



## **Disclosure Document for the Capital Directions Program**

An Investment Advisory Service of  
PNC Investments LLC

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April 25, 2018

This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of PNC Investments and the Capital Directions Program ("the Program"). If you have any questions about the contents of this Brochure, please contact us at (800) 622-7086. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

PNC Investments LLC, a registered investment adviser and broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"), is a wholly owned subsidiary of The PNC Financial Services Group, Inc. Registration does not imply a certain level of skill or training.

Additional information about PNC Investments LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

<p><b>Not FDIC Insured • Not Bank Guaranteed • Not A Deposit • Not Insured By Any Federal Government Agency • May Lose Value</b></p>
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## **MATERIAL CHANGES**

ADV Part 2A dated April 25, 2018 Exhibit

### **The following changes have been made to the PNC Investments Capital Directions Flex UMA Program Brochure since the last annual update dated March 30, 2017:**

Pg 11 – *Fees and Expenses* – The Brochure was updated to remove references to PNC Bank workplace banking relationship discounted fee rates to reflect that they will no longer be offered on Capital Directions accounts opened on or after March 1, 2018.

Pg 11 – *Fees and Expenses* – The Brochure has been updated to remove the program fee minimum.

Pg 13 – *Other Expenses* – The Brochure was updated to reflect the Program includes only Approved Share Classes of mutual funds. Approved Share Classes are share classes eligible for no-transaction fee trading available through our custodian's Institutional No-Transaction Fee (INTF) program, or if no INTF Eligible share class is available, the least expensive non-INTF Eligible share class eligible for inclusion in the program.

Pg 15 – *Cash Balances* – The Brochure has been updated to disclose that PNC Bank expects to earn revenue when Program assets are invested in the Bank Deposit Sweep Program. This creates a conflict of interest for us.

Pg 16 – *Collateral Accounts* – The Brochure has been updated to disclose that your Financial Advisor has a conflict of interest because your Financial Advisor's compensation is based on the assets held in your account and benefits if you enter into a Lending Arrangement instead of withdrawing funds from your account.

### **The following changes have been made to the PNC Investments Capital Directions Flex UMA Program Brochure effective April 25, 2018:**

Pg 22 – *Disciplinary Information* - On April 6, 2018, PNC Investments entered into a settlement ("Order") with the Securities and Exchange Commission ("SEC"). Without admitting or denying the findings, PNC Investments consented to the findings that, as a result of the conduct described below, PNCI willfully violated Sections 206(2), 206(4) and 207 of the Investment Advisers Act of 1940 ("Advisers Act") and Rule 206(4)-7 thereunder. The Order finds that the violations resulted from the following conduct of PNCI: (1) PNCI, without adequate disclosure of the associated conflicts of interest, invested advisory clients in mutual fund share classes with 12b-1 fees instead of available lower-cost share classes of the same funds without 12b-1 fees; (2) PNCI did not disclose a conflict of interest regarding marketing support payments paid on such mutual fund share classes that charged 12b1 fees; (3) PNCI improperly charged advisory fees to client accounts where the investment adviser representative departed the firm ("Orphaned Accounts") and where PNCI failed to assign a new investment adviser representative within thirty days; and (4) PNCI failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices and treatment of Orphaned Accounts.

The Order requires PNCI to cease and desist from committing or causing any violations and any future violations of Advisers Act Sections 206(2), 206(4), and 207 and Rule 206(4)-7; censures PNCI; and requires PNCI to pay disgorgement of \$5,234,856, and prejudgment interest of \$612,344, to compensate advisory clients who were affected by certain conduct detailed in the Order. PNCI will pay, in addition to the disgorgement and

prejudgment interest described above, disgorgement of \$497,144 in marketing support fees and prejudgment interest thereon of \$63,426 to the SEC for the transfer to the general fund of the United States Treasury. Lastly, PNCI will pay a civil monetary penalty of \$900,000.

## Table of Contents

About PNC Investments LLC.....	4
Service Fees and Compensation.....	4
The Capital Directions Program.....	4
Review of Accounts.....	9
Securities Transferred into an Account.....	9
Withdrawals from an Account.....	10
Taxes.....	10
Fees and Expenses.....	10
Calculation of Account Fees.....	12
Eligibility for Reduced Program Fees.....	12
Deduction of Account Fees.....	13
Other Expenses.....	13
Cash Balances.....	15
Financial Advisor Compensation.....	15
Account Requirements and Types of Clients.....	15
Account Minimums and Types of Clients.....	15
Collateral Accounts.....	16
Portfolio Manager Selection and Evaluation.....	17
Fund and Model Provider Selection and Evaluation.....	17
PNC Investments and Other Service Providers to the Program.....	17
Risks of Investing in the Capital Directions Program.....	18
Proxy Voting.....	19
Client Information Provided to Portfolio Managers.....	20
Client Contact with Portfolio Manages.....	20
Additional Information.....	21
Disciplinary Information.....	21
Other Financial Industry Activities and Affiliations.....	23
Affiliate Transactions.....	24
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	24
Client Reports.....	25
Client Referrals and Other Compensation.....	25
Financial Information.....	25

## About PNC Investments LLC

PNC Investments LLC (“PNC Investments”), is an investment adviser and also a broker-dealer. The Firm offers retail brokerage and investment advisory services. PNC Investments serves as the sponsor of, and in some cases as a portfolio manager for, wrap fee investment programs. PNC Investments is a wholly owned subsidiary of PNC Bank, National Association (“PNC Bank”) and is a part of The PNC Financial Services Group, Inc. (“PNC”) which is a diversified financial services institution with roots in commercial banking and investment management dating back to the early 1800s.

Throughout this document, the terms “client,” “you,” and “yours” are used to refer to the individual(s), institution(s) or organization(s) who contract with us for the services described here. “PNC Investments,” “we,” “our,” “us” and “the firm” refer to PNC Investments LLC, together (as applicable) with our affiliates, including but not limited to, PNC and its agents with respect to any services provided by those agents. Our affiliates include any entity that is controlled by, controls or is under common control with PNC Investments, including but not limited to our parent company, The PNC Financial Services Group, Inc. Each affiliate is a separate legal entity and not responsible for the obligations of any other affiliate.

“Account” means each brokerage and/or advisory account you open with us that is subject to the Capital Directions Program investment management agreement (the “Investment Management Agreement”), including any and all mutual funds, exchange traded funds, money, securities, financial instruments and/or other property you have funded in such accounts.

“Business Day” means Monday through Friday, excluding New York Stock Exchange holidays.

“Wrap” refers to an Account that charges a quarterly or annual fee based on the average assets under management, where such fee covers administrative, commission, execution and management expenses.

## SERVICES, FEES AND COMPENSATION

This Brochure is being provided pursuant to Section 204 of the Investment Advisers Act of 1940, as amended, and deals solely with our Capital Directions Program. In addition to the Capital Directions Program, PNC Investments offers a variety of investment advisory services. These include the Portfolio Solutions Program and the PNC Directions Program. More information about these programs and services is contained in the applicable PNC Investments brochure and is available upon request or through the SEC’s website at <https://adviserinfo.sec.gov/Firm/129052>. For more information about these or other services that are available from PNC Investments, please contact your Financial Advisor<sup>1</sup>. Other advisory services are offered by our affiliates.

