

Item 1. Cover



PNC Capital Advisors LLC
Form ADV Part 2A
Taxable Fixed Income Strategies
March 30, 2012

Two Hopkins Plaza
Baltimore, Maryland 21201
410-237-5683
www.pnccapitaladvisors.com

This brochure provides information about the qualifications and business practices of PNC Capital Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 410-237-5683. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PNC Capital Advisors LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

No material changes were made to this Brochure since the last annual update filed in March 2011.

Item 3. Table of Contents

Table of Contents

Item 1. Cover	1
Item 2. Material Changes	2
Item 3. Table of Contents	3
Item 4. Advisory Business	4
Item 5. Fees and Compensation	5
Item 6. Performance-Based Fees and Side-By-Side Management	7
Item 7. Types of Clients	7
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9. Disciplinary Information	13
Item 10. Other Financial Industry Activities and Affiliations	13
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
Item 12. Brokerage Practices	17
Item 13. Review of Accounts	19
Item 14. Client Referrals and Other Compensation	19
Item 15. Custody	20
Item 16. Investment Discretion	20
Item 17. Voting Client Securities	20
Item 18. Financial Information	21

Item 4. Advisory Business

The Company

PNC Capital Advisors, LLC (“PNC Capital Advisors”) is a wholly owned subsidiary of PNC Bank, National Association (“PNC Bank”). PNC Bank is a wholly owned subsidiary of The PNC Financial Services Group, Inc. (“PNC”), a financial holding company.

The firm was formed in September 2009 from the business combination of PNC Capital Advisors, Inc (“PCA”) and Allegiant Asset Management Company (“Allegiant”) following the acquisition of National City Corporation, the parent of Allegiant by PNC, the parent of PCA.¹

Investment Services

PNC Capital Advisors provides discretionary investment advisory services to registered investment companies, institutional accounts, and personal investment management accounts. PNC Capital Advisors is organized around seven highly focused investment style teams. Each team functions with its own research, portfolio management and portfolio construction processes unique to its specialized investment style.

This brochure addresses the firm’s taxable fixed income offerings. The Taxable Fixed Income Team is composed of specialists in treasury/agency, corporate, mortgage, asset backed and structured securities. The fixed income team manages a variety of strategies including:

- Core and Core Plus,
- Intermediate Aggregate,
- Intermediate Government/Credit,
- Intermediate Government,
- Short Duration 1-3 Year Government/Credit,
- Ultra Short Duration,
- Mortgage Backed,
- High Yield, and
- Cash Management

(You can find more information about our investment strategies in Item 8 below). PNC Capital Advisors also offers equity and municipal fixed income management. Those services are the subject of separate brochures that are available upon request from PNC Capital Advisors.

¹ National City Corporation was acquired by PNC on December 31, 2008. As a result of the acquisition, Allegiant became an indirect wholly-owned subsidiary of PNC. PCA was also an indirect, wholly-owned subsidiary of PNC. On September 29, 2009, PNC Capital and Allegiant merged to form PNC Capital Advisors, LLC. As a wholly owned indirect subsidiary, PNC Capital Advisors employees have no ownership interest in the firm, but they may receive common stock of PNC, the parent company, through incentive compensation and pension plans.

PNC Capital Advisors also serves as administrator to the PNC Funds and PNC Advantage Funds

While the primary business of PNC Capital Advisors is providing continuous, discretionary advisory services, PNC Capital Advisors may also provide non-discretionary advisory services to clients, including affiliates. In such cases PNC Capital Advisors provides model portfolios, investment research and recommendations regarding overall portfolio construction and the purchase and sale of individual securities.

Wrap Fee Programs

PNC Capital Advisors participates in arrangements in which a third party offers PNC investment management services to its clients as a part of a program commonly referred to as a “wrap fee” program.² PNC Capital Advisors receives a fee from the third party for its participation as an investment adviser in these wrap fee programs.

As of December 30, 2011, PNC Capital Advisors had \$34.8 billion in assets under management, all of which is discretionary.

Item 5. Fees & Compensation

The fees that we charge for investment advisory services are specified in the agreement between PNC Capital Advisors and each of its advisory clients. Generally, fees are based on a standard fee schedule according to the investment discipline selected (a description of the investment strategies available in separately managed accounts are set out in Item 8 below).

Fixed Income Strategies		
Strategy	Breakpoints	Fee
Core Fixed Income	Initial \$15 million Next \$35 million Balance	0.35% 0.30% 0.25%
Core Plus Fixed Income	Initial \$50 million Balance	0.35% 0.25%
Intermediate Aggregate Fixed Income and Intermediate Government/Credit Fixed Income	Initial \$15 million Next \$35 million Balance	0.35% 0.30% 0.25%

² A wrap fee program is an advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services and the execution of client transactions.

