

Item 1. Cover



PNC Capital Advisors, LLC  
Form ADV Part 2A  
Municipal Fixed Income Strategies  
March 31, 2015

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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](http://www.adviserinfo.sec.gov).

## Item 2. Material Changes

No material changes were made to this Brochure since the last annual update was filed in March 2014.

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## 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.<sup>1</sup>

### 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 six highly focused investment style teams. Each team functions with its own research, portfolio management and portfolio construction processes unique to its specialized investment style.

The four equity teams include:

- Large Cap Advantage Equity
- Select Equity
- Small Cap Structured Equity
- International Equity

The two fixed income teams include:

- Taxable Fixed Income
- Municipal Fixed Income

PNC Capital Advisors also offers equity and taxable fixed income management. Those services are the subject of separate brochures that are available upon request from PNC Capital Advisors.

### Investment Strategies

PNC Capital Advisors offers the following municipal fixed income strategies:

- Total Return Strategies:

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<sup>1</sup> 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.

- Intermediate Municipal
  - Short Intermediate Municipal
  - Short Municipal
- Quality Income Strategies:
  - Intermediate Municipal
  - Short Intermediate Municipal
  - Short Municipal
- Enhanced Cash Municipal

(You can find more information about our investment strategies in Item 8 below).

#### Wrap Fee Programs

PNC Capital Advisors participates as a portfolio manager in one or more “wrap fee” programs sponsored by other financial services firms. PNC Capital Advisors receives a fee from the program sponsor in connection with advisory services provided to program participants. PNC Capital Advisors also provides investment models for use in wrap programs.

#### Non-Discretionary Advisory Services

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.

#### Administration of PNC Mutual Funds

In addition to serving as investment adviser, PNC Capital Advisors also serves as administrator to the PNC Funds and PNC Advantage Funds (collectively, the “PNC Funds” or the “Funds”).

#### Assets Under Management

As of December 31, 2014, PNC Capital Advisors had approximately \$ 40.4 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).

Municipal Fixed Income Strategies		
Total Return Strategies	Breakpoints	Fee
Intermediate Municipal	All Assets	0.25%
Short/Intermediate Municipal	All Assets	0.25%
Short Municipal	All Assets	0.25%
Quality Income Strategies	Breakpoints	Fee
Intermediate Municipal	All Assets	0.20%
Short Intermediate Municipal	All Assets	0.20%
Short Municipal	All Assets	0.20%
Municipal Enhanced Cash	All Assets	0.15%

Account fees may be negotiable on a case-by-case basis based on various factors, including, but not limited to, potential growth, account size, and services rendered.

As a result of mergers or acquisitions, PNC Capital Advisors also manages certain accounts on pre-existing legacy fee schedules that are different from those described above. 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.

PCA may serve as sub-adviser to affiliates or third-parties. When PCA serves as a sub-adviser, the primary adviser pays PCA directly for PCA's advisory services according to rates negotiated between the primary adviser and PCA. Generally, fees paid to the primary

adviser by its clients are governed by an agreement between such clients and the primary adviser.

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. Fees for partial periods are pro-rated.

#### Fee Payment Options

PNC Capital Advisors offers the following options to pay for our services:

- **Direct debiting:** If a client chooses this option, for each billing period, the client's custodian will be notified of the amount of the management fee due and payable to PNC Capital Advisors based on our fee schedule and contract. The custodian will deduct the fee from the account(s) or, if the client has more than one account, from the account designated to pay our advisory fees. The custodian does not validate or check our fee or its calculation on the assets on which the fee is based.

If clients choose this method, they must provide written authorization to the custodian permitting our management fee to be paid directly from the account(s). Clients should ensure that they are receiving a periodic statement directly from their custodian that shows all transactions, positions and credits/debits into or from their account(s), including the advisory fee paid by the client to us.

- **Client Invoicing:** For each billing period, PNC Capital Advisors will send the client an invoice for our services. The invoice will 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. Clients may pay us by check or wire transfer upon receipt of the invoice.

#### 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 commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes assessed to brokerage accounts and securities transactions.

Mutual funds, exchange traded funds and other pooled investment vehicles charge internal management fees and other fees, which are disclosed in a fund's or other pooled vehicle's prospectus, offering documents and/or financial filings. Such fees are borne by all investors in the funds or vehicles. We may invest client assets in mutual funds or other pooled investment vehicles, including those managed by us or our affiliates. When we invest clients' assets in funds or vehicles managed by us or our affiliates, we, or our affiliate, will receive internal fund fees paid by the funds and vehicles, and we may also collect our account-level advisory fees to the extent permitted by applicable law and if consistent with the client's contract.