### The Capital Directions Program

The Capital Directions Program is a unified investment advisory platform that provides clients an integrated set of diversified portfolios through a single brokerage account. We will help you formulate an investment strategy, which will be implemented through use of investment manager models, mutual funds and/or exchange traded funds (collectively “Funds”) that are a part of the Program. PNC Investments, as the investment adviser to the program, will exercise its discretion to invest your Account in all or a combination of equities, fixed-income securities, Funds, and other securities and investment products made available through the Program now or in

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<sup>1</sup> We use the term “Financial Advisor” to refer to PNC Investments’ branch-based and centralized Financial Advisors, as well as Advisor Direct Financial Advisors and Investment Sales Associates.

the future.

Additional model investment strategies provided by professional investment managers are also available in a variety of investment types and styles.

PNC Investments uses six core asset allocation models, each associated with a distinct risk profile and comprised of a unique mix of investment assets that have been developed by PNC Bank's Asset Management Group and approved by PNC Investments. Each of the models is offered in taxable, tax-sensitive, domestic taxable, and domestic tax-sensitive variations. These models are summarized below:

- **Preservation.** The primary objective of this asset allocation model is the preservation of the purchasing power of the portfolio. A secondary objective is to generate a modest amount of current income to offset the effects of inflation.

A Preservation portfolio is constructed to provide stability of invested capital by allocating a higher percentage of assets to money market investments and fixed income securities. A small percentage is allocated to Funds focused primarily on large cap domestic equities to generate a modest amount of the asset's total return potential. The portfolio assumes reinvestment of all interest and dividend income to help maintain the portfolio's value. The recommended time horizon of the portfolio is one to three years.

You should be aware that over long time periods, the Preservation model is unlikely to grow in value, after accounting for the effect of inflation and advisory fees. Risks include the fact that fixed income securities may lose value in a rising interest rate environment, and are subject to credit risk if the issuer's ability to repay its debts should become doubtful.

- **Conservative.** The primary objective of the Conservative model is to generate a modest amount of current income, and secondarily to provide a modest amount of long-term capital growth, which should help offset some of the effects of inflation. Long-term growth of principal will be aided by income reinvestment.

While the goal is to maintain a low-risk posture, investors should be willing to accept periodic declines in portfolio value. Although past performance is no guarantee of future results, any such decline should be less severe than declines in the broader equity markets. The portfolio's split allocation between equity and fixed income securities, with an allocation to cash and money market instruments, exposes it to both the risk of rising interest rates and falling equity prices.

- **Moderate.** The objective of the Moderate model is to generate a moderate amount of current income with the potential for longer-term capital growth. The portfolio is evenly split between equity and fixed income securities, with a small allocation to cash and money market instruments, and is constructed to provide both long-term capital appreciation in excess of inflation and a moderate amount of current income. While the current income generated could be available to meet your day-to-day expenses, reinvestment of income will increase the portfolio's ability to exceed inflation over the long-term.

The portfolio's split allocation between equity and fixed income securities, with an allocation to cash and money market instruments, exposes it to both the risk of rising interest rates and falling equity prices. Your ability to keep your funds invested in the Program throughout declining markets helps, but does not guarantee, the possibility of achieving the portfolio's long-term investment objective.

- **Balanced.** The primary objective of the Balanced model is to provide long-term capital growth in excess of inflation, with a modest amount of current income as a secondary objective. The portfolio is split between equities and fixed income securities, with a higher allocation to a variety of equity securities. The portfolio also contains a small allocation to cash and money market instruments. While the current income generated could be available to meet your day-to-day expenses, income reinvestment will increase the portfolio's ability to exceed inflation over the long-term.

This portfolio maintains a somewhat aggressive risk posture, and you should be willing to accept periodic declines in portfolio value. Because the portfolio is largely invested in equities, it can experience fluctuations – up or down – in value over short time periods. Your ability to keep your funds invested in the Program throughout declining markets helps, but does not guarantee, the possibility of achieving the portfolio's long-term investment objective.

- **Growth.** The primary objective of the Growth model is long-term capital growth. It may secondarily generate a minimal amount of current income by including some fixed income securities. The portfolio is concentrated in equity investments in order to earn returns exceeding the rate of inflation over the long-term. A small allocation to fixed income securities, as well as cash and money market instruments, is included primarily to help dampen volatility over the long-term.

This portfolio maintains an aggressive risk posture, and you should be willing to accept potentially significant declines in portfolio value that may be similar to or exceed declines in the broader equity markets. Because the portfolio is predominantly invested in equities, it can experience sharp fluctuations – up or down – in value over short time periods. Your ability to keep your funds invested in the Program throughout declining markets helps, but does not guarantee, the possibility of achieving the portfolio's long-term investment objective.

- **Aggressive.** The primary objective of the Aggressive model is long-term capital growth. An Aggressive portfolio is concentrated in equity investments for long-term growth. Returns in excess of the underlying rate of inflation are necessary to increase both principal and purchasing power.

This portfolio maintains a highly aggressive risk posture, and you should be willing to accept potentially significant declines in portfolio value, similar to or greater than declines in the broader equity markets. The portfolio may contain a small allocation to fixed income securities as well as cash and money market instruments. Because the portfolio is predominantly invested in equity securities, it can experience sharp fluctuations – up or down – in value over short time periods. Your ability to keep your funds invested in the Program throughout declining markets helps, but does not guarantee, the possibility of achieving the portfolio's long-term investment objective.

In addition to the asset allocation models, the Program offers two income models that have been developed by PNC Investments based on input from PNC's Investment Policy Committee. Each income model is associated with a distinct risk profile and comprised of a unique mix of investment assets. As with the asset allocation models, each of the income models is offered in taxable, tax-sensitive, domestic taxable, and domestic tax-sensitive variations. These income models are summarized below:

- **Core Fixed Income.** The primary objective of this portfolio is total return comparable to a portfolio of investment grade domestic bonds. Capital preservation is a secondary objective. The minimum

recommended time horizon for this portfolio is three to five years.

This portfolio has a strategic allocation to U.S. investment grade bonds and tactical allocations to other non-investment grade securities. The portfolio's allocation to 100% fixed income securities exposes it to the risk of rising interest rates. Any decline experienced in this portfolio should be significantly less severe than declines in a portfolio that has significant equity exposure.

- **Total Rate of Return.** The primary objective of this portfolio is total return incrementally higher than a portfolio of investment grade domestic bonds achieved through slightly more aggressive tactical decision making. A secondary objective is capital preservation. The minimum recommended time horizon for this portfolio is three to five years.

This portfolio invests in fixed income securities with an emphasis on total return. This model uses a broader range of credit quality securities which emphasizes slightly more tactical decision making. The portfolio's allocation to 100% fixed income exposes it to the risk of rising interest rates.

An alternative version of each model may also be available. When alternative models are selected, the traditional asset classes in each model will be reduced on a pro rata basis. The alternative models include an allocation to alternative strategy Funds that are registered with the SEC under the Investment Company Act of 1940 (the "Investment Company Act"). Alternative Funds can use one of many different strategies including, but not limited to, long/short, managed futures, or market neutral. PNC Investments will select the Funds and allocation in the alternative models, and you will not have the ability to modify the Funds or allocation selected.

Alternative strategy Funds are accompanied by risks that might be different from those associated with traditional investments, while providing additional diversification benefits to a stock and bond portfolio. When used as part of an overall solution, alternatives may help to meet a client's investment needs.

Because alternative Funds are regulated under the Investment Company Act, there are several ways in which they differ from unregistered hedge funds and other alternative investments. Alternative Funds are subject to:

- Limits on illiquid investments including a maximum of 15% of assets in illiquid investments;
- Limits on leveraging of no more than 33% of assets;
- Diversification requirements including a maximum of 25% of assets invested in one issuer; and
- Daily pricing and redeemability of fund shares.

