

# SECURITIES AND EXCHANGE COMMISSION

## FORM DEFS14A

Definitive proxy statement for special meeting

Filing Date: **1994-03-18** | Period of Report: **1994-04-26**  
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### FILER

#### **CAMBRIDGE SERIES TRUST**

CIK: **883428** | State of Incorporation: **MA** | Fiscal Year End: **0930**  
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Business Address  
*FEDERATED INVESTORS  
TOWER  
C/O FEDERATED INVESTORS  
PITTSBURGH PA 15222  
4122881401*

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement

[X] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

Cambridge Series Trust

(Name of Registrant as Specified in Its Charter)

Cambridge Series Trust

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

[X] \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1) or 14a-6(j)(2)

(paid upon filing of preliminary proxy materials on February 22, 1994).

[ ] \$500 per each party to the controversy pursuant to Exchange Act Rule  
14a-6(i)(3).

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit or other underlying value of transaction computed pursuant to  
Exchange Act Rule 0-11:1

4) Proposed maximum aggregate value of transaction:

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule  
0-11(a)(2) and identify the filing for which the offsetting fee was paid  
previously. Identify the previous filing by registration statement number,  
or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

1) Set forth the amount on which the filing fee is calculated and state how it was  
determined.

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

March 14, 1994

Dear Cambridge Government Income Portfolio Shareholder:

Enclosed is a notice about an upcoming special meeting of shareholders and  
a proxy statement.

Please note that this special meeting will primarily concern the approval  
of a new sub-advisory contract between Cambridge Investment Advisors, Inc. and  
Pacific Investment Management Company (PIMCO). This contract replaces Federated  
Advisers with PIMCO as the sub-advisor to the Cambridge Government Portfolio.

The fund's Board of Directors unanimously recommends that you approve the  
new contract. For your convenience, a proxy card has been included. Please take  
a moment to read the information, vote the card, and return it in the enclosed  
self-addressed stamped envelope.

Thank you.

Peter J. Quinn, Jr.

PRESIDENT

CAMBRIDGE SERIES TRUST  
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 26, 1994

A Special Meeting of the shareholders of the Cambridge Government Income  
Portfolio of Cambridge Series Trust will be held at the Trust's principal  
offices at 901 East Byrd Street, Richmond, Virginia 23219, at 9:00 a.m., April  
26, 1994, for the following purposes:

- (1) To approve a new sub-advisory contract among the Trust, Cambridge  
Investment Advisors, Inc. and Pacific Investment Management Company  
with regard to the Cambridge Government Income Portfolio; and
- (2) To approve a change in the Cambridge Government Income Portfolio's  
investment limitations to permit the Portfolio to invest up to 15% of  
the value of its net assets in restricted securities.
- (3) To transact such further business as may properly come before the

meeting or any adjournment thereof.

The Board of Trustees has fixed March 1, 1994, as the record date for determination of shareholders entitled to vote at the meeting.

By Order of the Trustees  
Paul F. Costello  
SECRETARY

March 16, 1994

SIGN, DATE AND RETURN THE ENCLOSED PROXY  
PROMPTLY TO AVOID ADDITIONAL EXPENSE

YOU CAN HELP THE TRUST AVOID THE NECESSITY OF SENDING FOLLOW-UP LETTERS TO ENSURE A QUORUM BY PROMPTLY RETURNING THE ENCLOSED PROXY. IF YOU ARE UNABLE TO ATTEND THE MEETING, PLEASE MARK, SIGN, DATE AND RETURN THE ENCLOSED PROXY SO THAT THE NECESSARY QUORUM MAY BE REPRESENTED AT THE SPECIAL MEETING. THE ENCLOSED ENVELOPE REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

CAMBRIDGE SERIES TRUST  
901 EAST BYRD STREET  
RICHMOND, VIRGINIA 23219  
PROXY STATEMENT

The enclosed proxy is solicited on behalf of the Board of Trustees (the Board) of Cambridge Series Trust (the Trust ), with respect to the Cambridge Government Income Portfolio (the Portfolio or Government Income ). The proxy is revocable at any time before it is voted by sending written notice of the revocation to the Trust, attention Secretary, or by appearing personally at the special meeting of shareholders (Special Meeting). The cost of preparing and mailing the notice of meeting, proxy card, this proxy statement and any additional proxy materials has been or is to be borne by the Trust.

On March 1, 1994, Government Income had outstanding 10,640,848.894 shares of beneficial interest, each share being entitled to one vote. The total outstanding shares of Government Income by class consisted of 2,765,823.063 Class A shares and 7,875,025.831 Class B shares. Only shareholders of record at the close of business on that date will be entitled to notice of and vote at the Special Meeting. A majority of the outstanding shares of Government Income, represented in person or by proxy, shall be required to constitute a quorum at the Special Meeting.

The Trust's Annual Report, which includes audited financial statements for the period ended September 30, 1993, has been previously delivered to shareholders. The Trust's executive offices are located at 901 East Byrd Street, Richmond, Virginia 23219. The Board proposes to mail the enclosed notice of meeting, proxy card and this proxy statement on or about March 16, 1994.

#### NEW SUB-ADVISORY CONTRACT

#### BACKGROUND

Since April 17, 1992, the investment sub-adviser to the Portfolio has been Federated Advisers, which has served in that capacity pursuant to an investment advisory agreement, dated April 17, 1992, which was approved by the initial shareholder of the Trust.

Cambridge Investment Advisors, Inc. (the Adviser) is responsible for overseeing the sub-advisers (the Sub-Advisers) for all of the portfolios (the Portfolios) of the Trust. The Adviser's ongoing responsibilities include (i) overseeing the relative performance and consistency of the Trust's Sub-Advisers; (ii) ensuring that each of the Sub-Advisers adheres to the Portfolios' stated investment objectives and philosophies; (iii) monitoring the financial strength of each Sub-Adviser; and (iv) conducting periodic on-site visits to each Sub-Adviser's headquarters to ensure the above responsibilities are being met. In addition, the management agreement between the Trust and the Adviser requires the Adviser to be responsible for ultimately recommending to the Board of the Trust whether Sub-Advisers' contracts should be renewed, modified or terminated. The Adviser provides reports to the Board of the Trust regarding the results of its evaluation and monitoring functions.

