALBAR.com

Capital Preservation/Appreciation Analysis

This analysis addresses the fundamental requirement of every asset allocation strategy to preserve capital while realizing appreciation.

The *Investment* is compared to a benchmark of moderately balanced funds in four critical periods to identify how responsive it has been during these periods. The periods are:

- **Down Market (2008)**. Test of capital preservation capability.
- **Up Market (2009)**. Test of capital appreciation capability.
- **Turbulent Market (2011)**. Test of preservation and appreciation capability in volatile conditions.
- **Recent Market (2012)**. Test of performance consistency in the most recent year.

A benchmark of moderate balanced funds is used to illustrate the relative performance in each of these market conditions. When successful, more aggressive investments should outperform this benchmark in Up Markets (first or second quartile) and under-perform in Down Markets (third or fourth quartile). When successful, more conservative investments should outperform this benchmark in Down Markets (first or second quartile) and under-perform in Up Markets (third or fourth quartile).

Asset Allocation Outcomes for PL Portfolio Optimization Funds

		Annual Investment Return %			
		First Quartile (Best)	Second Quartile	Third Quartile	Fourth Quartile (Worst)
Results for this <i>Investment</i>					
PLPO Aggressive Fund –Class A	Down Market (2008)				(40.02)
	Up Market (2009)	33.28			
	Turbulent Market (2011)				(4.20)
	Recent Market (2012)	14.93			
PLPO Moderate-Aggressive Fund –Class A	Down Market (2008)				(33.85)
	Up Market (2009)	30.40			
	Turbulent Market (2011)				(2.04)
	Recent Market (2012)	14.32			
PLPO Moderate Fund –Class A	Down Market (2008)		(26.73)		
	Up Market (2009)		27.07		
	Turbulent Market (2011)			(0.20)	
	Recent Market (2012)		13.00		

		Annual Investment Return %			
		First Quartile (Best)	Second Quartile	Third Quartile	Fourth Quartile (Worst)
PLPO Moderate-Conservative Fund –Class A	Down Market (2008)	(18.76)			
	Up Market (2009)			22.28	
	Turbulent Market (2011)		1.13		
	Recent Market (2012)			10.84	
PLPO Conservative Fund –Class A	Down Market (2008)	(10.26)			
	Up Market (2009)				18.49
	Turbulent Market (2011)		2.61		
	Recent Market (2012)				9.03
Average for all PLPO Class A funds in the <i>Investment</i> .	Down Market (2008)			(25.92)	
	Up Market (2009)		26.30		
	Turbulent Market (2011)			(0.54)	
	Recent Market (2012)			12.42	
Benchmark: Lowest return % in each quartile					
Moderate Balanced Funds	Down Market (2008)	(23.61)	(26.95)	(29.29)	(38.89)
	Up Market (2009)	27.21	24.89	21.36	11.68
	Turbulent Market (2011)	1.26	0.26	(1.06)	(3.43)
	Recent Market (2012)	13.09	12.11	10.78	8.81

Capital Preservation and Appreciation History

The *PL Portfolio Optimization Funds* have demonstrated consistency with the stated goals and emphasis of each fund during the most stressful periods in recent history. The group of funds performed well during the market decline of 2008, the recovery of 2009, the turbulence of 2011 and the most recent calendar year of 2012.

Funds Emphasizing Capital Preservation

The Conservative and the Moderate-Conservative funds both ranked in the top quartile during 2008 where capital preservation was tested most.

Funds Emphasizing Appreciation

The Aggressive and the Moderate-Aggressive funds both ranked in the top quartile in 2009 and 2012 when the capital appreciation opportunity was the greatest.

Fund Emphasizing Moderation

The Moderate fund demonstrated the ability to make a tradeoff between capital preservation and appreciation by maintaining a second or third quartile rank through all years tested.