Alternative Funds are also prohibited from charging the types of management and performance based fees (e.g., a "2/20" fee) that may be charged by hedge funds.

Before you open an Account in the Capital Directions Program, your Financial Advisor will help you complete an investor questionnaire that provides us with a comprehensive understanding of your financial situation, investment objectives, risk tolerance and investment time horizon. Based on the information collected in the questionnaire, we will recommend a flexible asset allocation model ("Allocation Model") appropriate to your situation and your Financial Advisor will assist you to select from a variety of approved funds and investment models offered by professional asset managers ("Model Providers"), available through the Program. We will present our recommendation to you in the form of a proposal (the "Proposal") for your acceptance and approval.

From time to time PNC Investments or your Financial Advisor may recommend changes to your Allocation Model



or to the funds or Model Providers you have selected. You may also request changes to your Allocation Model or your selected Funds or Model Providers, subject to certain restrictions described in this brochure. Finally, PNC Investments will periodically adjust Allocation Models or remove Funds or Model Providers from our approved list. In all of these circumstances, PNC Investments will update your Allocation Model and/or the Funds or Model Providers you have selected accordingly and will execute transactions to align your account to the new investment model. Note that you may not be sent a new Proposal in all of these circumstances.

Certain of these changes may result in an increase/decrease to the fees discussed further herein (see Services, Fees and Compensation – Fees and Expenses). Although you will not be sent an updated Proposal in some circumstances described above, any changes to the Account's fees will be reflected in the next Account statement summarizing the activity in your Account.

By accepting and signing the Investment Management Agreement, you grant discretion over your Account to PNC Investments and you authorize us to invest and reinvest the assets in your Account in a combination of equity securities, fixed income securities, Funds, and other financial instruments in accordance with the allocation model that you have selected. The scope of any investment advisory relationship we have with you is defined in the Investment Management Agreement. When you are enrolled in the Program, we act as your investment advisor only for your Account and not for any other assets or accounts, unless otherwise separately agreed to by us in writing. Our Capital Directions Program advisory relationship with you begins when we enter into an Investment Management Agreement with you, which occurs at the later of the date of acceptance of the signed Investment Management Agreement by PNC Investments or the date on which you have contributed the required minimum level of assets to your Account. Preliminary discussions or recommendations before we enter into an Investment Management Agreement with you are not intended as investment advice under the Investment Advisers Act and should not be relied on as such.

If your Capital Directions Account is an Individual Retirement Account ("IRA"), a Roth IRA or an account subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Account will not be permitted to invest in mutual funds advised by affiliates of BlackRock, Inc. or by PNC Capital Advisors, LLC. This prohibition does not restrict purchases of iShares, which are ETFs advised by an affiliate of BlackRock, Inc. BlackRock receives additional compensation when there is sufficient demand for new shares of an iShares ETF that they are requested to create a new "creation unit" of the ETF. PNCI has in place policies and procedures to prevent trading in the Program from causing the creation of new iShares creation units. For this reason, there may be periods during which we will not recommend investments in certain additional iShares. We may also, at our discretion, change the asset allocation in any model or the Funds available with respect to particular asset allocation strategies.

The Capital Directions Program is designed for investors who wish to give PNC Investments full discretion to invest the assets in their Accounts according to the asset allocation model selected. Once you are approved for the Program, you will not have the ability to directly buy or sell individual securities in your Account, or to direct your Financial Advisor or any Model Provider to buy or sell securities in your Capital Directions Account. You will not be able to obtain a margin loan using the securities in your Account as collateral.

You will retain, however, the ability to place reasonable restrictions on the securities that may be purchased for or held in your Account, subject to the review and approval of PNC Investments as the manager of the Account and based on the investment model selected. There are two types of investment restrictions that you may impose: (1) individual security restrictions, including Funds, and specific equity securities; and (2) industry restrictions. PNC Investments will determine which specific securities fall within an industry restriction and will

implement any industry restrictions in a manner it determines in its sole discretion from time to time. If an individual security restriction is reasonable, PNC Investments will generally allocate assets that would have been invested in a restricted security to cash or one or more substitute securities, which may include ETFs, on a pro rata basis. Any restrictions you impose on individual securities will not apply to the underlying holdings of Funds.

PNC Investments will be responsible for monitoring and maintaining the asset allocation models available through the Capital Directions Program and will have the discretion to buy and sell securities for your Account. Depending on the asset allocation model chosen, PNC Investments will make investments in, without limitation, equity securities, fixed income securities, cash (and/or short-term investments including, but not limited to, money market funds), Funds, and other financial instruments. PNC Investments will also be responsible for rebalancing your Account to keep it within the acceptable allocation ranges for the specified model. PNC Investments may, at its discretion, remove an asset allocation model from the schedule of available models and replace it with another model, without any prior notice to you.

PNC Investments retains the authority to limit the availability of any investment model offered by a Model Provider, or Fund, and/or to terminate or change investment models or Funds when circumstances are such that PNC Investments believes a change is in your best interest. If an investment model or Fund is terminated, PNC Investments will select a replacement investment without any prior notice to you.

You will receive a monthly statement following any month in which there is investment activity in your Account, confirming all transactions in your Account, including additions, disbursements, purchases, sales, and advisory fees paid to PNC Investments or fees paid to Model Providers. For periods in which there is no investment activity in your Account, statements will be provided quarterly. You will also receive a quarterly performance report that tracks the performance of your portfolios against relevant benchmarks.

### **Review of Accounts**

When you open a Capital Directions Program Account, we review and must approve your investment objectives and strategy for consistency with Capital Directions Program guidelines. Thereafter, the Account is reviewed on a monthly, quarterly or annual basis, as applicable, to monitor its performance, the appropriateness of the individual securities in it, and any investment restrictions that might apply.

We will attempt to contact you at least annually, including by mail or email (if you have authorized us to send you electronic communications), to request that you review your Account and inform us of any changes to your financial profile or investment objectives. You should inform your Financial Advisor of any changes to your financial profile or investment objectives as they occur. Your Financial Advisor will communicate any changes about you to PNC Investments. If you elect to utilize an investment model offered by a Model Provider, you will have very limited, if any, direct contact with the Model Provider selected for your Account. Therefore, it is very important that you maintain contact and communication with your Financial Advisor. You should direct any inquiries about your Account, the allocation model or any Model Providers to your Financial Advisor.

Finally, your Financial Advisor will be reasonably available to you for consultation about the Account. We encourage you to please contact your Financial Advisor if you have any questions.

The Investment Management Agreement will continue in effect until terminated by you or PNC Investments upon 30 days' written notice to the other party.

### **Securities Transferred into an Account**

You should be aware that if you transfer securities into a Capital Directions Account, any transferred securities that are not part of the recommended investments for your Account will be liquidated upon or shortly after transfer. This may mean that we will liquidate all of the securities you transfer into your account prior to investing your account in the recommended investments. You may incur adverse tax consequences as well as additional transaction costs in connection with these transactions. Please note that if you transfer illiquid securities into a Capital Directions Account, it may delay management of that Account until such securities are transferred out or otherwise removed.

### **Withdrawals from an Account**

You should also be aware that if you request a withdrawal from a Capital Directions Account, PNC Investments as investment manager, may need to liquidate a portion of the Account to cover the requested withdrawal amount. This will happen, for example, when the cash in your Account is insufficient to accommodate the requested withdrawal. You may incur adverse tax consequences as well as additional transaction costs in connection with these transactions. In addition, you should be aware that liquidation transactions are at the discretion of the investment manager, and cash may not be available for distribution until several days after the initial request is made.