In December 1993, the Adviser, in such capacity, reported to the Board of the Trust that it had interviewed a number of possible replacements for Federated Advisers and recommended that the sub-advisory agreement among the Trust, the Adviser and Federated Advisers be terminated. The Adviser reported to the Board that it had conducted an extensive search for a possible replacement for Federated Advisers. After performing preliminary performance screens on the universe of government managers, the Adviser conducted telephone interviews as

well as in-person visits with four possible new sub-advisers. At this time, the Adviser recommended that a new sub-advisory agreement be entered into with Pacific Investment Management Company (PIMCO).

On December 20, 1993, the Board of the Trust met to discuss the proposal to terminate the sub-advisory agreement with Federated Advisers for the Portfolio and to consider approval of an interim sub-advisory agreement with PIMCO. A

representative of PIMCO was present at this meeting and discussed PIMCO's background, organization, performance history and performance strategy with the Board. At this meeting, the Board of the Trust voted to terminate the investment advisory agreement among the Trust, the Adviser and Federated Advisers, and, pending shareholder action with respect to the New Sub-Advisory Contract, the Trust approved an interim sub-advisory agreement with PIMCO in accordance with Rule 15a-4 under the Investment Company Act of 1940. The interim investment advisory agreement with PIMCO is effective until the earlier of (i) 120 days from January 24, 1994 (the date Federated Advisers ceased providing investment advisory services to the Trust), or (ii) final adjournment of the Special Meeting.

The Board of the Trust has also approved an investment advisory agreement among PIMCO, the Adviser and the Trust (the New Sub-Advisory Contract). The New Sub-Advisory Contract is subject to approval by the shareholders of the Trust.

In selecting PIMCO as a new sub-adviser for the Portfolio, the Board of the Trust considered many factors. The most important of these factors was consistency of PIMCO's long-term performance, its ongoing commitment to client service, and the stability and quality of the organization as well as the individuals that made up their investment team. In selecting PIMCO, the Board recognized PIMCO's superior long-term performance. PIMCO is the investment adviser to 25 mutual fund portfolios with approximately \$12.0 billion of assets and has a distinguished list of private account clients. The Board considered the fact that the PIMCO Low Duration Fund and Total Return Fund, which have investment objectives similar to the Portfolio, have the highest Morningstar Ratings of 5 as of November 30, 1993. Also considered was the fact that the investment performance records for these two funds were ranked Pound3 and Pound1, respectively, in their representative bond fund categories for the five year period ended December 31, 1993 by Lipper Analytical Services, Inc. These consistent returns stem from PIMCO's investment philosophy and process. Also, the Board believed that stability in the PIMCO organization creates a high likelihood of extending their favorable record into the future. The Board was informed by PIMCO that the portfolio manager for the Portfolio would be David H. Edington. A Managing Director of PIMCO, Mr. Edington joined PIMCO in 1987. He received a Bachelor's degree in Engineering from the California Polytechnic State University and a Master's degree in Management from the Sloan School of Management at M.I.T. PIMCO also emphasized, however, that it uses a team approach to management, calling in sector specialists to provide execution.

The terms of the New Sub-Advisory Contract are summarized below.

#### NEW SUB-ADVISORY CONTRACT

A copy of the New Sub-Advisory Contract is attached as Exhibit 1.

Under the terms of the New Sub-Advisory Contract, subject to the supervision of the Adviser and the Trust's Board of Trustees, PIMCO will (i) manage the Portfolio's assets in accordance with the Portfolio's investment objectives, policies and limitations as stated in the Trust's Prospectus and Statement of Additional Information; (ii) make investment decisions for the Portfolio; and (iii) place orders to purchase and sell securities (and where appropriate) commodity futures contracts for the Portfolio.

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The New Sub-Advisory Contract provides that PIMCO shall pay all expenses incurred by it and its staff in connection with the performance of its services under the New Sub-Advisory Contract, including the payment of salaries of all officers and employees who are employed by it. The Adviser pays PIMCO an annual fee not to exceed .30% of Government Income's average daily net assets up to \$150 million and .25% of Government Income's average daily net assets in excess of \$150 million. Federated Advisers received .30% of Government Income's average daily net assets without any breakpoints. (The Trust pays the Adviser an annual fee not to exceed .60% of Government Income's average daily net assets.) However, the New Sub-Advisory Contract also provides that PIMCO may from time to time agree to reimburse the Trust for certain additional expenses incurred by it or waive a portion or all of its fee, in the sole discretion of PIMCO.

The New Sub-Advisory Contract provides that PIMCO shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Adviser or the Trust in connection with the matters to which the New Sub-Advisory Contract relates, provided that nothing in the New Sub-Advisory Contract shall be deemed to protect or purport to protect PIMCO against any liability to the Adviser or the Trust to which PIMCO would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or by reason of PIMCO's reckless disregard of its obligations and duties under the New Sub-Advisory Contract.

The New Sub-Advisory Contract will continue in effect for two years from the date of its execution, unless terminated, and may be continued from year to year thereafter by a majority of the Trustees, including a majority of the Trustees who are not interested Trustees. The New Sub-Advisory Contract would take effect upon the obtaining of shareholder approval.

The Board of the Trust, including the disinterested trustees, has concluded that entry by Government Income into the New Sub-Advisory Contract would be in the best interest of Government Income and Government Income's shareholders. The Board of the Trust, including the disinterested Trustees, unanimously approved the New Sub-Advisory Contract for Government Income and recommended such contract for approval of the shareholders of Government Income at the meeting.

If the New Sub-Advisory Contract is not approved by the shareholders of Government Income, it will terminate on the 120th day after its execution and the Trustees will determine what steps to take. The Adviser may retain a sub-adviser, which may be PIMCO, to provide investment advisory services for Government Income at a rate equal to the lesser of cost or the fee otherwise payable under the previous sub-advisory agreement with Federated Advisers. Within 120 days thereafter, an advisory contract with such sub-adviser must be presented to the shareholders of Government Income for their approval. In the alternative, the Adviser may choose to provide both management and advisory services to Government Income at its current advisory fee.