Strategy	Breakpoints	Fee
Intermediate Government Fixed Income	Initial \$10 million Balance	0.25% 0.20%
Short Duration 1-3 Year Government/Credit Fixed Income	Initial \$15 million Next \$35 million Balance	0.25% 0.20% 0.15%
Ultra Short Duration Fixed Income	Initial \$15 million Balance	0.20% 0.15%
Mortgage Backed Fixed Income	Initial \$15 million Next \$35 million Balance	0.35% 0.30% 0.25%
High Yield Fixed Income	All assets	0.50%
Cash Management	All assets	0.15%

The advisory fee schedule does not include custody, brokerage fees, taxes and other fees and expenses related to the purchase, sale or disposition of assets in accounts managed by PNC Capital Advisors.

PNC Capital Advisors generally accepts taxable fixed income accounts with a minimum of \$10 million in assets and cash management portfolios with a minimum of \$25 million in assets.³

As a result of mergers or acquisitions, PNC Capital Advisors manages existing accounts on a different fee schedule. In addition, PNC Capital Advisors provides investment management services for wrap products that have fee schedules based on the individual characteristics of the product and/or the sponsor.

Generally, a client may terminate an investment management agreement upon 30 days written notice unless otherwise mutually agreed upon. If an arrangement is terminated, the fees are prorated.

³ Account minimums and fees may be negotiable on a case-by-case basis based on potential growth, account size, and services rendered. PNC Capital's minimum account size varies, depending primarily on the investment style and other factors.

The fee for separately managed accounts is payable quarterly in arrears and is computed based on the value of the assets under management at the end of each calendar quarter. Clients are billed directly for fees incurred in separately managed accounts. PNC Capital Advisors provides invoices to the clients that show the amount of the fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated. Fees for partial periods are pro-rated.

Mutual Funds

The administration and investment advisory fees that PNC Capital Advisors receives as a service provider to the PNC Funds and PNC Advantage Funds are set out in the registration statement and/or financial filings of those funds.

Other Fees or Expenses

Clients may incur expenses in addition to the fees paid to PNC Capital Advisors. For example, clients may incur costs such as brokerage fees, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes assessed to brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus and/or financial filings. To avoid the duplication of fees, we do not charge a direct advisory fee to clients who are invested in the PNC Funds and PNC Advantage Funds..

Additional Compensation

Neither PNC Capital Advisors nor its employees accept compensation, including asset-based sales charges or service fees, from any person for the sale of securities or other investment products.

Item 6. Performance-Based Fees and Side-by-Side Management

PNC Capital Advisors does not charge performance-based advisory fees.

Item 7. Types of Clients

PNC Capital Advisors provides investment management services to high net worth individuals and institutional investors, including registered investment companies, private investment funds, charitable institutions, foundations, municipalities, endowment funds, corporations, corporate pension and profit-sharing plans and Taft-Hartley plans.

PNC Capital Advisors generally accepts taxable fixed income accounts with a minimum of \$10 million in assets and cash management portfolios with a minimum of \$25 million in assets.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

PNC Capital Advisors approaches fixed income management with a team orientation. Each fixed income strategy is led by a designated portfolio manager who is responsible for implementing portfolio strategy and day-to-day portfolio management. The portfolio manager is supported by sector and credit specialists as well as our risk management team. This approach clearly establishes responsibilities and accountability and affords the portfolio manager the authority to respond to change in the market. At the same time, the relationship between the portfolio managers and risk management facilitates a level of checks and balances that benefits the management of the portfolios.

We believe that active sector rotation, combined with disciplined risk management results in consistent, value-added returns. Our fixed income strategies follow a team oriented, disciplined, top-down investment process. We formulate an economic outlook to derive yield curve positioning and duration targets. Sector weightings are evaluated regarding relative valuation based upon our sector and subsector outlook. Security selection and portfolio construction provide tight execution of our top-down strategic framework. Driven by our sector rotation strategy, we evaluate 1) relative value among individual securities within credit sectors and industries, 2) relative value among structured product sectors and securities and 3) key rate duration and yield curve management opportunities. Risk management monitors 1) allocations relative to sector targets, 2) duration and yield curve positions relative to target and 3) tracking error relative to benchmark.

We construct portfolios that have the potential to earn strong total returns over a full market cycle while typically maintaining a below-market risk profile as measured by tracking error and standard deviation versus our industry peers. Our strategies utilizes an relative value trading approach and the portfolio manager may choose to sell a holding when it no longer offers attractive return prospects or to take advantage of a better investment opportunity.