### **Taxes**

You need to be aware that the Program operates in a manner that will likely cause non-retirement Capital Directions accounts to more frequently experience taxable gains and losses than a brokerage account holding individual securities for the same amount of time. When we, at our discretion, sell securities to rebalance your asset allocation or to adjust your program model, the transaction will likely create a capital gain or loss for you. Additionally, any securities that you sell in order to raise cash to open and or be deposited into your account will likely create a capital gain or loss. These capital gains and losses are in addition to dividends and capital gains paid by the mutual funds in the account. You should consider and discuss the potential tax implications of opening and maintaining a Capital Directions account with your tax advisor.

### **Fees and Expenses**

You will pay both a "Program Fee" and, if you elect to utilize an investment model offered by a Model Provider, a separate "Model Provider Fee" for the services provided under the Capital Directions Program. The Program Fee and Model Provider fee, if applicable, will be combined and reflected on your account statement as the "Management Fees". Each fee is calculated as a percentage of assets under management and will vary depending on the services provided to you. You may be charged commissions or service charges for transactions executed prior to establishing your Capital Directions account; you should discuss your options for funding your account with your Financial Advisor.

The Program Fee is based on the total assets under management, including any portion of the Account maintained in cash or in short-term vehicles including, but not limited to, money market funds. As the market value of the Program Account reaches a higher tier, as shown in the table below, the assets within that higher tier are charged a lower rate. Our standard Program Fee schedule is as follows:

Assets Under Management	Maximum Program Fee
First \$250,000	2.00%
Next \$250,000	1.75%
Next \$500,000	1.50%
Next \$1,000,000	1.25%
Next \$2,000,000	1.00%
Over \$4,000,000	Negotiable

We may, from time to time, offer discounted pricing programs in our discretion, for example, current employees and retirees of PNC and their immediate family members may be eligible for employee pricing.

Depending on certain factors, including the type and size of your Account, the range of services provided and the total amount you have invested with PNC Investments, you may negotiate a Program Fee that varies from the standard schedule above. The Program Fee for your Account is referenced in the fee schedule included as part of the Proposal completed and accepted by you. The Program Fee you pay to PNC Investments for the Capital Directions Program is charged quarterly in advance and will be based on the average daily balance in your Capital Directions Account over the prior calendar quarter or portion thereof (except in the case of a new account).

The Program Fee covers the cost of brokerage commissions and other transaction fees only for transactions effected through National Financial Services LLC ("National Financial") on an agency basis. Fixed Income model providers will typically trade with Broker Dealers other than National Financial Services. You will bear the cost of brokerage commissions on transactions effected through other brokers, dealer markups, markdowns and spreads when these Model Providers effect trades through third party broker dealers.

In addition to the Program Fee, if you elect to utilize an investment model offered by a Model Provider, you will pay a separate Model Provider Fee for the services provided by the investment manager(s) that provide the investment model(s) you have selected. The Model Provider Fee is based on the average daily balance of assets under advisement invested pursuant to the applicable investment model(s), including any portion of the Account maintained in cash, money market funds or other short- term vehicles, over the prior calendar quarter, or portion thereof. Current Model Provider fees are set forth in the table below and are subject to change;

Model Provider	Fee	Model Provider	Fee
AB Concentrated Growth	0.44	Ithaca Large Cap Growth	0.40
Aristotle Large Cap Value	0.45	Madison Mid Cap Equity	0.45
Baird Mid Cap Growth	0.40	Mar Vista Strategic Growth	0.40
Boyd Watterson Inv Grade Intermediate SMA	0.30	Neuberger Berman All Cap Core SRI	0.45
Boyd Watterson Ultra Enhanced Core ETF	0.30	Neuberger Berman International ADR	0.45
Boyd Watterson Ultra Enhanced Core FI WRAP	0.30	Nuveen Intermediate-Term Municipal	0.28
Cambiar International Equity ADR	0.45	Nuveen Limited Maturity Municipal	0.28
ClearBridge Small Cap Growth	0.48	Nuveen Long-Term Municipal Bond	0.28
Dana Large Cap Equity	0.45	Polen Growth	0.40
Dana Municipal Bond	0.30	RNC Genter Muni Quality Intermediate	0.30
Dana Small Cap	0.45	Sage Tactical ETF Core Plus Fixed Income	0.30
Delaware Value	0.40	Santa Barbara Dividend Growth	0.45
Earnest Partners Mid Cap Core	0.48	Schafer Cullen Intl High Dividend	0.45
Earnest Partners Mid Cap Value	0.48	Seizert Concentrated Equity	0.55
Earnest Small Cap Value	0.50	Seizert Small Cap Value	0.65
Federated Strategic Value Dividend MA	0.45	Sterling Mid Cap Value	0.40
Franklin Intermediate Municipal Bond	0.30	Tributary Small Cap Core	0.42
Harding Loevner International Equity	0.45	Wedgewood Focused Large Cap Growth	0.38
Horizon Small Cap	0.59		

### Calculation of Account Fees

The Program Fee and the Model Provider Fee will be paid in advance to the Advisor at the end of each calendar quarter for the following quarter and will be calculated on the last business day of the quarter as follows. The Program Fee is calculated based upon the average daily market value of the total assets in the Account over the prior calendar quarter. The Model Provider Fee is calculated based on the average daily market value of assets in the Account invested pursuant to the applicable investment model(s), including any portion of such assets maintained in cash, money market funds or other short-term vehicles pursuant to the applicable investment model(s), over the prior calendar quarter. Because the Model Provider Fee may differ based upon the investment options selected for the Account, the actual aggregate fees charged to the Account will be based upon the fees attributable to the investment options included in the Account at the time of the fee calculation (i.e. the last business day of the calendar quarter). Accordingly, it is important to note that changes in the Account's asset allocation caused by rebalancing, as well as changes among the types of investment options, during a particular calendar quarter may cause the aggregate of the Program Fee and the Model Provider Fee to be higher or lower than such aggregate amount would have been if calculated based on the composition of the investment options actually held in the Account during the relevant calendar quarter. Upon your request, we will provide you with a detailed explanation of the fee calculation which will allow you to recalculate the fees should you so desire.

If your Account is new, you will pay an initial fee after the date that National Financial, the custodian, receives the initial assets of your Account. An adjustment to the next quarterly fee will be made for any significant contributions or distributions that occur during the inception quarter of your Account. With your initial contribution and for any additional contribution or distribution adjustments, your fee will be calculated for that portion of the ongoing quarterly Program Fee that relates to the number of days remaining in the calendar quarter as of the date your Account becomes subject to the Investment Management Agreement or that you make the additional contribution or distribution, as applicable. This Program Fee will be based on the total

market value of assets in your Account on that date.

If your Account is terminated by you or PNC Investments during a calendar quarter, the fee for that quarter will be prorated over the number of days that the Account was open during the quarter. Any overpayment will be refunded to you after the Account is closed. Fees are not prorated for contributions or withdrawals made during a calendar quarter, except in the case of a new or terminated Account, as outlined above. PNC Investments reserves the right to charge its standard fees for additional brokerage account services that are not included in the Program. Such fees may include, but are not limited to, ACAT (i.e., account transfer) fees, wire transfer fees, IRA fees and stop payment fees. If you terminate your Capital Directions account within 90 calendar days of initial investment, PNC Investments reserves the right to charge you commissions, according to our standard schedule of fees, for transactions executed on your behalf during the time your account was managed, less any pro-rated advisory fee paid by you.