As a service provider to the PNC Funds and PNC Advantage Funds, PNC Capital Advisors receives administration and investment advisory fees which are set out in the prospectus

and fund documents and/or financial filings of those funds.

#### Termination of Advisory Services

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

#### Additional Compensation

Neither PNC Capital Advisors nor its employees accept compensation, including asset-based sales charges or service fees, 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.

Investors in Funds advised by PNC Capital Advisors will not be advisory clients of PNC Capital Advisors (with respect to their investment in such Fund(s)), and PNC Capital Advisors will not provide investment advice or recommendations with respect to the merits and suitability of the particular investment and investment decision for these particular investors, unless they have executed an investment advisory agreement with PNC Capital Advisors. Investors in such Funds are encouraged to consult their own financial, tax and legal advisors regarding any investment, sale of an investment, in the Funds.

For municipal fixed income accounts, PNC Capital Advisors generally requires a minimum of \$1 million in assets and municipal enhanced cash management accounts with a minimum of \$5 million in assets. PNC Capital Advisors' minimum account sizes may be negotiable on a case-by-case basis based on various factors, including but not limited to, potential growth, account size, and services rendered. Minimum account sizes vary, depending primarily on the investment style and other factors.



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

PNC Capital Advisors approaches fixed income management with a team orientation. Each team functions with its own research, portfolio management and portfolio construction processes unique to its specialized investment style.

The Municipal fixed income strategies investment process integrates portfolio management with fundamental credit research and quantitative risk analysis. The establishment of a transparent agreement between the investment management team and the client is the basis for managing the portfolio exposures. Fundamental credit research utilizes both top-down as well as a bottom-up process. Top down focuses on national economic analysis for regional and state specific recommendations, while bottom up analysis is performed to generate credit opinions on over 100 focus list issuers. The result of these analyses provides the portfolio managers with proprietary credit opinions to develop relative value trading ideas across states, sectors, rating categories and obligors.

In the total return strategies, the quantitative research group generates interest rate profiles for each security in addition to each portfolio every day. This active management strategy involves examining each maturity on the curve, or the “key rate” duration measure. In this manner, we do not express an interest rate view, but dynamically maintain equivalent interest rate sensitivity across the maturity spectrum. The quantitative group also monitors portfolio performance attribution to evaluate security and portfolio structure for their contribution to investment return.

In the quality income strategies, portfolios are structured in a laddered style, with the same underlying credit analysis as our total return strategies. In these strategies we ‘buy and hold’ securities on behalf of portfolios that seek a predictable income stream with low price volatility. Typically, in these strategies, cash flows are invested to align the portfolio more closely with its target mandate. In order to control interest rate risk in the portfolio, the investment manager will ordinarily maintain an equal weighting, by market value, across all calendar years.

Portfolios are constructed to express our view on the municipal market. Based on experience in the municipal market, the portfolio managers/traders synthesize the credit and quantitative research with current market conditions to execute the most advantageous transitions for investor portfolios with the goal that the client risk-adjusted returns exceed those available from the benchmark.

PNC Capital Advisors offers seven municipal strategies:

**Total Return Intermediate Municipal Strategy** seeks to maximize total return and current income exempt from federal income tax consistent with the preservation of capital. To achieve this objective, the actively managed strategy focuses on investing in intermediate-term municipal securities with maturities ranging from 3 to 15 years.

**Total Return Short Intermediate Municipal Strategy** seeks to maximize total return and current income exempt from federal income tax consistent with the preservation of capital. To achieve this objective, the actively managed strategy focuses on investing in short-to-intermediate term municipal securities with maturities ranging from 1 to 8 years.

**Total Return Short Municipal Strategy** seeks to maximize total return and current income exempt from federal income tax consistent with the preservation of capital. To achieve this objective, the actively managed strategy focuses on investing in short-term municipal securities with maturities ranging from 6 months to 4 years.

**Quality Income Intermediate Municipal Strategy** seeks to provide a predictable annual income stream of tax-exempt income with low price volatility, while maintaining a high-grade credit profile. To achieve this objective, the passively managed strategy focuses on investing in intermediate-term municipal securities with maturities not exceeding 20 full calendar years.