In addition to active sector rotation, distinguishing elements of our approach to fixed income management include:

Focus on Risk Management

Bond prices normally will not have the potential to double/triple in price, as do stocks, but they can certainly fall in price dramatically. This results in limited upside potential, significant downside risk. Therefore, an integral component of our fixed income investment philosophy lies in risk analysis and management.

Consistency

We are very aware of our benchmark characteristics across all fixed income style offerings. This understanding of benchmark characteristics ensures portfolios under our management remain “style pure” with respect to maturity, duration and quality, as well as other key portfolio structure characteristics.

Duration Limits

We limit our duration position movement to a maximum/minimum of 20 percent of benchmark duration. The frequency of duration change, as a percentage of benchmark duration, is a function of our top-down economic and financial market analysis.

The fixed income strategy offerings include:

Core Fixed Income - The Core Fixed Income strategy seeks current income and preservation of capital by investing in a portfolio of high- and medium-grade fixed income securities of all types, including obligations of corporate and U.S. and foreign governmental issuers and mortgage-backed and asset backed securities, with portfolio duration and structure characteristics benchmarked to the Barclay Capital U.S. Aggregate Bond Index. The dollar-weighted average maturity of the investments in this strategy is normally expected to range from four to twelve years, but may vary in response to market conditions.

Core Plus Fixed Income - The Core Plus Fixed Income strategy seeks current income and appreciation of capital by investing primarily in a portfolio of investment grade fixed income securities of all types, including obligations of corporate and U.S. and foreign governmental issuers and mortgage-backed and asset backed securities. This strategy may invest in high yield (below investment grade) debt securities.

Intermediate Aggregate Fixed Income - The Intermediate Aggregate Fixed Income strategy seeks to provide current income and preservation of capital by investing primarily in a portfolio of high- and medium-grade fixed income securities of all types, including obligations of corporate and U.S. and foreign governmental issuers and mortgage-backed and asset backed securities., with portfolio duration and structure characteristics benchmarked to the Barclay Intermediate Capital U.S. Aggregate Bond Index. The dollar weighted average maturity of the investments in this strategy is normally expected to range from three to ten years, but may vary in response to market conditions.

Intermediate Government/Credit Fixed Income - The Intermediate Government/Credit Fixed Income strategy seeks current income and preservation of capital by investing in a portfolio of high- and medium-grade fixed income securities, with portfolio duration and structure characteristics benchmarked to the Barclay Intermediate U.S. Government/Credit Bond Index.

Intermediate Government Fixed Income - The Intermediate Government Fixed Income strategy seeks current income as well as preservation of capital by investing in a portfolio of high-grade fixed income securities consisting of US Treasury, Agency and Mortgage-backed securities, with portfolio duration and structure characteristics benchmarked to the Barclays Capital Intermediate U.S. Government Index.

Short Duration 1-3 Year Government/Credit Fixed Income - The Short Duration 1-3 Year Government/Credit Fixed Income strategy seeks current income and preservation of capital by investing in a diversified portfolio of high and medium grade fixed income

securities, with portfolio duration and structure characteristics benchmarked to the Merrill Lynch 1-3 Year U.S. Corporate/Government Index. The dollar-weighted average maturity of the investments in this strategy is normally expected to range from one to five years, but may vary in response to market conditions.

Ultra Short Duration Fixed Income - The Ultra Short Duration Fixed Income strategy seeks current income and preservation of capital by investing in a diversified portfolio of high- and medium-grade fixed income securities, with portfolio duration characteristics benchmarked to the Merrill Lynch 1-Year Treasury Index. Portfolio dollar-weighted average maturity is normally expected to be less than 18 months, but may vary in response to market conditions.

Mortgage Backed Fixed Income - The Mortgage Backed Securities Fixed Income strategy seeks current income and preservation of capital by investing primarily in mortgage backed securities, with portfolio duration and structure characteristics benchmarked to the Barclays Capital Fixed Rate Mortgage Backed Securities Index. Portfolios invest in a diversified portfolio of mortgage related securities. The dollar-weighted average maturity of the investments in this strategy is normally expected to range from three to ten years, but may vary in response to market conditions.

High Yield Fixed Income - The High Yield Fixed Income Composite Strategy seeks current income as well as capital appreciation by primarily investing in a portfolio of U.S. non-investment grade fixed income securities benchmarked to the Barclays Capital U.S. Corporate High Yield Index.