### **Eligibility for Reduced Program Fees**

You may qualify for lower Program Fees based on the total value of assets maintained by you, your spouse and or your dependent children in PNC Investments' advisory program accounts ("Eligible Accounts"). You must notify your Financial Advisor of any other Capital Directions, PNC Directions and or Portfolio Solutions accounts that you, your spouse or your dependent children maintain. Upon notice from you, we will aggregate the value of the Eligible Accounts in order to determine the applicable Program Fee based on the total value of assets in your Eligible Accounts. The assets of the Eligible Accounts are not commingled and you, your spouse and your dependent child will retain individual account ownership rights and responsibilities.

### **Deduction of Account Fees**

All fees incurred by the Account will be paid from the cash balance or by selling shares of a money market mutual fund. If the Account does not have a sufficient cash balance or enough money market mutual fund shares to cover the fees, we may liquidate other securities as necessary to pay them.

Selling securities to pay fees may incur transaction costs and could create tax consequences for you. You may contact your Financial Advisor if you have any questions regarding the fees charged to your Account.

Clients who opened accounts in the Capital Directions Program prior to January 2, 2015 and who have not previously authorized PNC Investments to adjust your Program Fee may be subject to a Legacy Fee Arrangement which varies from the schedule above ("Legacy Fee Arrangement"). Please note that the authorization to adjust the Program Fee may have been obtained via negative consent. The Legacy Fee Arrangement, if applicable, is outlined in your investment management agreement. At the sole discretion of PNC Investments, certain other Accounts converted from the Strategic Directions or Premier Directions Programs as of October 1, 2015 may also be subject to a Legacy Fee Arrangement.

### **Other Expenses**

Each Fund in which your Account is invested charges its own separate fund-level fees and operating expenses, including, for example, administrative, custody, transfer agent, legal and audit fees and expenses, investment advisory or management fees, shareholder servicing fees, omnibus accounting fees, fees for sub-administration, recordkeeping, print mail services and other expenses. These fees and operating expenses are ultimately borne by the shareholders invested in the Fund, including you. Other classes of mutual funds have lower fund-level fees than those used in this Program. Please review the relevant Funds' prospectuses for a full explanation of fund expenses and charges.

PNC Investments includes in the Program only “Approved Share Classes” of mutual funds. Approved Share Classes are share classes eligible for no-transaction fee trading available through our custodian’s Institutional No-Transaction Fee program (“INTF Eligible” share classes) or, if no INTF Eligible share class is available, the least expensive non-INTF Eligible share class eligible for inclusion in the Program. PNC Investments uses INTF Eligible share classes in order to reduce PNCI’s overall program trading costs. This represents a conflict of interest for us because the INTF Eligible share class of a fund that we include in the Program may be more expensive than other share classes of the same fund that you may be eligible to purchase.

INTF Eligible share classes do not typically charge shareholders 12b-1 fees or pay those fees to us or our custodian, which reduces costs to you, as compared to share classes that do pay 12b-1 fees. Currently, the Lord Abbett F class is the only INTF share class that charges a 12b-1 fee to shareholders, however, that fee is paid to the fund’s distributor, not to PNC Investments and we will not credit your Account for that fee. Please note that the mutual funds included in the Program may provide compensation such as fees for omnibus accounting, sub-administration, shareholder services, recordkeeping, print mail services or other related fees (“Mutual Fund Compensation”). While we do not expect to receive such fees, PNC Investments will credit to your Account any Mutual Fund Compensation or 12b-1 fees paid to us in connection with the holdings in your Account. Our custodian or other entities not affiliated with PNC Investments may receive Mutual Fund Compensation. PNC Investments is not a party to such arrangements and we will not credit your Account for Mutual Fund Compensation received by such entities.

PNC Investments receives additional compensation, referred to as revenue sharing, from the advisors or distributors of the mutual funds offered in the Program, which compensates us for administrative services we provide to them and is based on the level of assets invested in the mutual funds they advise or distribute. Our independent due diligence process for selecting mutual funds for our investment advisory programs is designed so that mutual funds are selected based on objective, investment related criteria and does not take into account compensation to PNC Investments. However, only funds for which we receive revenue sharing are considered for inclusion in this due diligence process. This means that mutual funds that would meet our investment criteria are not included in the Program because their advisors or distributors do not offer revenue sharing to PNCI. We will not credit your Account for any revenue sharing payments we receive. For details on revenue sharing received by PNC Investments from advisors or distributors, please see the following link:

<https://www.pnc.com/content/dam/pnc-com/pdf/personal/wealth-investments/PNCI/0316%20Rev%20Share%20Disclosure%20Ranges.pdf>

For more information around the compensation a particular mutual fund provider may pay, please refer to the mutual fund’s prospectus and/or Statement of Additional Information.

Additionally, some Funds impose redemption fees depending on the share class, if they are redeemed within a specified time period, to discourage short-term trading or for other reasons. The relevant Fund company retains these redemption charges from the proceeds of the redemption for the benefit of the remaining shareholders of the Fund. The amount of such fees and charges retained will be reflected on your account trade confirmations.

Purchasing securities in the Program may cost you more or less than purchasing the securities directly from the funds or through agents of the funds without enrolling in the Program, including through a brokerage account at PNCI. By purchasing mutual funds outside of the Program, you may invest in a single fund family and obtain “breakpoints” that could lower the cost of the Funds. However, if you purchase mutual fund shares directly, you may not receive the asset allocation and account monitoring services available via the Program and may not qualify to invest in share classes available to investors through the Program. In addition, mutual funds purchased

outside the Program may charge commissions, front-end or back-end sales charges, and redemption fees, depending on the share class.

Finally, your Account may be invested in Funds for which PNC Investments or one of our affiliates acts as an advisor, sub-advisor, or administrator, and receives a fee for such services. Therefore, PNC Investments or an affiliate may receive a fee for the services provided to the Funds. The level of advisory or sub-advisory fees paid to PNC Investments or its affiliates by such Funds, including the BlackRock or PNC Funds, is disclosed in the Prospectus and/or Statement of Additional Information of such Funds. The maximum amount of your Account assets that may be invested in Funds, including the BlackRock or PNC Funds, which pay advisory or sub-advisory fees to PNC Investments or its affiliates will depend on many factors, but in certain circumstances may reach 100% of your Account assets. You should ask your Financial Advisor about these advisory or sub-advisory fees, and you may terminate your Investment Management Agreement with PNC Investments at any time if you have any concerns about the level of these fees or the incentives that they may create. PNC Investments has an obligation to invest your assets in a manner that considers your best interests first. To that end, PNC Investments will take steps to minimize potential conflicts of interest that arise from investing with Funds that pay PNC Investments or its affiliates advisory or sub-advisory fees, to the extent required by applicable federal or state laws. PNC Investments evaluates the appropriateness of investing your assets in Funds managed by affiliates of PNC Investments, such as BlackRock or PNC Funds, in the same manner as it evaluates all other Funds available through the Program.

### **Cash Balances**

Uninvested cash balances may be invested in a money market fund, bank deposit or other investment vehicles made available by PNC Investments, including, but not limited to, a fund managed by, or a deposit with, an affiliate of PNC Investments. As discussed above, assets held in a money market fund are subject to the fund's management, distribution, transfer agent and other expenses. If cash balances are invested in a money market fund that is managed by PNC Investments or one of our affiliates, certain of these fees and expenses may be payable to PNC Investments or our affiliates. These fees and expenses are described in the applicable money market fund prospectus and are paid by the money market fund but are ultimately borne by the shareholder. Additionally, PNC Investments will receive a fee from PNC Bank based on the assets in the Bank Deposit Sweep Program (BDSP). These fees are in addition to, and will not reduce, the Account's fees, except as required by applicable law. PNC Bank expects to earn income through the lending activity on Account assets held in the BDSP. This is a conflict of interest for us because that income is expected to exceed the income we would receive if the assets were held in a money market fund. The investment vehicle you select will impact the returns you receive on the cash portion of your account. Your Financial Advisor can discuss the benefits and risks of the available options.