**Quality Income Short Intermediate Municipal Strategy** seeks to provide a predictable annual income stream of tax-exempt income with low price volatility, while maintaining a high-grade credit profile. To achieve this objective, the passively managed strategy focuses on investing in short-to-intermediate term municipal securities with maturities not exceeding 10 full calendar years.

**Quality Income Short Municipal Strategy** seeks to provide a predictable annual income stream of tax-exempt income with low price volatility, while maintaining a high-grade credit profile. To achieve this objective, the passively managed strategy focuses on investing in short-term municipal securities with maturities not exceeding 5 full calendar years.

**Enhanced Cash Municipal Strategy** seeks to maximize current income exempt from federal income tax consistent with the preservation of capital. To achieve this objective, the actively managed strategy focuses on investing in short-term municipal securities, with maturities ranging from 0 to 2 years.

PNC Capital Advisors also offers many of the above strategies with state specific mandates. State specific mandates are offered for California, Kentucky, Maryland, New Jersey, New York, Ohio and Pennsylvania. Our state specific mandates invest only in securities issued in states and jurisdictions that are exempt from that chosen state's state income tax.

#### Risk Management

Risk is an inevitable component 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.

### ***Risks Relating to Investments in Municipal Securities***

**Municipal Obligations Risk** - An investment in municipal obligations is subject to municipal securities risk. Changes in the local or national economy, and business or political conditions relating to a particular municipal project, municipality, or state in which the Fund invests may make it difficult for the municipality to make interest and principal payments when due and thus could decrease the value of a portfolio's investments in municipal bonds. Municipal obligations also may be more susceptible to downgrades or defaults during recessions or similar periods of economic stress, which could have an adverse effect on the market prices of bonds and thus the value of a portfolio's investments.

**Tax Risk** - Municipal portfolios are subject to the risk that the issuer of the securities will fail to comply with certain requirements of the Internal Revenue Code, which would cause adverse tax consequences. Changes or proposed changes in federal or state tax laws could cause the prices of tax-exempt securities to fall or could affect the tax-exempt status of the securities in which the portfolios invest.

**Single State Risk** – When a portfolio focuses on investments in securities of issuers located in a single state and the portfolio may be subject to the particular economic, political and regulatory events relating to such securities to a greater extent than if its assets were not so concentrated.

### ***Other Risks Related to Fixed Income Investing***

**Liquidity risk** – Certain debt securities may not be traded quickly enough in the market to prevent a loss (or make the required profit).

**Credit/Counterparty Risk** - The values of debt securities or other instruments may be affected by the ability of issuers or the respective counterparties to make principal and interest payments or otherwise meet their obligations to the bond holder. If an issuer cannot or will not meet its payment obligations or if its credit rating is lowered or its financial strength deteriorates, the values of its debt securities or other instruments may fall. Obligations issued by U.S. government agencies, authorities, instrumentalities or sponsored enterprises, such as the Government National Mortgage Association, are backed by the full faith and credit of the U.S. Treasury, while obligations issued by others, such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, are backed solely by the ability of the entity to borrow from the U.S. Treasury or by the entity's own resources.

**Interest Rate Risk** - The value of a debt security typically changes in the opposite direction from a change in interest rates. When interest rates go up, the value of a debt security typically goes down. When interest rates go down, the value of a debt security typically goes up. Generally, the longer the maturity or duration of a debt security (or a portfolio of such securities), the more the value of that security (or portfolio of securities) will change as a result of changes in interest rates.

**Market Risk** - Debt security prices will fall over short or extended periods of time. Historically, the stock markets have moved in cycles, and the value of a portfolio's securities may fluctuate from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may decline in response.

**Prepayment/Extension Risk** - Certain debt obligations, such as callable bonds, may be prepaid. Additionally, the loans collateralizing certain mortgage- and asset-backed securities may be prepaid, affecting the value of the mortgage or asset-backed securities to which they relate. The level of interest rates and other factors affect the frequency of such prepayments. In periods of rising interest rates, prepayment rates tend to decrease, which lengthens the average life of callable bonds or mortgage- and asset-backed securities. The market values of securities with longer average lives (longer maturities) tend to be subject to greater interest rate risk and their values are more volatile as a result. In periods of falling interest rates, prepayment rates tend to increase, shortening the average life of a pool of mortgage-backed securities. This leads to the risk that a portfolio may lose any potential price appreciation above the bond's call price and have to reinvest the proceeds from prepayments at lower interest rates because prepayments often occur after interest rates have decreased or when interest rates are falling.

**Management/Investment Selection 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 securities will perform as anticipated.