Approval of the New Sub-Advisory Contract requires the affirmative vote of: (a) 67% or more of the shares of Government Income present at the Special Meeting, if the holders of more than 50% of the outstanding shares of Government Income are present or represented by proxy; or (b) more than 50% of the outstanding shares of Government Income, whichever is less.

PACIFIC INVESTMENT MANAGEMENT COMPANY

PIMCO, established in 1971, provides investment advisory services to investment companies, pension plans, foundations, endowments and other institutions located both in the U.S. and abroad. As of November 30, 1993, PIMCO had over \$52.6 billion of assets under management, of which approximately \$26.0 billion were invested in U.S. Government securities. PIMCO, a wholly owned subsidiary of Pacific Mutual Life Insurance Company, is located at 840 Newport Center Drive, Suite 360, Newport Beach, California 92660.

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PIMCO also serves as the investment adviser to the following investment companies. The net assets of such investment companies and PIMCO's rate of compensation from such investment companies are set forth below:

<TABLE>  
<CAPTION>

NAME OF INVESTMENT COMPANY	NET ASSETS AS OF DECEMBER 31, 1993	MANAGEMENT FEE
<S>	<C>	<C>
PIMCO Funds		
Total Return Fund	\$4,614,176,208	For each Fund
International Fund	3,072,418,090	individually: annual rate
Low Duration Fund	2,136,295,382	of 0.30% of average daily
Foreign Fund	545,600,626	net assets up to \$150
High Yield Fund	154,320,806	million, 0.25% of average
Low Duration Fund II	136,770,094	daily net assets over \$150
Total Return Fund III	77,689,112	million
Short-Term Fund	60,395,301	
Growth Stock Fund	24,054,129	
Long-Term US Gov't Fund	22,830,769	
Global Fund	22,751,067	
StocksPLUS Fund	11,073,023	
Frank Russell Investment Management Company		
Fixed Income I Fund	75,318,688	For each Fund individually:
Diversified Bond Fund	65,641,810	annual rate of 0.25% of
Fixed Income III Fund	35,740,188	net assets based on the
Multistrategy Bond Fund	27,441,609	average of ending monthly
		market values over 3
		months, paid in arrears
Harbor Fund		
Harbor Bond Fund	172,423,762	Annual rate of 0.50% of
		average daily net assets on
		first \$25 million; 0.375%
		of average daily net assets
		on next \$25 million;
		0.25% of average daily net
		assets over \$50 million
Pacific Select Fund		
Managed Bond Series	43,222,998	For each Fund
Government Securities Series	23,662,009	individually: annual rate
		of 0.50% of average daily
		net assets
PFAMCO Funds		
Managed Bond & Income Portfolio	374,255,020	For each Fund
Balanced Portfolio	53,283,306	individually: annual rate

of 0.25% of average daily net assets

Prudential Securities TARGET Portfolio Trust

Intermediate Term Bond Portfolio 60,071,030
Total Return Bond Portfolio 25,780,181

For each Fund individually: annual rate of 0.25% of average daily net assets

PIMCO Commercial Mortgage Securities Trust, Inc. 156,884,445

Annual rate of average weekly net assets paid quarterly

Pacific Corinthian Variable Annuity Balanced Series 9,998,817

Annual rate of 0.55% of average daily net assets

</TABLE>

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The names, addresses (if other than 840 Newport Center Drive, Suite 360, Newport Beach, California 92660) and principal occupations of the principal executive officers and directors of PIMCO are as follows:

<TABLE>

<CAPTION>

Table with 2 columns: NAME AND ADDRESS, PRINCIPAL OCCUPATION. Rows include Ovengros, William David; Gerken, Walter B.; Gross, William Hunt; McIntosh, James Fred; Muzzy, James Frederick; Podlich, William Frederick III; Porter, Henry Homes Jr.; Schwartz, Eduardo S.; Sutton, Thomas C.; Thompson, Ott II; Thompson, William S. Jr.

</TABLE>

An audited balance sheet of PIMCO is attached to this proxy statement as Exhibit 2.

THE BOARD OF TRUSTEES RECOMMENDS APPROVAL OF A NEW SUB-ADVISORY CONTRACT AMONG CAMBRIDGE SERIES TRUST, CAMBRIDGE INVESTMENT ADVISORS, INC. AND PACIFIC INVESTMENT MANAGEMENT COMPANY WITH REGARD TO THE CAMBRIDGE GOVERNMENT INCOME PORTFOLIO.

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CHANGE IN INVESTMENT LIMITATION

PIMCO has advised the Adviser and the Board of Trustees of the Trust that it recommends several changes in the investment policies and limitations of the Portfolio, including a change to permit the Portfolio to invest up to 15% of the value of its net assets in restricted securities. Currently the Portfolio may so invest up to 10% of its net assets.

This increase in the Portfolio's capacity to invest in restricted securities is consistent with guidelines of the Securities and Exchange Commission (the Commission) relating to open-end investment companies like the Trust. The Commission in 1992 had changed its guidelines to increase such investment companies' capacity to invest in illiquid securities from 10% to 15% of net assets and since that date many investment companies, including the Portfolio, have given themselves such increased flexibility. The Trust desires

to increase the Portfolio's capacity to invest in restricted securities to be consistent with the illiquid securities guidelines. The Adviser and the Board of Trustees recommends that this change be made for the Portfolio.

If shareholders do not approve the change to permit the Portfolio to invest up to 15% of the value of its net assets in restricted securities, the Portfolio's capacity to invest in restricted securities will continue to be limited to 10% of the value of its net assets.

PIMCO has also recommended three changes to the Portfolio's investment policies that do not require shareholder approval permitting the Portfolio (1) to invest up to 20% of its net assets in bonds issued by governments of industrialized foreign countries the Sub-Adviser determines are of comparable quality to bonds rated AAA by Standard & Poor's Corporation (S&P) or Aaa by Moody's Investors Service, Inc. (Moody's ); (2) to invest in private issue collateralized mortgage obligations rated A or higher by S&P or Moody's; and (3) to invest in corporate debt securities rated BBB or higher by S&P or Baa or higher by Moody's. These policies are consistent with other PIMCO-advised mutual funds. The Board of Trustees has approved these changes. Previously the Portfolio was not able to make any of such investments.