### **Financial Advisor Compensation**

A portion of the fees charged for Program services generally will be paid to your Financial Advisor in connection with opening your Account, as well as for providing client-related services within the Program. This compensation may be more or less than a Financial Advisor would receive if you transacted in a brokerage account, rather than a managed account in the Capital Directions Program, and paid separately for investment advice, brokerage and other services covered by the Program Fee. Therefore your Financial Advisor may have greater incentive to offer a managed product than a brokerage product. PNC Investments may advance to Financial Advisors a portion of the first year's estimated fees for clients who invest in the Program.

From time to time, PNC Investments initiates incentive programs for its employees including Financial Advisors. These programs include, but are not limited to, programs that compensate them for attracting new assets and Capital Directions Program



clients, or for referring business to our affiliates (such as referrals for mortgages, trusts, or insurance services); programs that reward them for promoting investment advisory services, for participating in advanced training, and for improving client service; and programs that reward Financial Advisors who meet total production criteria.

Financial Advisors who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums and recognition trips. These programs may be partly subsidized by external vendors or our affiliates, such as mutual fund companies, insurance carriers or money managers. Therefore, our Financial Advisors may have a financial incentive to recommend the programs and services included in these incentive programs over other available products and services that we offer.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Account Minimums and Types of Clients**

The minimum account size for the Capital Directions Program is \$50,000. We may terminate the advisory services on any Account that falls below minimum account value guidelines established by the firm on 30 days' written notice to the Account holder. To avoid termination, you may be required to deposit additional assets in your Account to remain in the Capital Directions Program. Under certain limited circumstances, we may waive the minimum account size requirement. If your Account was opened prior to October 1, 2015, the minimum account size for your Account prior to October 1, 2015 will continue to apply to your Account.

In addition, Model Providers utilized for the Program may impose their own investment minimums and may limit or terminate the availability of their model for Accounts that fall below this minimum with 30 days' notice to PNC Investments. Upon receipt of such account minimum notices from a Model Provider, PNC Investments will use commercially reasonable efforts to identify another Model Provider that is consistent with or substantively similar to the model and/or Model Provider that has terminated the availability of their model and resume a continuous investment program for the Account. PNC Investments will have limited or no ability to waive Model Provider minimums.

PNC Investments principally provides investment advice to individuals and high-net-worth individuals.

### **Collateral Accounts**

Under certain circumstances you may elect to pledge the assets in your non-IRA/ERISA Account as collateral for a general purpose loan with our affiliate, PNC Bank, or other financial institution ("the Lending Arrangements"). You should be aware of certain information regarding the impact of a collateral call on your Account.

Where your Account assets are pledged or otherwise used as collateral in connection with Lending Arrangements, the lender may exercise certain rights and powers over the assets in the Account, including the disposition and sale of any and all assets pledged as collateral for the loan, which may be contrary to your interests and the investment objective of your Account under the Program. In the event of a collateral call on the Account, securities will be liquidated from the Account and, as a result, the investment strategy for the Account may become disrupted because positions may be redeemed or liquidated more rapidly (and/or at significantly lower prices) than might otherwise be desirable. You or your Financial Advisor may not be provided with prior notice of the liquidation of the securities in the Account. Furthermore, you and your Financial Advisor may not be entitled to choose the securities which are to be liquidated by the lender (securities will be liquidated by PNC Investments at the direction of the financial institution to which the assets are pledged). After the execution of a collateral call, any remaining securities in the Account may be lower in value than the investment minimums required for the Capital Directions Program and the Account may be subject to

termination as described above.

Further, the costs associated with the Lending Arrangements are not included in the Program Fee you pay under the Program and may result in additional compensation to us, our affiliate, PNC Bank, and/or our Financial Advisors. Your transaction costs may rise as a result of a collateral call, because securities may be liquidated under unfavorable market conditions. You should consult with your own independent tax advisor in order to fully understand the tax implications associated with the Lending Arrangements. The securities subject to the collateral call may not be liquidated in a manner that is tax efficient or that is in accordance with the investment strategy of the Capital Directions Program. PNC Investments does not provide legal, tax or accounting advice.

You are encouraged to speak with your Financial Advisor to the extent you have questions about the Program, the Lending Arrangements and how they may impact the management of your Account. You should be aware that your Financial Advisor has a conflict of interest because your Financial Advisor's compensation is based on the assets held in your account and benefits if you enter into a Lending Arrangement instead of withdrawing funds from your account. You should refer back to the Lending Arrangements and associated documents for the specific terms governing the Lending Arrangements. You may also wish to discuss with your Financial Advisor how a collateral call could impact you if your pledged Account makes up all, or substantially all, of your overall net worth or investible assets. Any action taken by us, or an affiliate, with respect to the assets held in your Account pursuant to the Lending Arrangements will not constitute a breach of our fiduciary duties as an investment adviser to you under the Capital Directions Program.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Fund and Model Provider Selection and Evaluation**

The Capital Directions Account is managed to diversify your investments and may include investments in equity and fixed-income securities, options, Funds and money market instruments. Accounts are managed on an individual basis, and our asset allocation and investment recommendations are determined by and based on our understanding of your financial situation, investment objectives and risk tolerance. You may impose further reasonable restrictions and guidelines on your Account, but these may affect the composition and performance of your portfolio.

We select the investments and Model Providers that are available in the program. The factors influencing the inclusion of any investment model or Fund on our list of recommended investments may include, among other things, past performance, management style, quality of the relevant Model Provider or Fund manager, its investment process, the number and continuity of investment professionals, and its client servicing capabilities.

While PNC Investments is the sole sponsor of the Program, we receive research and assistance in selecting and reviewing investment models, mutual funds and ETFs from the Asset Management Group ("AMG") of our affiliate PNC Bank and Morningstar, Inc. Expenses for these services are paid by PNC Investments and do not impact the advisory fees paid by your account. We also rely on AMG for research and assistance in selecting and reviewing investment models for the Program. We or AMG may ask a relevant Model Provider to provide us with a completed questionnaire, database information on the firm and statistical analysis of the Model Provider or Fund manager's track record. We, Morningstar or AMG may also conduct interviews with members of the Model Provider or Fund manager's management. This process is an ongoing one, and investment models, Funds may be added or removed from the Program based on many factors, either internal or external to a Model Provider or Fund manager's management. Returns reported by Model Providers are derived from sources believed to be reliable, but we make no representations or warranties as to the accuracy of such performance

information.

The Program and other wrap programs we recommend may include products managed by investment management affiliates of PNC Investments including BlackRock, Inc. and PNC Capital Advisors, LLC, which receive compensation for their investment advisory and other services. The services provided by our affiliates and the fees they collect for these services vary and generally are disclosed in each Fund's prospectus. These fees are paid directly by the Fund and affect the total return of a shareholder's investment. We will not treat those entities and Funds any differently from investment managers and Funds that are not affiliated with PNC Investments, except that if your Account is an IRA or subject to ERISA, you are not able to purchase for the Account mutual funds advised by BlackRock, Inc. or PNC Capital Advisors, LLC, as discussed above.