Applicability as QDIA Alternative

There are five types of investments that are named as possible QDIA alternatives. In each case the *Investment* being validated may be applicable as the only one used (stand alone) or may be used in conjunction with other investments (sleeve). The alternatives are:

1. Age Based
2. Risk Based
3. Managed Account
4. Short Term (not applicable here)
5. Grandfathered (not applicable here)


The Applicability phase of the QDIA validation examines the *Investment* to determine which alternatives apply and whether it may be used stand-alone and/or as a sleeve.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
1. Age Based - An investment fund product or model portfolio that:			
a) ...applies generally accepted investment theories,	N/A	Yes	The <i>Investment</i> aims to provide diversification across asset classes by investing primarily in underlying funds. The theory behind asset allocation is that diversification among asset classes can help reduce volatility over the long-term, which assumes that asset classes may not move in tandem and that positive returns in one or more classes will help offset negative returns in other asset classes. The fund advisor, <i>Pacific Life Fund Advisors LLC</i> , performs monthly, quarterly, and annual quantitative and a qualitative review of each portfolio to ensure it is competitive with its peers and true to its investment objectives. This diversified approach is considered to be a generally accepted theory.
b) ...is diversified so as to minimize the risk of large losses,	N/A	Yes	Broad diversification by asset classes is used. The <i>Investment</i> aims to provide diversification across major asset classes – cash equivalents, fixed income, domestic equity, and international equity. A number of individual asset classes are represented in each fund ensuring no inappropriate concentration of holdings.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
c) ...is designed to provide varying degrees of long-term appreciation and capital preservation	N/A	Yes	<i>PL Portfolio Optimization Funds</i> may be used in a model portfolio in combination with other investments to achieve this requirement but does not qualify by itself.
d) ...through a mix of equity and fixed income exposures	N/A	Yes	<i>PL Portfolio Optimization Funds</i> use a mix of equity and fixed income securities.
e) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan selects the degree of capital appreciation and capital preservation based on the participants' age but does not qualify by itself.
f) Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	N/A	N/A	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan changes the risk levels over time with the objective of becoming more conservative.
 SUMMARY: The <i>PL Portfolio Optimization Funds</i> qualify to be used as part of a qualified model portfolio in conjunction with other investments but may NOT be used as an AGE-BASED QDIA.			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
2. Risk Based - An investment fund product or model portfolio that:			
a) ...applies generally accepted investment theories	Yes	Yes	The <i>Investment</i> aims to provide diversification across asset classes by investing primarily in underlying funds. The theory behind asset allocation is that diversification among asset classes can help reduce volatility over the long-term, which assumes that asset classes may not move in tandem and that positive returns in one or more classes will help offset negative returns in other asset classes. The fund advisor, <i>Pacific Life Fund Advisors LLC</i> , performs monthly, quarterly, and annual quantitative and a qualitative review of each portfolio to ensure it is competitive with its peers and true to its investment objectives. This diversified approach is considered to be a generally accepted theory.
b) ...is diversified so as to minimize the risk of large losses	Yes	Yes	Broad diversification by asset classes is used. The <i>Investment</i> aims to provide diversification across major asset classes – cash equivalents, fixed income, domestic equity, and international equity. A number of individual asset classes are represented in each fund ensuring no inappropriate concentration of holdings.
c) ...is designed to provide long-term appreciation and capital preservation	Yes	Yes	<i>Investment</i> is designed to manage the risk of capital loss and produce appreciation that is consistent with capital preservation.
d) ...through a mix of equity and fixed income exposures	Yes	Yes	<i>Investment</i> contains both equities and fixed income in addition to commodities.
e) ...consistent with a target level of risk appropriate for participants of the plan as a whole.	Yes	Yes	The risk is consistent with the goal of each fund of the <i>Investment</i> .
SUMMARY: The <i>PL Portfolio Optimization Funds</i> qualify as RISK-BASED QDIAs either as standalone investments or when used as part of a qualified model portfolio in conjunction with other investments.			