There is no change in the Portfolio's investment objective of providing current income and pursuing this objective by investing primarily in securities which are either issued or guaranteed as to payment of principal and interest by the U.S. Government or its agencies or instrumentalities.

THE BOARD OF TRUSTEES UNANIMOUSLY RECOMMENDS APPROVAL OF A CHANGE IN THE PORTFOLIO'S INVESTMENT LIMITATIONS TO PERMIT THE PORTFOLIO TO INVEST UP TO 15% OF THE VALUE OF ITS NET ASSETS IN RESTRICTED SECURITIES.

#### BROKERAGE

PIMCO agrees that it will place orders pursuant to its investment determinations for Government Income either directly with the issuer or with brokers or dealers selected by PIMCO in accordance with the standards specified below. Until notified to the contrary by the Adviser, PIMCO may place orders for Government Income with affiliates of the Adviser in accordance with Section 11(a) of the Securities Exchange Act of 1934 and Rule 11a2-2(T) thereunder, Section 17(e) of the Investment Company Act of 1940 and Rule 17e-1 thereunder and other applicable laws and regulations. PIMCO will identify to the Adviser in writing any brokers or dealers which are affiliates of PIMCO. The Adviser will identify to PIMCO in writing any brokers or dealers which are affiliates of the Adviser and will forward to PIMCO information provided by the other sub-advisers with respect to affiliated broker-dealers of such sub-advisers.

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When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, PIMCO will look for prompt execution of the order at the best overall terms available. In working with dealers, PIMCO will generally use those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, PIMCO may give consideration to those firms which have sold or are willing to sell shares of the Portfolio. PIMCO will make decisions on portfolio transactions and select brokers and dealers subject to review by the Board.

Subject to the requirements described above, in selecting brokers or dealers to execute a particular transaction and in evaluating the best overall terms available, the Adviser shall have the right to suggest in writing to PIMCO that transactions giving rise to brokerage commissions shall be executed by brokers and dealers that provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Trust or will be of value to the Trust in the management of its assets or the Adviser's performance of its management services provided to the Trust. These services may be furnished directly to the Portfolio or to PIMCO and may include:

- advice as to the advisability of investing in securities;
- security analysis and reports;
- economic studies;
- receipt of quotations for portfolio evaluations; and
- similar services.

PIMCO will exercise reasonable judgment in selecting brokers who offer brokerage and research services to execute securities transactions. It will determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers may be used by PIMCO in advising the Portfolio and other accounts. To the extent that receipt of these services may supplant services for which PIMCO might otherwise have been paid, it would tend to reduce its expenses, but it is not expected that such reduction will be material.

In addition, subject to the requirements set forth above and the applicable Rules of Fair Practice of the National Association of Securities Dealers, Inc., the Trust shall have the right to suggest that such transactions be executed by

brokers and dealers by or through whom sales of shares of the Trust are made.

During its last fiscal year, Government Income paid no brokerage commissions.

For Government Income's fiscal year ended September 30, 1993, the portfolio turnover rate was 102%. PIMCO anticipates an increase in this rate for fiscal 1994 due to changes in portfolio investments by PIMCO, but it is not anticipated that such turnover rates will exceed 175%. Increased turnover may cause increased investment costs.

The underwriter for Government Income is Cambridge Distributors Inc. Cambridge Distributors Inc. is a wholly-owned subsidiary of Investment Management Group, Inc., which in turn is a wholly-owned subsidiary of WFS Financial Corporation. A substantial portion (20%-50%) of WFS Financial Corporation is owned by WFS ESOP. No person other than WFS ESOP owns more than 5% of WFS Financial Corporation. No person owns more than 5% of WFS ESOP. The address of Cambridge Distributors Inc., Investment Management Group, Inc., WFS Financial Corporation and WFS Financial ESOP is 901 E. Byrd Street, Richmond, Virginia 23219.

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OTHER MATTERS AND DISCRETION  
OF ATTORNEYS NAMED IN THE PROXY

While the Special Meeting is called to act upon any other business that may properly come before it, at the date of this proxy statement the only business which the Board intends to present or knows that others will present is the business mentioned in the notice of meeting. If any other matters lawfully come before the Special Meeting, and as to all procedural matters at the meeting, it is the intention that the enclosed proxy shall be voted in accordance with the best judgment of the attorneys named therein, or their substitutes, present and acting at the Special Meeting.

In the event that at the time any session of the Special Meeting is called to order, a quorum is not present in person or by proxy, the persons named as proxies may vote those proxies which have been received to adjourn the Special Meeting to a later date. In the event that a quorum is present, but sufficient votes in favor of the proposal have not been received, the persons named as proxies may propose one or more adjournments of the Special Meeting to permit further solicitation of proxies with respect to the proposal. All such adjournments will require the affirmative vote of a majority of the Shares present in person or by proxy at the session of the Special Meeting to be adjourned. The persons named as proxies will vote those proxies which they are entitled to vote in favor of the proposal, in favor of such an adjournment, and will vote those proxies required to be voted against the proposal, against any such adjournment.

To the best knowledge of the Trust, there were no beneficial owners of more than 5% of the outstanding Shares of the Trust as of March 1, 1994.

If you do not expect to attend the Special Meeting, please sign your proxy and return it in the enclosed envelope to avoid unnecessary expense and delay. No postage is necessary.

By Order of the Trustees  
Paul F. Costello  
SECRETARY

March 16, 1994

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EXHIBIT 1

CAMBRIDGE SERIES TRUST  
INVESTMENT ADVISORY AGREEMENT

April 24, 1994

Pacific Investment Management Company  
840 Newport Center Drive  
Suite 360  
Newport Beach, CA 92660

Dear Sirs:

Under an agreement (the Management Agreement) between Cambridge Series Trust, a Massachusetts business trust (the Trust ), and Cambridge Investment Advisors, Inc., a Virginia corporation, (the Adviser ), the Adviser serves as the Trust's investment adviser and has the responsibility of evaluating, recommending, supervising and compensating investment advisors to each series of the Trust.