The Investment Process

We seek to position our fixed income portfolios so as to earn incremental absolute and relative returns over time, while moderating risk. The fixed income team achieves a level of consensus on allocating portfolio assets and establishing relative weights for each sector to the relevant benchmark. Decisions to overweight or underweight specific sectors are consistent across all fixed income strategy offerings. A similar approach is used to establish the targeted duration – expressed as a percentage of the relevant benchmark – so that portfolios are similarly positioned with respect to the team’s outlook for the direction of interest rates in general.

Duration Management

A key component of our portfolio construction and ongoing management process is our active duration management discipline. In periods of expected rapid growth and/or rising inflation, duration is generally defensive relative to a portfolio’s benchmark. Conversely, in periods of anticipated sub-par growth and/or declining inflation, portfolio duration can meet or exceed the respective benchmark.

Yield Curve Management

The changing shape of the yield curve is essential to our investment process and is evaluated regularly to determine the positioning of our maturities. Like our duration management efforts, yield curve management is a facet of our process that enables us to

add value. Shifting positions along the yield curve where we find the best risk/reward profile is a constant focus of the portfolio management team.

Security Selection

Security selection is based on a combination of fundamental and quantitative economic and credit analysis. Emphasizing safety of principal, individual issues are analyzed for creditworthiness and the ability to reduce portfolio risk. We favor high quality holdings that can achieve competitive, risk-adjusted returns with a low volatility profile over a full business cycle. Traditional financial statement analysis forms the basis for our investment recommendations. A comprehensive review of a firm's financial statements is critical to understanding and analyzing creditworthiness.

Cash Management Strategies

PNC Capital Advisors will work with institutional clients with cash management needs to customize a separately managed portfolio based specifically on the client's tax structure, liquidity needs and cash flows, investment policy, business strategy and risk tolerance. PNC Capital Advisors generally offers three taxable cash management strategies⁴:

Government Money Market Strategy

The Government Money Market strategy invests in short-term obligations issued or guaranteed by the U.S. government as well as securities issued or guaranteed by agencies, authorities, instrumentalities or sponsored enterprises of the U.S. government. In managing the Fund, PNC Capital Advisors (as defined below) actively buys throughout the money market yield curve, managing maturities to meet or exceed shareholder liquidity needs while seeking the highest possible yield consistent with the Fund's risk profile.

Treasury Money Market Strategy

The Treasury Money Market strategy invests exclusively in short-term direct obligations of the U.S. Treasury, such as Treasury bills and notes, and in other money market funds that invest exclusively in such obligations. . In managing the Fund, PNC Capital Advisors assesses current and projected market conditions, particularly interest rates. Based on this assessment, PNC Capital Advisors uses gradual shifts in portfolio maturity to respond to expected changes and selects securities that it believes offer the most attractive risk/return trade off.

Money Market Strategy

The Money Market strategy invests in a variety of high quality, short-term U.S. dollar-denominated money market securities, including certificates of deposit, time deposits and other obligations issued by domestic and foreign banks, as well as commercial paper, obligations issued or guaranteed by agencies, authorities, instrumentalities or sponsored enterprises of the U.S. government and in repurchase agreements collateralized by

⁴ These strategies are available as portfolios of the PNC Funds and, for institutional investors, as portfolios of the Advantage Funds. See Item 10 for more information about the mutual funds for which PNC Capital serves as the investment adviser.

government obligations and issued by financial institutions such as banks and broker-dealers.

Risk Management

Risk is an inevitable condition of investments. At the same time, riskless investments do not garner attractive returns over longer investment horizons so controlling risks is a primary responsibility of any investment manager. The primary risks in fixed income investment strategies are:

Interest Rate Risk - Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

Management Risk - Judgments about the attractiveness, value and potential appreciation of particular asset class or individual security may prove to be incorrect and there is no guarantee that individual companies will perform as anticipated.

Credit Risk - There is a possibility that the issuer of a security, or counterparty, will not be able to make payments of interest and principal when due. The value of an investment may decline if its issuer or the associated counterparty defaults or if its credit quality deteriorates.

Government Securities Risk - Some strategies invest in securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (such as securities issued by the Government National Mortgage Association (“GNMA”), the Federal National Mortgage Association (“FNMA”), the Federal Home Loan Mortgage Corporation (“Freddie Mac”) and Federal Home Loan Banks (“FHLBs”)). Unlike GNMA securities, securities issued or guaranteed by U.S. government related organizations such as FNMA, Freddie Mac and FHLBs are not backed by the full faith and credit of the U.S. government and no assurance can be given that the U.S. government would provide ongoing or future financial support.

Prepayment Risk - The individual mortgages underlying mortgage-backed securities may be paid off earlier or later than anticipated, which makes it difficult to determine their actual maturity and therefore calculate how they will respond to changes in interest rates. Portfolios may have to reinvest prepaid amounts at lower interest rates. This risk of principal prepayment is an additional risk of mortgage-backed securities.