#### Measures to Control Management Risk and Interest Rate Risk

Risk management is a cornerstone of our investment process and is integrated throughout the portfolio management process.

All of the municipal bond strategies perform both pre-trade and post-trade compliance. Using a variety of systems, trades are verified to meet the guidelines outlined in the investment policy statement prior to any trade being accepted or executed in an account. Additional systems are maintained to ensure that subsequent activities continue to adhere to these guidelines.

In our actively managed strategies, interest rate risk is monitored routinely by quantitative portfolio metrics linked to the respective benchmarks. A matrix-based approach is used to granularly measure credit exposure compared to the benchmark.

Portfolios in the Total Return Intermediate investment style are benchmarked against the S&P Intermediate Municipal Bond Index, made up of bonds that mature from 3 to 15 years. Portfolios in the Total Return Short-Intermediate investment style are benchmarked against the S&P Short-Intermediate Municipal Bond Index, made up of bonds that mature from 1 to 8 years. Portfolios in the Total Return Short investment style are benchmarked against the S&P Short Municipal Bond Index, made up of bonds that mature from 6 months to 4

years.

Each client portfolio in our actively managed strategies is constructed to match the key rate duration exposure of its chosen benchmark. A fully-invested portfolio will be key rate duration neutral across the full term structure dictated by the benchmark and will be actively managed to maintain that exposure. The portfolio management team does not express an interest rate or yield curve view in the portfolio, but strives to add incremental performance through security selection and execution.

Quantitative analytics also allow for the team to account for the performance of their decisions. Frequent analysis of trades and holdings monitors portfolio performance attribution to evaluate security and portfolio structure for their contribution to investment return.

#### Measures to Control Default, Credit and Liquidity Risk

As previously noted, all of the municipal strategies utilize fundamental credit research and routine monitoring to diminish credit risk.

Additionally, each client portfolio is constructed with a minimum of 25% exposure to what the investment team determines are core positions. Depending on the market climate, the portfolio manager could add positions leading to 100% core exposure in the portfolio. Market and credit conditions dictate the portfolio's liquidity profile and exposure to core bonds over a given time period.

## **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**

#### Broker-Dealer Registrations

PNC Capital Advisors is not registered nor does it have an application pending to register as a broker-dealer. Certain of PNC Capital Advisors' management persons and client-facing personnel are registered representatives of PNC Funds Distributor, LLC (PFD), an unaffiliated broker-dealer that has been retained to distribute shares of the PNC International Growth Fund, L.P., PNC Funds and PNC Advantage Funds.

### Arrangements with Affiliates

PNC Capital Advisors is part of a 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 and PNC Capital Advisors share certain 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.*

As of December, 31, 2014, The PNC Financial Services Group, Inc., together with its subsidiaries, owned approximately 22% of the total capital stock of BlackRock, Inc. ("BlackRock") and approximately 21% of BlackRock's voting common stock. BlackRock offers investment management, risk management and advisory services for institutional and retail clients worldwide, managing assets through a variety of equity, fixed income, balanced, cash management, and alternative investment products. BlackRock's subsidiaries which are registered investment advisers or registered broker-dealers include: BlackRock Advisors LLC, BlackRock Capital Management, Inc., BlackRock Investments, LLC, BlackRock Execution Services, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock International Limited, BlackRock Investment Management LLC, BlackRock (Hong Kong) Limited, BlackRock (Singapore) Limited, BlackRock

Asset Management North Asia Limited, BlackRock Kelso Capital Advisors, LLC, BlackRock Private Equity Partners, AG and, BlackRock Realty Advisors LLC. Potential conflicts of interest that may exist between BlackRock subsidiaries 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., and its 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 is a wholly owned subsidiary of PNC Bank.

PNC Bank has retained PNC Capital Advisors 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.

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

#### Solicitation Agreement

PNC Capital Advisors has entered into a separate agreement with PNC Bank to solicit advisory business on its behalf. Solicitor's Agreements are more specifically discussed in Item 14 below.

#### Investment Decisions

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. These 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 affiliates. For example, if an 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 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 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 and/or in which securities 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, which are open-end registered investment companies. PNC Capital Advisors or its affiliates may receive fees in connection with advisory, administrative and/or distribution services provided to the Funds. 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 may become aware of information with respect to a Fund that is not available to other investors in the Fund. PNC Capital Advisors is not permitted to communicate or act upon such information in a way that advantages its own clients, who may be invested in the Fund, over other investors in the Fund. If such information is material, non-public information, PNC Capital Advisors may be unable to make purchases or sales for its Clients in securities of the Fund to which the material, non-public information pertains.