The Adviser hereby confirms its agreement with Pacific Investment Management Company (the Sub-Adviser ) and the Trust with respect to the Sub-Adviser's serving as the sub-adviser of Cambridge Government Income Portfolio (the Portfolio ), a series of the Trust, on an interim basis as contemplated by Rule 15a-4 under the Investment Company Act of 1940, as amended (the Act), as follows:

### Section 1. Investment Description; Appointment

(a) The Trust desires to employ the Portfolio's capital by investing and reinvesting in investments of the kind and in accordance with the investment objectives, policies and limitations specified in the prospectus (the Prospectus ) and in the statement of additional information (the Statement of Additional Information ) filed with the Securities and Exchange Commission (the SEC ) as part of the Trust's Registration Statement on Form N-1A, as amended from time to time (the Registration Statement ). The Adviser has herewith furnished the Sub-Adviser copies of the Trust's Prospectus, Statement of Additional Information, Declaration of Trust and By-Laws as currently in effect and agrees during the continuance of the Agreement to furnish the Sub-Adviser copies of any amendments or supplements thereto before or at the time the amendments or supplements become effective. The Sub-Adviser will be entitled to rely on all such documents furnished to it by the Adviser or the Trust.

(b) The Adviser, with the approval of the Trust, hereby appoints the Sub-Adviser to act as investment adviser to the Portfolio for the periods and on the terms set forth in this Agreement. The Sub-Adviser accepts such appointment and agrees to furnish the services herein set forth for the compensation herein provided.

### Section 2. Portfolio Management Duties

(a) Subject to the supervision of the Adviser and the Trust's Board of Trustees, the Sub-Adviser will (i) manage the Portfolio's assets in accordance with the Portfolio's investment objectives, policies and limitations as stated in the Trust's Prospectus and Statement of Additional Information; (ii) make investment decisions for the Portfolio; and (iii) place orders to purchase and sell securities (and options thereon) (and where appropriate) commodity futures contracts (and options thereon) for the Portfolio.

(b) The Sub-Adviser will keep the Trust and the Adviser informed of developments materially affecting the Portfolio and shall, on the Sub-Adviser's own initiative and as reasonably requested by the Adviser or the Trust,

furnish to the Trust and the Adviser from time to time whatever information the Adviser reasonably believes appropriate for this purpose.

(c) The Sub-Adviser agrees that, in the performance of the duties required of it by this Agreement, it will comply with the Act, and all rules and regulations thereunder, all applicable federal and state laws and regulations and with any applicable procedures adopted by the Trust's Board of Trustees and identified in writing to the Sub-Adviser. The Adviser will provide to the Sub-Adviser any specific procedures that must be followed in the performance of Sub-Adviser's duties hereunder by reason of the affiliation of other sub-advisers or service providers with the Trust.

### Section 3. Brokerage

(a) The Sub-Adviser agrees that it will place orders pursuant to its investment determinations for the Portfolio either directly with the issuer or with brokers or dealers selected by the Sub-Adviser in accordance with the standards specified in paragraphs (b) and (c) of this Section 3. Until notified to the contrary by the Adviser, the Sub-Adviser may place orders for the Portfolio with affiliates of the Adviser in accordance with Section 11(a) of the Securities Exchange Act of 1934 and Rule 11a2-2(T) thereunder, Section 17(e) of the Act and Rule 17e-1 thereunder and other applicable laws and regulations. The Sub-Adviser will identify to the Adviser in writing any brokers or dealers which are affiliates of the Sub-Adviser. The Adviser will identify to the Sub-Adviser in writing any brokers and dealers which are affiliates of the Adviser and will forward to each Sub-Adviser information provided by the other Sub-Advisers with respect to affiliated broker-dealers of such Sub-Advisers.

(b) In placing orders with brokers and dealers, the Sub-Adviser will seek the best overall terms available. In assessing the best overall terms available for any portfolio transaction, the Sub-Adviser will consider all factors it deems relevant including, but not limited to, the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer and the reasonableness of any commission for the specific transaction and on a continuing basis.

(c) Subject to the requirements of subsections (a) and (b) above, in selecting brokers or dealers to execute a particular transaction and in evaluating the best overall terms available, the Adviser shall have the right to request in writing that transactions giving rise to brokerage commissions shall be executed by brokers and dealers that provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Trust or will be of value to the Trust in the management of its assets or the Adviser's performance of its management services provided to the Trust. In addition, subject to the requirements of subsections (a) and (b) above and the applicable Rules of Fair Practice of the National Association of Securities Dealers, Inc., the Trust shall have the right to request that such transactions be executed by brokers and dealers by or through whom sales of shares of the Trust are made.

#### Section 4. Information Provided to the Adviser and the Trust

(a) The Sub-Adviser agrees that it will make available to the Adviser and the Trust promptly upon their request copies of all of its investment records and ledgers with respect to the Portfolio to assist the Adviser and the Trust in monitoring compliance with the Act and the Investment Advisers Act of 1940, as amended (the Advisers Act ), as well as other applicable laws. The Sub-Adviser will furnish the Trust's Board of Trustees with respect to the Portfolio such periodic and special reports as the Adviser and the Board of Trustees may reasonably request.

(b) The Sub-Adviser agrees that it will immediately notify the Adviser and the Trust, and the Adviser agrees that it will immediately notify the Sub-Adviser, in the event that the Sub-Adviser or Adviser, respectively, or any of its respective affiliates: (i) becomes subject to a statutory disqualification that prevents the Sub-Adviser from

serving as investment advisor pursuant to this Agreement; or (ii) is or expects to become the subject of an administrative proceeding or enforcement action by the SEC or other regulatory authority. The Sub-Adviser has provided the information about itself set forth in the Registration Statement and acknowledges that, as of the date hereof, it is true and correct and contains no material misstatement or omission, and the Sub-Adviser further agrees to notify the Adviser immediately of, (i) any material fact known to the Sub-Adviser respecting or relating to the Sub-Adviser that is not contained in the Prospectus or Statement of Additional Information of the Trust, or any amendment or supplement thereto, if the omission of such would make such document misleading, or (ii) any statement contained therein that becomes untrue in any material respect.

(c) The Sub-Adviser represents that it is an investment adviser registered under the Advisers Act and other applicable laws and that the statements contained in the Sub-Adviser's registration under the Advisers Act on Form ADV, as of the date hereof, are true and correct and do not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. The Sub-Adviser agrees to maintain the completeness and accuracy of its registration on Form ADV in accordance with all legal requirements relating to that Form. The Sub-Adviser acknowledges that it is an investment advisor to the Portfolio within the meaning of the Act and the Advisers Act.