High Yield Bond Risk - Debt securities that are rated below investment grade involve a greater risk of default or price declines than investment grade securities. The market for high-yield, lower rated securities may be thinner and less active, causing market price volatility and limited liquidity in the secondary market. This

may limit the ability of a Fund to sell these securities at their fair market values either to meet redemption requests, or in response to changes in the economy or financial markets.

Risk management is a cornerstone of our investment process and is integrated throughout the portfolio management process. Risk is monitored routinely by our portfolio management team, aided by quantitative portfolio metrics linked to the respective benchmark. Additionally, using a matrix-based approach, credit exposure is managed granularly compared to the benchmark.

Item 9. Disciplinary History

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of firm or the integrity of the firm's management in this item. PNC Capital Advisors has no legal or disciplinary events to report.

Item 10. Other Financial Industry Activities & Affiliations

PNC Capital Advisors is part of a broad financial services organization and is therefore affiliated with other entities engaged in a variety of financial services businesses. In some cases, the Firm has business arrangements with its affiliates that are material to its advisory business or to its clients. These are described in more detail below and, in some cases, may cause PNC Capital Advisors or a related person's interests to diverge from the best interests of our clients.

The following entities are affiliated with PNC Capital Advisors through its parent, The PNC Financial Services Group:

PNC Investments LLC

PNC Investments LLC ("PNC Investments") a wholly owned subsidiary of PNC Bank, National Association ("PNC Bank") is a registered broker dealer and investment adviser which provides full service brokerage and wrap fee programs to its clients. Possible conflicts of interest that may exist between PNC Investments and PNC Capital Advisors are discussed under *Affiliated Transactions*, below.

PNC Realty Investors, Inc.

PNC Realty Investors, Inc. ("PNC Realty") an indirect, wholly owned subsidiary of The PNC Financial Services Group, Inc. provides investment supervisory services to institutional investors in connection with investments in commercial real estate throughout the United States. PNC Realty Investors and PNC Capital Advisors share management personnel; however, we do not believe this creates a conflict of interest for PNC Capital Advisors' clients.

PNC Capital Markets, LLC

PNC Capital Markets, LLC, an indirect, wholly owned subsidiary of The PNC Financial Services Group, Inc., offers loan syndication, public finance underwriting and advisory services, securities underwriting and trading, private placements, asset securitizations and merger and acquisition advisory services. Possible conflicts of interest that may exist between PNC Capital Markets, LLC and PNC Capital Advisors are discussed under *Affiliated Transactions*, below.

BlackRock Inc.

BlackRock Inc. (“BlackRock”), a publicly traded investment management firm headquartered in the United States, manages assets on behalf of institutions and individuals worldwide through a variety of equity and balanced, fixed income, cash management and alternative investment products. The PNC Financial Services Group, Inc. owns approximately 20% of BlackRock and PNC Investments is indirectly affiliated with a significant number of BlackRock investment adviser and broker dealer subsidiaries.⁵ Possible conflicts of interest that may exist between BlackRock Affiliates and PNC Capital Advisors are discussed under *Affiliated Transactions*, below.

PNC IG Fund GP, LLC

PNC IG Fund GP, LLC, a wholly owned subsidiary of PNC Capital Advisors, serves as General Partner to the PNC International Growth Fund L.P. The general partner is a co-investor in the PNC International Growth Fund L.P., whose interests may diverge from the best interests of other investors in the fund, which in some cases may be clients of PNC Capital Advisors. This may present potential conflicts of interest for PNC Capital Advisors’ clients. PNC Capital Advisors has adopted policies and procedures that it believes are reasonably designed to help mitigate these conflicts of interest.

PNC Bank, National Association

PNC Bank, National Association, a member of the Federal Deposit Insurance Corporation, is a full service bank engaged in traditional lending, cash and/or treasury management and other services.

PNC Capital Advisors has been retained by its parent company, PNC Bank to provide investment advisory services pursuant to a sub-advisory agreement. PNC Capital Advisors’ clients may retain PNC Bank to serve as a custodian for client assets. In addition, PNC Capital Advisors’ clients may also retain PNC Bank to provide trust and fiduciary services including, but not limited to: management of distributions, compliance, fiduciary tax preparation, reporting and record keeping in accordance with the trust documents and the needs of the beneficiaries and investment support services.

⁵ Those subsidiaries include BlackRock Realty Advisors, BlackRock Advisors LLC, BlackRock Financial Management, Inc., BlackRock International, Limited, BlackRock Capital Management, Inc., BlackRock Investments, Inc., BlackRock Investment Management LLC, BlackRock Capital Markets LLC, BlackRock Fund Advisors, BlackRock Execution Services, and BlackRock Kelso Capital Advisors.