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
3. Managed Account - An investment management service with respect to which:			
a) ...a fiduciary that is either, I. an investment manager, within the meaning of section 3(38) of ERISA; II. a trustee of the plan that meets the requirements of section 3(38)(A), (B) and (C) of ERISA; or III. the plan sponsor who is a named fiduciary, within the meaning of section 402(a)(2) of ERISA,	N/A	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
b) ...applying generally accepted investment theories,	N/A	Yes	The <i>Investment</i> qualifies to the extent this requirement applies to a sleeve.
c) ...allocates the assets of a participant's individual account	N/A	Yes	The <i>Investment</i> is not appropriate by itself as a managed account but may be included in a managed account by a qualified QDIA manager of the plan.
d) ...to achieve varying degrees of long-term appreciation and capital preservation,	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through a blend of <i>PL Portfolio Optimization Funds</i> or the use of other investments.
e) ...through a mix of equity and fixed income exposures,	N/A	Yes	<i>Investment</i> contains both equities and fixed income securities.
f) ...offered through investment alternatives available under the plan,	N/A	Yes	The <i>Investment</i> is appropriate for inclusion in the plan and thus be made available to a qualified QDIA manager of the plan.
g) ...based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy.	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation based on the participant's age, target retirement date or life expectancy.
h) Such portfolios are diversified so as to minimize the risk of large losses and	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through a blend of <i>PL Portfolio Optimization Funds</i> or the use of other investments.

A. APPLICABILITY AS QDIA ALTERNATIVE			
REQUIREMENT FOR QDIA ALTERNATIVE	STAND ALONE	SLEEVE	COMMENTS
i) ...change their asset allocations and associated risk levels for an individual account over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age.	N/A	Yes	<i>Investment</i> may be used as a sleeve if the QDIA manager of the plan varies the degree of capital appreciation and capital preservation through a blend of <i>PL Portfolio Optimization Funds</i> or the use of other investments for an individual account over time with the objective of becoming more conservative.
 SUMMARY: The <i>PL Portfolio Optimization Funds</i> do NOT qualify as a MANAGED-ACCOUNT QDIA by themselves but may be used in a qualified model portfolio.			

Qualification Analysis

No violations of self-dealing prohibitions were found and the *PL Portfolio Optimization Funds* were found to meet the QDIA requirements for the alternatives shown in the Validation Grid section of this report. The analysis included the following findings:

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
1. SELF-DEALING PROHIBITIONS - A fiduciary with respect to a plan shall not:			
a) ...deal with the assets of the plan in his own interest or for his own account,	Does <i>Manager</i> have discretion to vary its compensation based on changing holdings within the <i>Investment</i> ?	Pass	<i>Manager's</i> compensation is unaffected by investment decisions made for the <i>Investment</i> .
b) ...in his individual or in any other capacity act in any transaction involving the plan on behalf of a party (or represent a party) whose interests are adverse to the interests of the plan or the interests of its participants or beneficiaries, or	Does <i>Manager</i> have interests that are adverse to those of participants?	Pass	<i>Manager's</i> interests are not adverse to participants' by virtue of the fact that <i>Manager's</i> compensation increases with growth in asset value in participants' accounts and decreases if assets decline.
c) ...receive any consideration for his own personal account from any party dealing with such plan in connection with a transaction involving the assets of the plan.	Does <i>Manager</i> receive compensation from another party for managing the <i>Investment</i> ?	Pass	<i>Pacific Life Fund Advisors LLC</i> has not reported any direct or indirect compensation from any other party that may be dealing with plans that are likely to use the <i>PL Portfolio Optimization Funds</i> .