From time to time, if permitted by the relevant investment guidelines and applicable law, PNC Capital Advisors may invest or recommend that Clients invest in shares or other interests in the Funds. PNC Capital Advisors and/or its affiliates may receive additional economic benefit (e.g., management fees as investment adviser to the Funds and/or fees as administrator to the Funds) when a client account is invested in such Fund, and a conflict of interest may exist.

Mutual funds, exchange traded funds and other pooled investment vehicles charge internal management fees and other fees, which are disclosed in a fund's or other pooled vehicle's prospectus, offering documents and/or financial filings. Such fees are borne by all



investors in the funds or vehicles. We may invest client assets in mutual funds or other pooled investment vehicles, including those managed by us or our affiliates. When we invest clients' assets in funds or vehicles managed by us or our affiliates, we, or our affiliate, will receive internal fund fees paid by the funds and vehicles, and we may also collect our account-level advisory fees to the extent permitted by applicable law and if consistent with the client's contract.

To the extent that PNC Capital Advisors invests assets of ERISA clients in an affiliated Fund, PNC Capital Advisors may either waive its investment advisory fee with respect to the employee benefit plan assets invested in any affiliated Fund for the entire period of such investment, or charge an investment advisory fee based on total plan assets if a waiver or credit representing the employee benefit plan's pro rata share of investment advisory fees paid by the Fund has been provided to the client.

## **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 principles, 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 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 under 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. The firm utilizes analytic software to analyze transaction costs. 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. 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 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 PNC Capital Advisors' 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 & Trade Rotation

In some circumstances, clients may instruct us to direct all trades, or a predetermined percentage of trades, in their advisory accounts to particular broker-dealers. PNC Capital Advisors reserves the right to not accept accounts requiring such direct brokerage arrangements. In the event that we do accommodate a request to direct brokerage for a percentage of trades in a client's advisory account, our standard operating procedure is to place the requested percentage of directed trades with an executing broker on our approved broker list with instructions to complete such trades through the client-directed broker.

When a client has given us full investment discretion, PNC Capital Advisors generally has authority to select brokers for the client's accounts. Trades in discretionary accounts are aggregated together to the extent practical. Conversely, for directed brokerage accounts, because PNC Capital Advisors does not have authority to freely direct trades, we may not be able to aggregate orders, or may only be able to aggregate a portion of a particular order, for such accounts. In some circumstances, the non-aggregated portion of a trade for a

directed brokerage account may take place after other accounts that do not require brokerage be directed to a particular broker. As a result, in some cases directed brokerage clients may pay higher brokerage commissions to (or may otherwise receive less favorable execution from) their selected broker-dealer than clients with non-directed accounts.

PNC Capital Advisors has developed a trade rotation policy establishing rotation schedules generally used to determine the order both for executing trades for discretionary accounts and directed brokerage accounts, and for communicating investment model changes. Trade rotations utilized by PNC Capital Advisors are designed for use with clients within particular investment strategies and may incorporate either a predetermined or a randomly-generated rotation schedule. Use of a trade rotation may result in trade orders for some clients (or categories of clients) being placed after completion of orders for other clients (or categories of clients) so as to avoid conflicts in the trading marketplace. Depending on its relative place in the rotation for any given transaction, and other factors including price movements and variations in trade execution, the performance of each client's account may differ from, and be better or worse than, the performance of other accounts following the same investment strategy.

Fixed income investment teams seek to purchase securities in quantities sufficient to fill target allocations for each account of a particular investment style based on each account's needs. If the quantity needed is unavailable to fill target, the investment team may select alternative fixed income securities that have the same or substantially similar risk and return characteristics, such as rating, sector, credit quality and maturity, to fulfill the target allocations.

### **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 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 six months of an account opening and quarterly 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.<sup>2</sup>

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 (Rule 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 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 may 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

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<sup>2</sup> 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.

in the investment management agreement.

## **Item 17. Voting Client Securities**

### Proxy Voting

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.

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 Advisors' 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.

The PNC Target Date Funds may own shares in underlying PNC Funds and PNC Advantage Funds. If an underlying PNC Funds or PNC Advantage Fund has a shareholder meeting, the PNC Target Date Funds normally would vote their shares in the underlying fund in the same proportion as the votes of the other shareholders of the underlying fund. This is known as "echo voting" and is designed to avoid any potential for a conflict of interest. This same process would be followed with respect to any PNC Funds and PNC Advantage Funds owning shares in other PNC Funds and PNC Advantage Funds.