### **PNC INVESTMENTS AND OTHER SERVICE PROVIDERS TO THE PROGRAM**

PNC Investments was formed in 2003, and is a direct, wholly owned subsidiary of PNC Bank. PNC Bank is a wholly owned subsidiary of The PNC Financial Services Group, Inc., a financial holding company.

PNC Investments is registered with the SEC as an investment advisor and a broker-dealer. PNC Investments is a member of FINRA and SIPC and serves as the sponsor of the Program.

PNC Investments does not receive performance-based fees calculated as a share of capital gains on, or capital appreciation of, the funds or any portion of the funds or other investments in a client's Account. National Financial provides trading, custody and operational services for the Program. National Financial carries client Accounts, is the custodian for the investments in your Account, reports all the trades in your Account and effects many such trades. National Financial will provide you with trade confirmations, monthly statements, and income tax reporting.

PNC Investments has also engaged a service provider to perform certain support services in connection with the Program, including account rebalancing for the asset allocation models. This service provider is also responsible for calculating and preparing quarterly performance reports for client accounts.

### **RISKS OF INVESTING IN THE CAPITAL DIRECTIONS PROGRAM**

Investing in securities, including the investments offered through the Program, involves risk of loss that you should be prepared to bear. There is no guarantee that the elements of the Program, including the asset allocation models, selection of investment manager models and/or research recommendations will protect against such loss. Other risks include:

- **Market Risk.** Market risk is the risk that the price of securities will fall over short or extended periods of time. Historically, the prices of equity securities have moved in cycles, and the value of an Account's investments may fluctuate from day to day. Individual companies may report poor results or be negatively affected by industry or economic trends or developments. The price of securities issued by these companies may decline in response. These factors contribute to price volatility.
- **Allocation Risk.** A client Account is subject to the risk that asset allocation decisions will not anticipate market trends correctly. For example, weighting an Account too heavily in equities during a stock market decline may cause a loss of value. Conversely, investing too heavily in fixed income securities during a period of stock market appreciation may result in lower total returns.
- **Credit Risk.** The value of debt securities may be affected by the ability of issuers to make principal and interest payments. If an issuer cannot meet its payment obligations or if its credit rating is lowered, the

value of its debt securities may fall.

- **Interest Rate Risk.** The value of fixed-income investments may decline because of an increase in market interest rates.

The Program is intended to be a long-term investment program and does not support market-timing or frequent trading. You will be limited to one model change per calendar quarter, except as warranted by changes to your financial situation as agreed by you and your Financial Advisor. In addition, you will be limited to one investment manager model change per asset class per quarter, except as may be agreed by you and your Financial Advisor. Frequent or excessive trading in Capital Directions accounts may be grounds for account termination, with 30 days' written notice, by PNC Investments, even if the rules above are not violated. The determination of frequent and/or excessive trading is solely at the discretion of PNC Investments.

You should be aware that certain Model Providers may provide their model portfolio updates to PNC Investments after they make changes to accounts that they manage directly. This may impact execution prices for your Account relative to other accounts in the same investment strategy that are managed directly by the Model Provider. Depending on various factors, including price movements and variations in trade execution, the performance of your Account may differ from, and be better or worse than, the performance of such other accounts managed directly by the Model Provider.

#### **PROXY VOTING**

PNC Investments will vote all proxies for securities held in the Program on your behalf, unless you direct otherwise. PNC Investments will retain a third-party service provider to receive proxy statements and to vote shares according to our instructions. We will not vote proxies in accordance with voting instructions received from you. PNC Investments has adopted policies and procedures to address conflicts which may arise in connection with voting proxies. PNC Investments may depart from its stated guidelines in order to avoid voting decisions believed to be contrary to the best interests of its clients. More information regarding our policies and procedures regarding proxies can be obtained by contacting your Financial Advisor or by calling PNC Investments at (800) 622-7086.

If you choose, you may request to vote your own proxies by providing us with written instructions to deliver all proxy related materials directly to you for consideration and execution. If you choose this option, proxy materials typically will be forwarded to you by the custodian for your Account. If this option is selected, PNC Investments, or its third-party service provider, will no longer be in a position to vote proxies for any securities for your Account, including securities over which PNC Investments has investment discretion.

#### **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As part of the acceptance and approval process, and by signing the Investment Management Agreement, you grant PNC Investments discretionary trading authority over your Account. PNC Investments utilizes information regarding your financial circumstances, investment goals and objectives and any special written instructions you may wish to give regarding your Account.

#### **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Your Financial Advisor will communicate any changes about you to PNC Investments. You will have very limited, if any, direct contact with the individuals responsible for making investment decisions for the Program, and will have no direct contact with the provider of any Manager Model you might select. You should direct any inquiries regarding the investment manager to your Financial Advisor.

## **ADDITIONAL INFORMATION**

### **Disciplinary Information**

- In 2009, FINRA cited PNC Investments for failure to have supervisory systems and procedures reasonably designed to achieve compliance with its suitability obligations relating to the sale of variable annuity contracts under FINRA rules. FINRA found that PNC Investments failed to (1) collect or record all the information necessary to assess suitability of variable annuity transactions; (2) give adequate guidance to supervisors regarding factors it identified as relevant to the suitability analysis; and (3) identify or investigate patterns of transactions involving guaranteed minimum income benefit riders. Without admitting or denying these findings, PNC Investments consented to a fine of \$250,000, to undertaking a comprehensive review of its policies and procedures concerning suitability of variable annuity transactions and to certify in writing to FINRA that we had conducted the review and put in place policies and procedures adequate to ensure compliance.
- On May 29, 2013, PNC Investments entered into a settlement (an "AWC") with FINRA. Without admitting or denying the findings in the AWC, PNC Investments consented to the entry of findings that between April 2007 and December 2008, the firm failed to maintain a supervisory system and procedures reasonably designed to achieve compliance with the registration requirements of federal securities laws, in violation of NASD rules. All of the conduct described in the AWC occurred at NatCity Investments ("NatCity") before it was acquired by PNC Investments' parent company. The AWC found that a customer of NatCity engaged in the unregistered distribution of over-the-counter securities, and that the firm's supervisory system and written supervisory procedures were inadequate to make necessary inquiry into the registration or exemption status of securities in the customer's account. Without admitting or denying these findings, PNC Investments consented to a censure and a fine of \$100,000.
- On September 11, 2013, PNC Investments entered into a settlement (an "AWC") with FINRA. Without admitting or denying the findings in the AWC, PNC Investments consented to an AWC finding that, during the period from October 2011 through January 2013, PNC Investments failed to establish, maintain and enforce a supervisory system that was reasonably designed to implement the firm's procedures to monitor transmittals of customer funds to locations other than the customer's primary residence, and customer changes of address, in violation of NASD Rules 3012(a)(2)(B)(i) and 3012(a)(2)(B)(ii). During this period, one of PNC Investments' registered representatives established a PNC Investments branch office as the mailing address for a customer's account and converted approximately \$128,000 from the customer's account. Without admitting or denying these findings, PNC Investments consented to a censure and a fine of \$100,000.
- On December 20, 2013, PNC Investments entered into a settlement (an "AWC") with FINRA in connection with the firm's sale of leveraged, inverse, and inverse-leveraged exchange-traded funds ("Non-Traditional ETFs") during the period from January 2008 through June 2009. Without admitting or denying the findings in the AWC, PNC Investments consented to findings that the firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with applicable NASD and/or FINRA rules and failed to provide adequate formal training to its registered representatives and supervisors regarding Non- Traditional ETFs in violation of NASD Rules 3010 and 2110 and FINRA Rule 2010. PNC Investments also consented to a finding that the firm made unsuitable recommendations to certain customers by allowing registered representatives to recommend a Non-Traditional ETF without performing reasonable diligence to understand the associated risks and

features in violation of NASD Rules 2310(a) and 2110 and FINRA Rule 2010. PNC Investments consented to the imposition of a censure, a fine in the amount of \$275,000, and restitution in the amount of \$33,183.72, plus interest.