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
2. CONDITIONS FOR QDIA FIDUCIARY RELIEF			
a) Consider investment fees and expenses in choosing a QDIA	Do expenses for this <i>Investment</i> fall within the normal range of other investments of this type?	Pass	All funds of the <i>Investment</i> and the underlying funds have expenses that approximate the respective peer groups. See Appendix E.
b) Material is provided to participant relating to his/her QDIA.	Is <i>Investment</i> material appropriate for plan participants?	Pass	Material is clearly written to be understood by participants and presumes only minimal investment knowledge.
c) Notice must be written in a manner calculated to be understood by the average plan participant.	Is the information provided for inclusion in the required notice understandable to an average participant? <u>Note: Plan fiduciary must determine that the entire notice can be understood.</u>	Pass	Under most circumstances, the average plan participant will be able to understand the information extracted from the materials.
3. QDIA Requirements			
a) QDIA shall not permit employer securities except as investments within regulated investment companies or as employer match.	Does <i>Investment</i> permit use of employer securities outside of the QDIA exceptions?	Pass	<i>Investments</i> and underlying funds are registered investment companies and qualify under the exemption applicable to employer securities.
b) QDIA may not impose financial penalties or restrict the ability of a participant to transfer.	Are there restrictions or fees to transfer out of <i>Investment</i> which are prohibited under QDIA regulations?	Pass	<i>Pacific Life Fund Advisors LLC</i> reports that the underlying investments, which may have restrictions, are not available for individual investment. When <i>PL Portfolio Optimization Funds</i> are used as QDIAs, there are no restrictions or fees to transfer out of a portfolio within a specific time period.

B. QUALIFICATION ANALYSIS			
REGULATORY GUIDELINE	DALBAR EVALUATION	RESULT	COMMENTS
c) QDIA is either managed by an investment manager, as defined in section 3(38) of ERISA, or plan trustee, or plan sponsor who is a named fiduciary or is a registered investment company or a stable value fund under State or federal regulation.	Does the <u>Manager</u> meet the criteria appropriate for the type of QDIA being validated?	Pass	<u>PL Portfolio Optimization Funds</u> are registered investment companies that qualify them for use as QDIAs.

Reasonableness as an Investment

QDIA regulations require that investments be reasonable, which DALBAR has further defined as falling within a normal range of comparable investments. The Reasonableness Analysis presented reflects this standard.

Plan fiduciaries are responsible for reviewing current investment information and making the determination that the *PL Portfolio Optimization Funds* is a reasonable investment for the plan. Plan fiduciaries, including plan sponsors, are encouraged to seek independent expert advice in making the selection and monitoring of investments.

In order to assist in the determination DALBAR provides the following observations based on information available at the time of this evaluation.

C. REASONABLENESS INVESTMENT ANALYSIS											
DALBAR INVESTMENT CRITERIA	OBSERVATIONS										
1. Minimum track record											
The average history for each underlying asset class investment strategy should be at least three years.	The history of underlying asset classes is well over three years.										
2. Stability of the organization											
The average tenure of the portfolio management team for each underlying asset class investment strategy should be at least two years.	Recent changes of firms and portfolio managers of underlying investments have all been to well-established organizations and tenured managers.										
3. Assets in the product											
The average underlying asset class investment strategy should have at least \$75 million under management (can include assets in other funds with the same strategy).	The assets under management of the <i>Investment</i> and each underlying asset class exceed the threshold.										
4. Holdings consistent with style											
a) The allocation to equities is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile;	The equity target allocations of the <i>PL Portfolio Optimization Funds</i> are within the norm for comparable funds: <table data-bbox="954 1570 1356 1726"> <tr> <td>Aggressive</td> <td>90%</td> </tr> <tr> <td>Moderate-Aggressive</td> <td>80%</td> </tr> <tr> <td>Moderate</td> <td>60%</td> </tr> <tr> <td>Moderate-Conservative</td> <td>40%</td> </tr> <tr> <td>Conservative Fund</td> <td>20%</td> </tr> </table>	Aggressive	90%	Moderate-Aggressive	80%	Moderate	60%	Moderate-Conservative	40%	Conservative Fund	20%
Aggressive	90%										
Moderate-Aggressive	80%										
Moderate	60%										
Moderate-Conservative	40%										
Conservative Fund	20%										