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.

### Litigation, Class Actions and Bankruptcies

As an investment manager, we may be asked to decide whether to participate in litigation, including by filing claims in class actions, or bankruptcy proceedings for assets held in a client's account. It is the client's responsibility to monitor and analyze its portfolio and consult with its own advisers about whether it may have claims that it should consider pursuing. As a general matter, PNC Capital Advisors cannot, without client written

authorization, exercise any rights a client may have in participating in, commencing or defending suits or legal proceedings such as class actions for assets held or previously held in a client's account, although we may do so for the PNC Funds and PNC Advantage Funds. In the case of Separate Accounts, upon express written agreement of PNC Capital Advisors and the client and receipt of a Power of Attorney, we may assist clients or their custodian in assembling transaction information to file a litigation claim (such as a class action or bankruptcy claim). Generally, a separate account's custodian should receive all documents for these matters and the separate account client should direct its custodian as to the manner in which such matters should be handled.

## **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.

## Privacy Policy

### Commitment to Consumer Privacy

PNC Capital Advisors, LLC (“PNC Capital Advisors”) is committed to handling consumer<sup>3</sup> information responsibly. We believe the confidentiality and protection of consumer information is one of our fundamental responsibilities. This notice is intended to help you understand how we fulfill this commitment.

### Information We Collect

PNC Capital Advisors collects, retains and uses consumer information only where we reasonably believe it would be useful to the consumer and allowed by law. We do not sell personal information about consumers to third parties for their independent use. Consumer information collected by, or on behalf of PNC Capital Advisors generally comes from the following sources:

- ❖ Account applications, other required forms, investor correspondence, or telephone and website contacts with customers or consumers inquiring about PNC Capital Advisors;
- ❖ Transaction history of a customer’s account; or
- ❖ Third parties, including affiliates of PNC Capital Advisors.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth (if applicable), and other information that will allow us to identify you. We may also ask you for identifying documents.

### Information We Disclose

We may disclose consumer information to affiliates of PNC Capital Advisors, including The PNC Financial Services Group, Inc. and its affiliated financial institutions. PNC Capital Advisors may also disclose any nonpublic client information to service providers who maintain or service client accounts for us in order for us to be able to provide our clients with necessary services with respect to their accounts, such as:

- ❖ To help service a client’s account;
- ❖ To enable the service provider to provide business services to PNC Capital Advisors;
- ❖ To facilitate the processing of transactions for client accounts; and

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<sup>3</sup> The term “consumer” is limited in Regulation S-P, and is used in this policy to refer only to those who obtain, or seek to obtain a financial product or service from PNC Capital Advisors, LLC for personal, family or household purposes.



- ❖ To assist in performing marketing services or offering products or services to clients.

These service providers are not allowed to use client personal information for their own purposes and are obligated to maintain strict confidentiality. Client information is limited to the performance of the specific service PNC Capital Advisors has requested. Any such disclosures of consumer information to third parties is done either with your consent, or as permitted by federal law, specifically Regulation S-P under the Investment Advisers Act of 1940.

The confidentiality of your nonpublic personal information will continue to be maintained consistent with this privacy notice even if you decide to close your account(s), your account becomes inactive, or when you otherwise cease to do business with us.

#### Our Security Procedures

To maintain security of customer information, we restrict access to your personal and account information to persons who need to know that information to provide you products or services. We maintain physical, electronic and procedural safeguards to guard information. As required by federal regulation, we will take reasonable measures to protect against access to or use of your nonpublic personal information by unauthorized persons when disposing of it.

#### Online Privacy Practices

Our practices concerning information gathered during online sessions are explained below. These practices are consistent with and remain subject to our general Privacy Policy stated above.

Our website utilizes a variety of technologies (such as cookies and web beacons) to collect, store, and aggregate data about usage and browsing patterns. These technologies help us analyze and tailor the site for all users and better understand how our site is used.

Except as noted herein, we do not have any personally identifiable information about you unless you choose to give us such information during an online session. If you do give us personal information during your session, we will collect that information and use it to service your request and as otherwise described in this Privacy Policy.

If you are a registered user of our website who has enabled online access for your account(s), we collect all information that you submit through an online session, such as a transaction you've requested us to make. In this manner, your general usage patterns and other information noted above would be linked to you specifically.