PNC Capital Advisors has entered into a separate agreement with PNC Bank to provide model portfolios, investment research and investment recommendations.

Although PNC Capital Advisors is committed to acting in the best interests of our clients, in some situations there may be conflict of interest between the Firm's interests and a client's interests or there may be conflicts in the interests of multiple clients. Many of these conflicts of interest are inherent in operating an investment advisory business. For example, PNC Capital Advisors may have an incentive to resolve a matter in favor of clients that are affiliates of the Firm over clients that are not affiliates of the Firm. PNC Capital Advisors has adopted policies and procedures that it believes are reasonably designed to help mitigate these conflicts of interest.

Affiliates of PNC Capital Advisors may provide advice to their clients with respect to investment strategies that are similar to or the same as strategies offered by PNC Capital Advisors. Those advisory affiliates may purchase on behalf of their clients the same securities that PNC Capital Advisors may purchase for our clients. As a result, the interests of PNC Capital Advisors' clients may conflict with the interests of the clients of these affiliated advisers. For example, if an investment adviser affiliate implements a portfolio management decision for its client ahead of, or contemporaneously with, a decision PNC Capital Advisors makes for its client(s), the market impact of the decision made by the Firm's advisory affiliate could result in one or more of PNC Capital Advisors' clients receiving less favorable trading results than they otherwise would. PNC Capital Advisors' trade allocation and trade aggregation procedures do not typically apply to portfolio management decisions and trading executed by investment advisory affiliates for their clients that are not clients of PNC Capital Advisors.

Affiliate Transactions

PNC Capital Advisors or its affiliates may from time to time recommend to their clients' investments in transactions in which PNC Capital Advisors or its affiliates act as financial advisor or a broker-dealer or in securities which are underwritten, issued, packaged or serviced by an affiliate. These affiliates may receive compensation as a result of these transactions, if these transactions were to occur.

Mutual Funds

PNC Capital Advisors serves as the investment adviser and administrator to the PNC Funds and PNC Advantage Funds (collectively, the "Funds"), which are open-end registered investment companies. The advisory services and the administrative services agreements between PNC Capital Advisors and the Funds are subject to the supervision of the Board of Trustees of the Funds. All of the members of the Board are independent of PNC Capital Advisors and its affiliates. PNC Capital Advisors does not believe that these relationships create material conflicts of interest between PNC Capital Advisors and its clients.

PNC Capital Advisors also acts as investment adviser to the United Association S&P 500 Index Fund (the "UA Index Fund"). The advisory services agreement between PNC Capital Advisors and the UA Index Fund is subject to the supervision of the Board of the UA Index Fund. All of the members of the Board are independent of PNC Capital

Advisors and its affiliates. PNC Capital Advisors does not believe that this relationship create material conflicts of interest between PNC Capital Advisors and its clients.

Solicitor Fees

PNC Capital Advisors may enter into an agreement with a broker-dealer or registered investment advisor in which PNC Capital Advisors pays a set percentage of the management fee and/or performance-based incentive fee to the referring broker-dealer or registered investment advisor. In some cases, these arrangements may be with an affiliate of PNC Capital Advisors. These arrangements, often referred to as Solicitor's Agreements, are more specifically discussed in Item 14 below.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics & Personal Trading

PNC Capital Advisors has adopted a Code of Ethics which consists of certain general principals including: (i) advisory personnel must place client interests before their own, (ii) the personal securities transactions of PNC Capital Advisors personnel must avoid even the appearance of a conflict with client interests and (iii) PNC Capital Advisors personnel must avoid actions or activities that allow, or appear to allow, them to profit or benefit from their position with respect to clients, or that would otherwise bring into question their independence or judgment. In addition, the Code of Ethics also includes provisions relating to the reporting of personal securities holdings and trading activity. All supervised persons at PNC Capital Advisors must acknowledge the terms of the Code of Ethics annually. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

PNC Capital Advisors employees are also subject to the PNC Employee Conduct Policies which cover matters including compliance with law, conflicts of interest, insider trading, outside activities, and safeguarding confidential information.

Participation in Client Transactions

While PNC Capital Advisors will generally not purchase securities from or sell securities to its affiliates on behalf of client accounts, if PNC Capital Advisors were to purchase securities from or sell securities to its affiliates, the affiliated broker-dealer would receive compensation for such transactions, including commissions, if effected on an agency basis. PNC Capital Advisors may participate in transactions where an affiliate is part of an underwriting syndicate. Any purchases of affiliate-underwritten securities for investment company clients are performed in accordance with Rule 10f-3 of the Investment Company Act of 1940.