C. REASONABLENESS INVESTMENT ANALYSIS											
DALBAR INVESTMENT CRITERIA	OBSERVATIONS										
b) The allocation to fixed income is evaluated against the peer group – highest allocation to least - the screening threshold being set at the bottom quartile.	The fixed income target allocations of the <i>PL Portfolio Optimization Funds</i> are within the norm for comparable funds: <table style="margin-left: 20px; border: none;"> <tr><td>Aggressive</td><td style="text-align: right;">10%</td></tr> <tr><td>Moderate-Aggressive</td><td style="text-align: right;">20%</td></tr> <tr><td>Moderate</td><td style="text-align: right;">40%</td></tr> <tr><td>Moderate-Conservative</td><td style="text-align: right;">60%</td></tr> <tr><td>Conservative Fund</td><td style="text-align: right;">80%</td></tr> </table>	Aggressive	10%	Moderate-Aggressive	20%	Moderate	40%	Moderate-Conservative	60%	Conservative Fund	80%
Aggressive	10%										
Moderate-Aggressive	20%										
Moderate	40%										
Moderate-Conservative	60%										
Conservative Fund	80%										
5. Correlation to style or peer group											
The number of asset classes that make up the QDIA are evaluated against the peer group - most asset classes to least - the screening threshold being set at the peer group median.	The underlying funds of the <i>PL Portfolio Optimization Funds</i> are diversified with respect to asset classes.										
6. Expense ratios/fees											
a) The wrapper expense is evaluated against the peer group – cheapest to most expensive - the screening threshold being set at the bottom quartile.	In all cases expenses for the <i>Investment</i> approximate comparable benchmarks. See Appendix E.										
b) The average expense ratio of each underlying asset class investment strategy is evaluated against the peer group - cheapest to most expensive - the screening threshold being set at the bottom quartile.	In all cases expenses for the <i>Investment</i> approximate comparable benchmarks. See Appendix E.										
7. Performance relative to assumed risk											
This analysis evaluates historical performance within the context of overall risk. It examines the number of positive and negative annual returns, the average of the positive and negative annual returns, and the best and worst annual returns, for a minimum of three years (max: 10 years).	Over the nine years evaluated, the underlying investments had positive returns 70% of years and negative in 21%. Average positive return: +16.37% Average negative return: -23.36% Average best annual return: +33.85% Average worst annual return: -35.69%										
8. Performance relative to a peer group											
The average 1-, 3-, and 5-year performance of each asset class investment strategy is evaluated against the peer group's median.	The standard measures of performance (Cumulative for 1, 3 5 and 10 years) indicate that the <i>Investment's</i> funds are comparable to their peer groups. As indicated in the Asset Allocation Evaluation section, their results are highly consistent with the overarching goals of capital preservation and appreciation.										

Appendices

- A. Asset Allocators
- B. Portfolio Managers –Underlying Investments
- C. Risk/Return Analysis
 - 1. Investment
 - 2. Underlying Investments
- D. Performance Analysis
 - 1. Investment
 - 2. Underlying Investments
- E. Expense Analysis

A. Asset Allocators

INVESTMENT	ALLOCATOR	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
<i>PL Portfolio Optimization Funds</i>	Howard Hirakawa	22	10
	Carlton Muench	13	7

B. Portfolio Managers –Underlying Investments

UNDERLYING INVESTMENT	PORTFOLIO MANAGER	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
PL Comstock P - INVESCO	Matthew W. Seinsheimer	20	5
	Kevin C. Holt	23	10
	Jason S. Leder	23	10
	James N. Warwick	20	5
	Devin E. Armstrong	14	5
PL Currency Strategies P - UBS	Jonathan Davies	21	8*
	Jon Adams	11	6*
PL Emerging Markets Debt P - Ashmore	Robin Forrest	19	2
	Ricardo Xavier	20	2
	Mark Coombs	31	2
	Herbert Saller	24	2
PL Emerging Markets P - Oppenheimer	Justin Leverenz	20	9
PI Floating Rate Income P - Pacific Asset Management	Michael Marzouk	13	6*
	Jason R. Rosiak	17	6*
	J.P. Leasure	14	16*
PL Floating Rate Loan P - Eaton Vance	Scott H. Page	30	2
	Craig P. Russ	27	2
	Andrew N. Sveen	18	2
PL Global Absolute Return P - Eaton Vance	Michael A. Cirami	13	8*
	John R. Baur	9	5*
	Eric A. Stein	11	5*
PL Growth P - MFS	Eric B. Fischman	14	11*
PL Inflation Managed P - PIMCO	Mihir P. Worah	12	5
PL International Large-Cap P - MFS	Marcus L. Smith	17	9
	Daniel Ling	14	4
PL International Value P - JP Morgan	Gerd Woort-Menker	26	12