(d) The Adviser and the Trust agree not to publish or use any document naming or describing the Sub-Adviser in any way without (i) the prior consent of the Sub-Adviser and (ii) with respect to sales, marketing or advertising materials, appropriate regulatory filings and approvals. The Adviser and the Trust agree to provide the Sub-Adviser with copies of all materials using its name.

#### Section 5. Books and Records

In compliance with the requirements of Rule 31a-3 under the Act, the Sub-Adviser hereby agrees that all records that it maintains for the Trust are the property of the Trust and further agrees to surrender promptly to the Trust copies of any such records upon the Trust's request. The Sub-Adviser further agrees to preserve for the periods prescribed by Rule 31a-2 under the Act the records with respect to the Sub-Adviser's duties hereunder required to be maintained by Rule 31a-1 under the Act and to preserve the records required by Rule 204-2 under the Advisers Act for the period specified in that Rule.

#### Section 6. Compensation

(a) In consideration of services rendered pursuant to this Agreement, the Adviser will pay the Sub-Adviser a fee that is computed daily and paid monthly at the annual rate of .30% for Portfolio assets up to and including \$150 million and .25% for Portfolio assets in excess of \$150 million (the Portfolio Advisory Fee ). From time to time the Sub-Adviser may agree to reimburse the Trust additional expenses or waive a portion or all of its fee, in the sole discretion of the Sub-Adviser.

(b) The Portfolio Advisory Fee for the period from the date that the Portfolio commences investment operations to the end of the month during which the Portfolio commences investment operations shall be prorated according to the proportion that such period bears to the full monthly period. Upon any termination of this Agreement before the end of a month, the fee for such part of that month shall be prorated according to the proportion that such period bears to the full monthly period and shall be payable upon the date of termination of this Agreement.

(c) For the purposes of determining fees payable to the Sub-Adviser, the value of the Trust's net assets shall be computed at the times and in the manner specified in the Trust's Prospectus and/or the Statement of Additional Information.

#### Section 7. Costs and Expenses

During the term of this Agreement, the Sub-Adviser will pay all expenses incurred by it and its staff in connection with the performance of its services under this Agreement, including the payment of salaries of all officers and employees who are employed by it, but not including expenses to be paid by the Trust or the Adviser such as brokerage fees and commissions and custodian charges. The Trust shall assume and pay any expenses for services rendered by a custodian for the safekeeping of the Trust's securities or other property, for keeping its books of account, for any other charges of the custodian, and for calculating the net asset value of the Trust as provided in the prospectus of the Trust. The Sub-Adviser shall not be required to pay and the Trust (or the Adviser) shall assume and pay the charges and expenses of the Trust's operations, including compensation of the trustees, charges and expenses of independent auditors, of legal counsel, of any transfer or dividend disbursing agent, and of any registrar of the Trust, costs of acquiring and disposing of portfolio securities, commodity futures transaction costs, interest, if any, on obligations incurred by the Trust, costs of share certificates and of reports, membership dues in the Investment Company Institute or any similar organization, costs of reports and notices to shareholders, other like miscellaneous expenses and all taxes and fees payable to federal, state or other governmental agencies on account of the registration of securities issued by the Trust, filing of trust documents or otherwise.

#### Section 8. Standard of Care

The Sub-Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Adviser or the Trust in connection with the matters to which this Agreement relates, provided that nothing in this Agreement shall be deemed to protect or purport to protect the Sub-Adviser against any liability to the Adviser or the Trust to which the Sub-Adviser would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on its part in the performance of its duties or by reason of the Sub-Adviser's reckless disregard of its obligations and duties under this Agreement.

#### Section 9. Services to Other Companies or Accounts

(a) Except as otherwise agreed between the Adviser and the Sub-Adviser, it is understood that the services of the Sub-Adviser are not exclusive, and nothing in this Agreement shall prevent the Sub-Adviser from providing similar services to other investment companies (whether or not their investment objectives and policies are similar to those of the Trust) or from engaging in other activities.

(b) When the Sub-Adviser recommends the purchase or sale of a security for other investment companies and other clients, and at the same time the Sub-Adviser recommends the purchase or sale of the same security for the Trust, it is understood that in light of its fiduciary duty to the Trust, such transactions will be executed on a basis that it is fair and equitable to the Trust.

(c) The Trust and the Adviser understand and acknowledge that the persons employed by the Sub-Adviser to assist in the performance of its duties under this Agreement will not devote their full time to that service; nothing contained in this Agreement will be deemed to limit or restrict the right of the Sub-Adviser or any affiliate of the Sub-Adviser to engage in and devote time and attention to other businesses or to render services of whatever kind or nature, except as otherwise agreed between the Adviser and the Sub-Adviser.

#### Section 10. Duration and Termination

(a) The Trust represents that this Agreement has been approved by the Trust's Board of Trustees and shareholders pursuant to Section 15 of the Act. This Agreement shall become effective on the date hereof and shall continue for two years from that date, such continuance, to the extent required by the Act, being subject to approval of this Agreement by the Trust's shareholders at the first meeting of such shareholders following such date, and thereafter shall continue automatically for successive annual periods, provided such continuance is

specifically approved at least annually by (i) the Trust's Board of Trustees or (ii) a vote of a majority of the Portfolio's outstanding voting securities (as defined in the Act), provided that the continuance is also approved by a majority of the Trustees who are not interested persons (as defined in the Act) of the Trust, by vote cast in person at a meeting called for the purpose of voting on such approval.

(b) Notwithstanding the foregoing, this Agreement may be terminated (i) by the Adviser at any time without penalty, upon 60 days' written notice to the Sub-Adviser and the Trust, (ii) at any time without penalty by the Trust, upon the vote of a majority of the Trust's Trustees or by vote of the majority of the Trust's outstanding voting securities, upon 60 days' written notice to the Sub-Adviser and the Adviser, or (iii) by the Sub-Adviser at any time without penalty, upon 60 days' written notice to the Adviser and the Trust.

(c) This Agreement will terminate automatically in the event of its

assignment (as defined in the Act and in rules adopted under the Act).