Generally, PNC Capital Advisors does not act as principal or broker with respect to transactions effected on behalf of its clients. PNC Capital Advisors may, however, engage in cross transactions for its clients' accounts. In such transactions, PNC Capital

Advisors (not acting as a broker) trades securities between client accounts as permitted by the Investment Advisers Act of 1940.

PNC Capital Advisors may, when appropriate, invest or recommend that clients invest in shares of mutual funds for which PNC Capital Advisors or its affiliates provide advisory or other services.

PNC Capital Advisors, its employees and its affiliates may buy or sell securities that PNC Capital Advisors recommends to its clients. To avoid conflicts which may arise in that context, PNC Capital Advisors has adopted policies and procedures regarding personal securities trading for its employees. Advisory personnel are required to receive approval before trading in certain securities. In order to prevent advisory persons from personally benefiting from investment recommendations that are under consideration for, or which have been made for PNC Capital Advisors' clients, approval will not be granted to trade if the security is currently under consideration or has been recently traded, subject to certain exceptions as provided in PNC Capital Advisors' policies and procedures regarding personal securities trading. To enforce the preclearance requirement, employees are required to hold securities accounts with certain approved broker-dealers that provide electronic transmission of securities transactions and holdings, unless an exemption applies or a waiver has been granted

Item 12. Brokerage Practices

Broker Selection & Best Execution

In executing portfolio transactions and selecting brokers or dealers, PNC Capital Advisors seeks the best overall terms available on behalf of a client's account. In assessing the best overall terms available for any transaction, PNC Capital Advisors considers the full range and quality of a broker's services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility and responsiveness.⁶ PNC Capital Advisors has established a committee to oversee and approve the selection of brokers and dealers, the allocation of brokerage commissions and to monitor best execution.

PNC Capital Advisors has also entered into a number of commission sharing arrangements in an effort to unbundle research from execution. PNC Capital Advisors uses commission management systems, allowing the firm to concentrate trading activity with alternative trading services and other sell-side brokerage firms that have meaningful order flow. The commission management system allocates a portion of the commission to pay for execution services, and a portion is allocated to pay for research. Commissions

⁶ The firm utilizes Investment Technology Group's Logic platform for transaction cost analysis. The software enables the firm to assess a variety of factors such as liquidity, bid ask spread, volatility, and market impact. Based on this data, the firm can more effectively prioritize trading and appropriately select trading venues and strategies that reduce transaction costs.

allocated to research are used to pay for research services provided by independent third parties as well as research provided by non-core brokerage firms.

Research and Other Soft Dollar Benefits

PNC Capital Advisors may also consider the research services provided by the brokers with whom trades are placed. These services assist the firm in the decision-making process, and may include, but are not limited to, industry and company reports, economic forecasts, strategy, and quotation services. Certain brokers through whom PNC Capital Advisors executes trades may provide unsolicited proprietary research (research created or developed by the broker) to us. The research could include a wide variety of reports, charts, publications and proprietary data on such matters as economic strategy, credit analysis, or market conditions and projections. It may also include attendance at conferences and meetings with management representatives of issuers and with other analysts and specialists. Research obtained is used for the benefit of all of the adviser's accounts.

Receipt of research from brokers who execute client trades involves conflicts of interest. An adviser using client brokerage commissions to obtain research or other products or services receives a benefit because it does not have to produce or pay for the research, products or services itself. Consequently, the adviser may have an incentive to select or recommend a broker based on its interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Brokers providing research services, even on an unsolicited basis, may charge commissions for executing portfolio transactions that are higher than the amount of commissions that other brokers would charge for effecting the same transactions. PNC Capital Advisors will execute portfolio transactions through these brokers only if it has determined that such brokers provide best execution.

Directed Brokerage & Aggregated Trades

Although we discourage the use of client-directed brokerage, we do have clients who request directed trades. Transactions for these clients will generally be executed following the execution of portfolio transactions in other client accounts where PNC Capital Advisors has full discretion to execute trades. In the event that we do accommodate a directed brokerage relationship, our standard operating procedure is to place the trade with an executing broker on our approved broker list with instructions to complete the trade through the client-directed broker.

PNC Capital Advisors has a trade allocation policy that allows it to select brokers for accounts where the client has given us full discretion. Trades in discretionary accounts are aggregated together and traded first. Directed brokerage accounts, in which the client has directed us to use a specific broker, are grouped together and placed in random order by broker. Directed accounts may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable execution.