UNDERLYING INVESTMENT	PORTFOLIO MANAGER	TOTAL YEARS EXPERIENCE	YEARS WITH FUND
PL Large-Cap Growth P - BlackRock	Lawrence G. Kemp	26	1
PL Large-Cap Value P - Clearbridge	Robert Feitler, Jr.	19	9
	Dmitry Khaykin	17	6
PL Main Street Core P - Oppenheimer	Manind V. Govil	20	4
	Benjamin E. Ram	16	4
PL Managed Bond P - PIMCO	William H. Gross	43	31
PL Mid-Cap Equity P - Scout	John A. Indellicate II	8	2
	G. Patrick Dunkerley	19	6
	Derek M. Smashey	9	6
PL Mid-Cap Growth P - Morgan Stanley	Sandeep (Sam) G. Chainani	17	9
	Jason C. Yeung	16	5
	Dennis P. Lynch	19	10
	David S. Cohen	25	10
	Armistead B. Nash	13	5
	Alexander T. Norton	18	8
PL Precious Metals P - WellsCap	Oleg A. Makhorine	18	8*
	Michael P. Bradshaw	18	5
PL Real Estate P - Morgan Stanley	Theodore R. Bigman	25	9
PL Short Duration Bond P - T Rowe Price	Edward A. Wiese	29	18
PL Small-Cap Growth P - Alger	Jill Greenwald	26	6
PL Small-Cap Value P - NFJ	Paul A. Magnuson	27	6
	Morley D. Campbell	9	5
	John R. Mowrey	6	5
	Benno J. Fischer	45	6
	* Indicates tenure with the firm		

C. Risk/Return Analysis

1. Investment

→ Risk/Returns Analysis at 12/31/2012

	INVESTMENT	NUMBER OF YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	PLPO Aggressive Fund –Class A	9	7	2	15.25	-22.11	33.28	-40.02
	PLPO Moderate-Aggressive Fund –Class A	9	7	2	13.71	-17.95	30.40	-33.85
	PLPO Moderate Fund – Class A	9	7	2	12.10	-13.47	27.07	-26.73
	PLPO Moderate-Conservative Fund – Class A	9	8	1	8.59	-18.76	22.28	-18.76
	PLPO Conservative Fund –Class A	9	8	1	7.07	-10.26	18.49	-10.26
	Summary	9	82%	18%	11.34	(16.51)	26.30	(25.92)

2. Underlying Investments

→ Risk/Returns Analysis at 12/31/2012

	UNDERLYING INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	PL Comstock A	9	6	3	19.17	-14.55	31.39	-37.51
	PL Emerging Markets	6	4	2	36.73	-33.10	83.27	-48.02
	PL Floating Rate Loan	3	3	0	14.13		32.43	
	PL Growth LT	9	7	2	17.45	-23.22	35.73	-40.92
	PL International Large-Cap	9	7	2	20.98	-22.53	31.97	-34.83
	PL Inflation Managed	9	7	2	9.05	-1.92	14.87	-3.36
	PL International Value	9	7	2	17.73	-30.21	27.41	-47.64
	PL Large-Cap Growth	9	7	2	15.29	-27.69	37.14	-50.67
	PL Large-Cap Value	9	8	1	13.17	-34.51	29.58	-34.51