Section 11. Amendments

No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought, and no amendment of this Agreement shall be effective until approved in accordance with applicable law.

Section 12. Limitations of Liability of Trustees, Officers, Employees, Agents and shareholders of the Trust

The Sub-Adviser is expressly put on notice of the limitation of liability as set forth in the Declaration of Trust and agrees that the obligations assumed by the Trust pursuant to this Agreement shall be limited in any case to the Trust and its assets and that the Sub-Adviser shall not seek satisfaction of any such obligations from the shareholders of the Trust, the Trustees, officers, employees or agents of the Trust, or any of them.

Section 13. Miscellaneous

(a) This Agreement shall be governed by the laws of the Commonwealth of Virginia, provided that nothing herein shall be construed in a manner inconsistent with the Act, the Advisers Act, or rules or orders of the SEC thereunder.

(b) The captions of this Agreement are included for convenience only and in no way define or limit any of the provisions hereof or otherwise affect their construction or effect.

(c) If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby and, to this extent, the provisions of this Agreement shall be deemed to be severable.

(d) Nothing herein shall be construed as constituting the Sub-Adviser as an agent of the Trust or the Adviser.

(e) For purposes of any notices to be provided pursuant to this Agreement, the following are the addresses to be used unless or until the parties notify each other of any changes thereto in writing:

If to Pacific Investment Management Company:  
P.O. Box 9000  
840 Newport Center Drive  
Newport Beach, CA 92658-9030  
Attention: William R. Benz

If to Cambridge Investment Advisors, Inc.:  
Riverfront Plaza, West Tower  
901 East Byrd Street  
Richmond, VA 23219  
Attention: Peter J. Quinn, Jr.

If to Cambridge Series Trust:  
Riverfront Plaza, West Tower  
901 East Byrd Street  
Richmond, VA 23219  
Attention: Peter J. Quinn, Jr.

If the terms and conditions described above are in accordance with your understanding, kindly indicate your acceptance of this Agreement by signing and returning to us the enclosed copy of this Agreement.

CAMBRIDGE INVESTMENT ADVISORS, INC.

By:  
Name:  
Title:  
CAMBRIDGE SERIES TRUST  
By:  
Name:  
Title:

Accepted:  
PACIFIC INVESTMENT MANAGEMENT COMPANY  
By:

Name:  
Title:

EXHIBIT 2

INDEPENDENT AUDITORS' REPORT

Pacific Investment Management Company and Subsidiaries:

We have audited the accompanying consolidated statement of financial position of Pacific Investment Management Company and its subsidiaries as of December 31, 1993. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audits.

We conducted our audit in accordance with generally accepted auditing

standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial position is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial position. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial position presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated statement of financial position presents fairly, in all material respects, the financial position of Pacific Investment Management Company and its subsidiaries as of December 31, 1993 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE  
February 25, 1994  
Costa Mesa, California

PACIFIC INVESTMENT MANAGEMENT COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
DECEMBER 31, 1993

<TABLE>	
<CAPTION>	
ASSETS	
<S>	
Current Assets:	<C>
Cash.....	\$ 3,443,875
Accounts receivable.....	29,354,628
Notes receivable.....	859,900
Tax receivable from affiliate.....	2,961,544
Investment in mutual funds.....	8,459,350
Prepaid expenses.....	201,347
Total Current Assets.....	45,280,644
Investment in limited partnership.....	2,083,306
Investments in securities.....	652,587
Property, net.....	3,655,808
TOTAL ASSETS.....	\$ 51,672,345
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current Liabilities:	
Accrued liabilities.....	\$ 14,611,994
Payable to affiliates, net.....	16,210,498
Total Current Liabilities.....	30,822,492
Other liabilities.....	5,444,869
Total Liabilities.....	36,267,361
Stockholder's Equity:	
Common stock -- \$1 par value; 25,000 shares authorized; 1,000 shares issued and outstanding.....	1,000
Paid-in capital.....	397,869
Retained earnings.....	15,006,115
Total Stockholder's Equity.....	15,404,984
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY.....	\$ 51,672,345
</TABLE>	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
F-1

PACIFIC INVESTMENT MANAGEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION

1. SIGNIFICANT ACCOUNTING POLICIES  
BASIS OF PRESENTATION

Pacific Investment Management Company (PIMCO) is a wholly-owned, third-tier subsidiary of Pacific Mutual Life Insurance Company (PM). The intermediate companies are Pacific Financial Holding Company (PFHC) and Pacific Financial Asset Management Corporation. The accompanying consolidated statement includes the accounts of PIMCO and its wholly-owned subsidiaries, StocksPLUS Management, Inc. (StocksPLUS) and Pacific Investment Administrative Services Company (Services Co.). PIMCO provides investment management services to its clients using various analytical techniques. All significant intercompany items have been eliminated.

StocksPLUS owns approximately a 0.2 percent interest in, and is the general partner of, StocksPLUS, L.P., a Delaware limited partnership which provides investment and administrative management services on behalf of its clients (Note 10).

INVESTMENTS

Investments in mutual funds and securities are carried at the lower of cost or market value, with cost approximating market value at December 31, 1993.

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). SFAS No. 115 is effective for years beginning after December 15, 1993 and addresses accounting and reporting for investments in certain equity securities and for all investments in debt securities. PIMCO will adopt SFAS No. 115 on January 1, 1994. SFAS No. 115 requires investments which are within the scope of this pronouncement to be classified into specific categories. PIMCO's investments in mutual funds will be categorized as trading with market fluctuations recorded in operations. PIMCO does not expect SFAS No. 115 to have a significant effect on its consolidated statement of financial position.

2. NOTES RECEIVABLE

PIMCO has granted loans to certain employees as part of programs designed to ensure the long-term retention of key executives. These loans are primarily noninterest bearing and are generally due within one year of issuance.

3. PROPERTY

Property is recorded at cost and is depreciated or amortized using the straight-line method over the estimated useful lives of the individual assets.

Leasehold improvements are amortized using the straight-line method over the shorter of the lease terms or the useful lives of the improvements.