When a trade is partially filled, the shares are allocated on a pro-rata basis to the appropriate client accounts. All blocked or grouped trades are allocated to the participating accounts at average cost. At times, a partial fill may consist of a number of shares, or position, so small as to not make a meaningful impact for any client if the order was distributed on pro rata basis. PNC Capital Advisors may then evaluate the order to determine a fair and equitable alternate manner of allocation. For example, in the case of a sale, an account with liquidity concerns may take precedence over one without such concerns.

Item 13. Review of Accounts

PNC Capital Advisors and its portfolio managers review their portfolios on an ongoing basis. The process generally includes a review of specific securities held, the asset mix of the portfolio, the availability of cash for investment, the performance of the portfolio, and major market and economic developments and their effect on the portfolio. In addition, certain portfolios follow a model portfolio technique. Portfolios are reviewed for compliance with client imposed restrictions and investment guidelines as well as strategy guidelines. Portfolio managers, investment officers and their research teams meet at least weekly to discuss market developments, economic outlooks, review individual securities and credit ratings, if applicable. PNC Capital Advisors' Account Review Committee is responsible for reviewing the performance of client portfolios, within twelve months of an account opening and annually thereafter, to determine whether accounts are being managed consistently within each investment strategy.

Item 14. Client Referrals and Other Compensation

PNC Capital Advisors may enter into written agreements with affiliated and third party solicitors (referred to as "Solicitors") to refer potential clients to PNC Capital Advisors as permitted by applicable laws. A potential client referred to PNC Capital Advisors by a Solicitor who becomes a client of PNC Capital Advisors will not pay higher investment management fees as a result of the referral.⁷

PNC Capital Advisors also has entered into a number of agreements where it agrees to make additional cash payments out of its own resources to financial intermediaries that sell or offer shares of investment companies advised by PNC Capital Advisors. Such payments are in addition to any distribution (12b-1) and/or shareholder service fees paid by the investment companies. These additional payments may be made to financial intermediaries, including affiliates that provide shareholder servicing, sub-administration, record-keeping and/or sub-transfer agency services, marketing support and/or access to

⁷ Certain solicitors who are employees of affiliates of PNC Capital Advisors may be considered covered associates of PNC Capital Advisors for purposes of rule 206(4)-5, the "Pay-to-Play" rule.

sales meetings for the investment companies. Cash compensation also may be paid to financial intermediaries for inclusion of the PNC Funds and PNC Advantage Funds on a sales list, including a preferred or select sales list or in other sales programs, to the extent permitted by applicable laws and regulators. These payments are sometimes referred to as "revenue sharing."

Item 15. Custody

PNC Capital Advisors does not provide custodial services to its clients. Client funds and securities are held with banks or registered broker-dealers that are "qualified custodians". These may include PNC Bank and other affiliates of PNC Capital Advisors.

Clients should receive at least quarterly statements sent by the qualified custodians directly to the clients and we urge you to carefully review those statements and compare the custodial records to the reports that we provide you. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16. Investment Discretion

PNC Capital Advisors usually receives discretionary authority from the client at the outset of an advisory relationship. The Firm's authority is set out in the investment advisory agreement. In all cases, we observe investment limitations and restrictions that are set out in the investment management agreement.

Item 17. Voting Client Securities

PNC Capital Advisors will vote proxies for client accounts if designated by written agreement. The general principle of PNC Capital Advisors' Proxy Voting Policy is to vote securities prudently in the best long-term economic interest of its clients considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Certain operations aspects of voting proxies on behalf of clients may be delegated to or otherwise performed by, its affiliate, PNC Bank, National Association.

PNC Capital Advisors has a proxy voting committee (the "Committee") responsible for voting proxies for which the firm has authority to vote. The Committee has engaged Institutional Shareholder Services (ISS), an independent third party, to assist the Committee in the voting, research and record-keeping associated with the firm's proxy voting responsibilities and has adopted general guidelines for voting proxies. Although

these Guidelines are to be followed as a general policy for routine matters, in all cases each proxy will be considered based on the relevant facts and circumstances.

The Committee also monitors for material conflicts of interest that may arise when voting a proxy between the interest of PNC Capital Advisor's clients and the interests of PNC Capital Advisors and its affiliates. If the Committee believes a material conflict of interest exists, the Committee may vote in accordance with the Guidelines on routine matters, defer to the recommendations of ISS on non-routine matters, or take other action to protect the interests of the firm's clients.

Written requests for copies of the complete Proxy Voting Policy and Procedures should be directed to PNC Capital Advisors at 1900 East Ninth Street, 15th Floor, Cleveland, OH. 44114, Attn: Compliance.

Item 18. Financial Information

In certain circumstances, registered investment advisers are required in this Item to provide you with financial information or disclosures about their financial condition. PNC Capital Advisors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy proceeding.