	UNDERLYING INVESTMENT	No. YEARS	UP YEARS	DOWN YEARS	AVG. % UP YEARS	AVG. % DOWN YEARS	BEST YEAR %	WORST YEAR %
	PL Main Street Core	6	5	1	12.52	-38.77	27.68	-38.77
	PL Managed Bond	9	9		5.86		15.97	
	PL Mid-Cap Equity	7	4	3	16.99	-15.83	37.59	-38.69
	PL Mid-Cap Growth	9	8	1	26.12	-27.50	57.99	-46.92
	PL Real Estate	7	5	2	20.66	-27.95	36.07	-38.61
	PL Short Duration Bond	8	7	1	2.96	-0.07	6.26	-0.07
	PL Small-Cap Growth	9	7	2	16.70	-24.40	45.27	-46.57
	PL Small-Cap Value	4	3	1	12.73	-28.22	24.77	-28.22
	Summary		79%	21%	16.37	(23.36)	33.85	(35.69)

D. Performance Analysis

1. Investment

→ Annualized Returns vs. Peer Group at 6/30/2013

This comparison presents only one share class since other classes are derivative and peer group comparisons would therefore be repetitive and provide no additional insights other than that they exist.

Note: Items in **BOLD** indicate at or better than average peer group results.

Investment	1 Year	3 Year	5 Year	10 Year	Expense
Peer Group					
PLPO Aggressive Fund –Class A	14.27	12.99	4.01		1.47
Aggressive Allocation Funds – Class A	15.34	12.25	4.39		1.46
PLPO Moderate-Aggressive Fund – Class A	12.82	12.13	4.88		1.44
Aggressive Allocation Funds – Class A	15.34	12.25	4.39		1.46
PLPO Moderate Fund –Class A	10.22	10.35	5.45		1.40
Moderate Allocation Funds –Class A	11.92	11.00	5.12		1.32
PLPO Moderate-Conservative Fund –Class A	6.74	7.95	5.28		1.35
Conservative Allocation Funds –Class A	6.25	7.77	5.12		1.27
PLPO Conservative Fund –Class A	3.86	5.95	5.37		1.30
Conservative Allocation Funds –Class A	6.25	7.77	5.12		1.27

2. Underlying Investments

→ Key Historical Returns vs. Peer Group

Note: Items in **BOLD** indicate at or better than average peer group results.

Underlying Investment*	Recent Market	Turbulent Market	Up Market	Down Market	Expenses
	2013**	2011	2009	2008	
Peer Group	2013**	2011	2009	2008	
PL Comstock	27.73	-2.08	28.05	-37.51	0.89
Large Value –Class A	22.88	0.21	24.56	-36.03	22.88
PL Emerging Markets	8.05	-18.18	83.27	-48.02	0.95
Diversified Emerging Mkts –Class A	4.24	-20.19	76.75	-53.60	2.79
PL Emerging Markets Debt	1.67				0.94
Emerging Markets Bond –Class A	1.79	1.46	34.39	-17.91	1.28
PL Floating Rate Income	8.28				0.86
Bank Loan –Class A	7.45	1.79	43.42	-30.03	1.11
PL Floating Rate Loan	6.39	2.23	32.43		0.81
Bank Loan –Class A	7.45	1.79	43.42	-30.03	1.11
PL Growth LT	16.78	-5.51	35.73	-40.92	0.70
Large Growth –Class A	17.10	-1.79	36.61	-40.10	1.25
PL Inflation Managed	-5.65	11.69	14.87	-3.36	0.56
Inflation-Protected Bond –Class A	-3.96	10.20	10.42	-3.09	0.81
PL International Large-Cap	17.14	-10.22	31.97	-34.83	1.00
Foreign Large Growth –Class A	14.23	-11.75	38.60	-44.65	1.46
PL International Value	16.36	-12.77	27.41	-47.64	0.80
Foreign Large Value –Class A	17.21	-12.62	30.47	-42.56	1.43
PL Large-Cap Growth	18.18	1.14	37.14	-50.67	0.86
Large Growth –Class A	17.10	-1.79	36.61	-40.10	1.25
PL Large-Cap Value	22.22	4.44	21.81	-34.51	0.80
Large Value –Class A	22.88	0.21	24.56	-36.03	22.88
PL Main Street Core	19.17	0.05	27.68	-38.77	0.60
Large Blend –Class A	20.68	-0.73	28.63	-37.70	1.20