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PACIFIC INVESTMENT MANAGEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION

3. PROPERTY -- Continued

The components of property as of December 31, 1993 are as follows:

<TABLE>		
<S>		<C>
Furniture and equipment.....		\$ 2,294,956
Computer equipment.....		2,428,838
Leasehold improvements.....		989,509
Computer software costs.....		371,074
Total property.....		6,084,377
Less accumulated depreciation and amortization.....		(2,428,569)
Property, net.....		\$ 3,655,808
</TABLE>		

4. PAYABLE TO AFFILIATES, NET

PIMCO has a credit agreement with PFHC which provides for borrowings up to \$20,000,000. The balance outstanding as of December 31, 1993 totaled \$18,000,000 and bears a rate of interest as defined in the agreement. At December 31, 1993 the applicable interest rate was 3.43%. The agreement expires December, 1994 and automatically renews for successive one-year terms unless either party terminates the agreement, as defined.

Also included in payable to affiliates, net, on the accompanying consolidated statement of financial position are net intercompany receivables of \$1,789,502.

5. PROFIT-SHARING PLAN AND LONG-TERM INCENTIVE PLAN

PIMCO has a nonqualified profit-sharing plan (the Profit-Sharing Plan) covering certain key employees (Key Employees) and other employees. The Profit-Sharing Plan provides for awards based upon the profitability of PIMCO, as defined in the employment agreements. Profit-sharing awards fully vest as of the end of each year, and are payable by March 15 of the following year, unless subject to deferral whereby awards are paid upon vesting.

In addition, Key Employees participate in a Long-Term Incentive Plan that provides compensation under the Profit-Sharing Plan for a specified period of time subsequent to their termination of employment. Compensation under this plan is determined based upon the profitability of PIMCO in future years and will be expensed as incurred. The plan requires, among other things, that Key Employees comply with a covenant not-to-compete with PIMCO.

Other liabilities on the accompanying consolidated statement of financial position include notes payable to certain officers issued in connection with the deferred compensation plan discussed above. As defined in the agreements, the notes payable will be paid on specified dates and are subject to cancellation upon the occurrence of certain events.

6. OTHER EMPLOYEE BENEFIT PLANS

PIMCO has defined contribution employee benefit plans covering substantially all employees. PIMCO's contribution ranges from 5% to 11% of an individual's base compensation.

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PACIFIC INVESTMENT MANAGEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION

7. LEASES

PIMCO leases office space and certain office equipment under operating lease agreements expiring at various dates through 1998. Future aggregate minimum rent payments on noncancelable leases are as follows:

<TABLE>  
<CAPTION>  
YEAR ENDED DECEMBER 31:

<S>	<C>
1994.....	\$ 796,068
1995.....	796,068
1996.....	768,588
1997.....	754,848
1998.....	188,712
	\$3,304,284

</TABLE>

8. INCOME TAXES

PIMCO's operations and those of its subsidiaries are included in the consolidated Federal income tax return of PM and the combined California franchise tax return of PFHC. PIMCO and its subsidiaries are allocated an expense based principally on the effect of including their operations in the consolidated tax provision. Such expense consists primarily of current taxes.

Tax receivable from affiliate on the accompanying consolidated statement of financial position includes \$141,085 of current taxes as of December 31, 1993. Also included in tax receivable from affiliate are deferred tax assets resulting primarily from differences between book and tax accounting for certain profit-sharing plans.

9. RELATED PARTY TRANSACTIONS

PIMCO and Services Co. provide investment advisory and administrative management services to PIMCO Funds, an open-end investment company, and affiliates.

PM provides certain support services to PIMCO and its subsidiaries included in payable to affiliates, net, on the accompanying consolidated statement of financial position.

10. INVESTMENT IN LIMITED PARTNERSHIP

Because StocksPLUS is the general partner in, and exercises significant influence over the operating and financial policies of StocksPLUS, L.P. (Note 1), it accounts for its investment in the partnership under the equity method. The underlying investments of StocksPLUS, L.P. are carried at market value. StocksPLUS, L.P. has made its investments with the intent to have its performance equivalent to the S&P 500 index.

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PACIFIC INVESTMENT MANAGEMENT COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION

10. INVESTMENT IN LIMITED PARTNERSHIP -- Continued

StocksPLUS has hedged its pro rata investment in StocksPLUS, L.P.'s investments through short futures positions. Gains and losses related to these positions are settled daily. Securities shown on the accompanying consolidated statement of financial position are used as necessary for deposits made in connection with the positions.

Approximate condensed financial information for StocksPLUS, L.P. as of December 31, 1993 is as follows:

<TABLE>  
<S>

SUMMARY OF FINANCIAL POSITION	<C>
Assets:	
Investments -- at market value.....	\$931,764,000
Other assets.....	16,362,000
Total Assets.....	\$948,126,000
Liabilities and Equities:	
Liabilities.....	\$ 50,463,000
StocksPLUS's equity.....	2,083,000

Limited partners' equity.....	895,580,000
Total Liabilities and Equities.....	\$948,126,000

</TABLE>

F-5

COMMON STOCK  
PROXY

CAMBRIDGE SERIES TRUST  
901 EAST BYRD STREET  
RICHMOND, VA 23219

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF TRUSTEES:

The undersigned hereby appoints Peter J. Quinn, Jr., Paul F. Costello and Daniel J. Ludeman, and each of them, with full power of substitution to each, Proxies to vote all Common Stock of the undersigned in Cambridge Series Trust (the Trust), at a special meeting to be held on April 26, 1994, and at any and all adjournments thereof.

THE BOARD OF TRUSTEES RECOMMENDS A VOTE FOR PROPOSALS 1-2.

- To approve a new sub-advisory contract among the Trust, Cambridge Investment Advisors, Inc. and Pacific Investment Management Company with regard to the Cambridge Government Income Portfolio.  
 FOR                       AGAINST                       ABSTAIN
- To approve a change in the Cambridge Government Income Portfolio's investment limitations to permit the Portfolio to invest up to 15% of the value of its net assets in restricted securities.  
 FOR                       AGAINST                       ABSTAIN  
(Continued and to be signed on the reverse side)

(continued from other side)

- In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournment thereof.

THE PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSALS 1 AND 2.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign.

When signing as attorney, as executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person. PLEASE SIGN AND RETURN, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

, 1994  
Date

Signature