Underlying Investment*	Recent Market	Turbulent Market	Up Market	Down Market	Expenses
Peer Group	2013**	2011	2009	2008	
PL Managed Bond	1.15	2.58	15.97	2.86	0.55
Intermediate-Term Bond –Class A	0.95	6.14	13.99	-3.24	0.91
PL Mid-Cap Equity	19.33	-5.46	37.59	-38.69	0.80
Mid-Cap Blend –Class A	25.19	-3.96	37.51	-40.55	1.41
PL Mid-Cap Growth	16.94	-8.07	57.99	-46.92	0.86
Mid-Cap Growth –Class A	19.81	-3.33	40.19	-42.86	1.41
PL Real Estate	5.98	5.36	29.83	-38.61	1.05
Real Estate –Class A	7.82	7.40	33.53	-39.42	1.35
PL Short Duration Bond	0.76	0.71	5.15	2.61	0.55
Short-Term Bond–Class A	1.33	1.67	10.09	-2.15	0.82
PL Small-Cap Growth	19.91	-2.22	45.27	-46.57	0.75
Small Growth –Class A	22.27	-2.24	36.10	-40.45	1.46
PL Small-Cap Value	22.87	2.41	24.77	-28.22	0.91
Small Value –Class A	25.72	-5.11	33.88	-31.89	1.42

* On 7/1/2010, Class A shares of PL funds were converted to Class P shares. "2013" and "2011" columns for PL funds show Class P share results, "2009" and "2008" columns show Class A share results. "Expense" column shows expenses for Class A shares.

** For 12 months ended 6/30/2013.

E. Expense Analysis

→ Fees and Expenses vs. Peer Group

Note: Items in **BOLD** indicate at or lower than average peer group expenses.

Investment	12b-1 Fee	Front Load	Deferred Load	Expense Ratio
PLPO Aggressive Fund				
Class A	0.25	5.50		1.47
Peer Group	0.26	5.57		1.46
Class B	1.00		5.00	2.22
Peer Group	0.98		4.79	2.23
Class C	1.00		1.00	2.22
Peer Group	0.97		1.00	2.24
Class R	0.50			1.72
Peer Group	0.47		1.00	1.32
PLPO Moderate-Aggressive Fund				
Class A	0.25	5.50		1.44
Peer Group	0.26	5.57		1.46
Class B	1.00		5.00	2.19
Peer Group	0.98		4.79	2.23
Class C	1.00		1.00	2.19
Peer Group	0.97		1.00	2.24
Class R	0.50			1.69
Peer Group	0.47		1.00	1.32
PLPO Moderate Fund				
Class A	0.25	5.50		1.40
Peer Group	0.25	5.40		1.32
Class B	1.00		5.00	2.15
Peer Group	0.93		4.77	1.92
Class C	1.00		1.00	2.15
Peer Group	0.96	1.00	1.00	2.02
Class R	0.50			1.65
Peer Group	0.48		1.00	1.18

Investment	12b-1 Fee	Front Load	Deferred Load	Expense Ratio
PLPO Moderate-Conservative Fund				
Class A	0.25	5.50		1.35
Peer Group	0.26	5.21		1.27
Class B	1.00		5.00	2.10
Peer Group	0.93		4.84	1.89
Class C	1.00		1.00	2.10
Peer Group	0.95		1.00	1.96
Class R	0.50			1.60
Peer Group	0.21			1.03
PLPO Conservative Fund				
Class A	0.25	5.50		1.30
Peer Group	0.26	5.21		1.27
Class B	1.00		5.00	2.05
Peer Group	0.93		4.84	1.89
Class C	1.00		1.00	2.05
Peer Group	0.95		1.00	1.96
Class R	0.50			1.55
Peer Group	0.21			1.03



Federal Reserve Plaza
 600 Atlantic Ave, FL 30
 Boston, MA 02210
 617.723.6400
www.dalbar.com