- On December 31, 2013, PNC Investments entered into a settlement (an “AWC”) with FINRA. Without admitting or denying the findings in the AWC, PNC Investments consented to a finding that, during the period from about July 1, 2010 to June 30, 2012, the firm failed in 313 instances to apply a rollover or breakpoint discount to eligible unit investment trust (“UIT”) purchases for customers in violation of FINRA Rule 2010. Prior to entering into the settlement, PNC Investments voluntarily made restitution to all affected customers in the amount of \$52,040.12. PNC Investments also consented to a finding that during this same period the firm failed to adequately enforce its existing written supervisory procedures concerning rollover and breakpoint discounts to ensure proper application to all eligible purchases of UITs by customers in violation of NASD Rule 3010 and FINRA Rule 2010. PNC Investments consented to the imposition of a censure and a fine in the amount of \$90,000.
- On April 11, 2016, PNC Investments entered into a settlement (an “AWC”) with FINRA. Without admitting or denying the findings, PNC Investments consented to the entry of findings that it failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales and failed to apply such waivers to mutual fund purchases by certain retirement plan customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings also stated that PNC Investments failed to maintain adequate written policies and procedures or to provide adequate training to assist financial advisors in determining when sales charge waivers were available for retirement plan customers. PNC Investments was not required to pay a fine, but consented to be censured and to pay restitution to eligible customers who did not receive sales charge waivers for fund purchases since July 1, 2009.
- On April 6, 2018, PNC Investments entered into a settlement (“Order”) with the Securities and Exchange Commission (“SEC”). Without admitting or denying the findings, PNC Investments consented to the findings that, as a result of the conduct described below, PNCI willfully violated Sections 206(2), 206(4) and 207 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 thereunder. The Order finds that the violations resulted from the following conduct of PNCI: (1) PNCI, without adequate disclosure of the associated conflicts of interest, invested advisory clients in mutual fund share classes with 12b-1 fees instead of available lower-cost share classes of the same funds without 12b-1 fees; (2) PNCI did not disclose a conflict of interest regarding marketing support payments paid on such mutual fund share classes that charged 12b1 fees; (3) PNCI improperly charged advisory fees to client accounts where the investment adviser representative departed the firm (“Orphaned Accounts”) and where PNCI failed to assign a new investment adviser representative within thirty days; and (4) PNCI failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices and treatment of Orphaned Accounts.

The Order requires PNCI to cease and desist from committing or causing any violations and any future violations of Advisers Act Sections 206(2), 206(4), and 207 and Rule 206(4)-7; censures PNCI; and requires PNCI to pay disgorgement of \$5,234,856, and prejudgment interest of \$612,344, to compensate advisory clients who were affected by certain conduct detailed in the Order. PNCI will pay, in addition to the disgorgement and prejudgment interest described above, disgorgement of \$497,144 in marketing support fees and prejudgment interest thereon of \$63,426 to the SEC for the transfer to the general

fund of the United States Treasury. Lastly, PNCI will pay a civil monetary penalty of \$900,000.

### **Other Financial Industry Activities and Affiliations**

PNC Investments' principal business is that of a full-service, general securities broker-dealer and investment adviser, registered with the SEC and as a member of FINRA. Our primary retail brokerage activities include the sale of corporate equities, corporate debt, municipal securities and funds, mutual funds, ETFs and annuities.

PNC Investments 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 Investments' or a related person's interests to diverge from the best interests of our clients.

PNC Investments is affiliated with the following financial services entities through its parent, The PNC Financial Services Group, Inc.:

- **PNC Bank, National Association** is a wholly owned subsidiary of The PNC Financial Services Group, Inc., and provides regional banking accounts and services.

Certain registered representatives of PNC Investments, who are also employed by PNC Bank ("Dual FAs"), may discuss or sell PNC Bank products, such as deposit products and loans ("Bank Products"), as well as brokerage and advisory products. PNC Investments supervises Dual FAs' securities activities and PNC Bank supervises Dual FAs' banking activities.

- **PNC Capital Advisors, LLC** is a wholly owned subsidiary of PNC Bank and provides discretionary investment advisory services to registered investment companies, institutional accounts, and personal investment management accounts.
- **PNC Capital Markets LLC** is an indirect, wholly owned subsidiary of The PNC Financial Services Group, Inc. and offers loan syndication, public finance underwriting services, securities underwriting and trading, private placements, and asset securitization services.
- **PNC Insurance Services, LLC** is a wholly owned subsidiary of PNC Investments and a licensed insurance agency. It provides a variety of insurance products and advice.
- **Trout Capital, LLC**, a wholly-owned subsidiary of PNC Bank, provides financial advice in connection with merger and acquisition transactions, restructurings, spinoffs, recapitalizations, buy-outs and similar transactions in which Trout Capital may receive transaction based compensation.

BlackRock, Inc. is a publicly traded company incorporated in the State of Delaware. At December 31, 2017, The PNC Financial Services Group, Inc. (together with its subsidiaries, "PNC") held 21.2% of BlackRock's voting common stock and 21.7% of BlackRock's capital stock, which includes outstanding common and non-voting preferred stock. BlackRock provides a broad range of investment, risk management and technology services to institutional and retail clients worldwide. Its diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables BlackRock to tailor investment outcomes and asset allocation solutions for clients. BlackRock offers single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles,

including open-end and closed-end mutual funds, iShares® exchange-traded funds (“ETFs”), separate accounts, collective investment funds and other pooled investment vehicles. BlackRock also offers the investment and risk management technology platform, Aladdin®, risk analytics, advisory and technology services and solutions to a broad base of institutional and wealth management clients.

BlackRock’s subsidiaries which are registered broker-dealers or registered investment advisers include: BlackRock Investments, LLC, BlackRock Execution Services, BlackRock Advisors LLC, BlackRock Alternatives Management, LLC, BlackRock Asset Management North Asia Limited, BlackRock Asset Management Schweiz, AG, BlackRock Capital Investment Advisors, LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock International Limited, BlackRock Investment Management LLC, BlackRock Realty Advisors, Inc., BlackRock (Singapore) Limited, FutureAdvisor, Global Energy & Power Infrastructure Advisors, L.L.C., and Global Energy & Power Infrastructure II Advisors, L.L.C.

Possible conflicts of interest that may exist between PNC Investments and its affiliates are discussed below.

Although PNC Investments is committed to acting in the best interests of our clients, in some situations there may be conflicts 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 Investments 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 Investments has adopted policies and procedures that it believes are reasonably designed to help mitigate these conflicts of interest.

Affiliates of PNC Investments may provide advice to their clients with respect to investment strategies that are similar to or the same as strategies offered by PNC Investments. Those advisory affiliates may purchase on behalf of their clients the same securities that PNC Investments may purchase for our clients. As a result, the interests of PNC Investments’ clients may conflict with the interests of the clients of these affiliated advisors. For example, if an investment advisor affiliate implements a portfolio management decision for its client ahead of, or contemporaneously with, a decision PNC Investments 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 Investments’ clients receiving less favorable trading results than they otherwise would. PNC Investments’ 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 Investments.

### **Affiliate Transactions**

PNC Investments or its affiliates may from time to time recommend investments in transactions in which PNC Investments or its affiliates act as financial advisor or a broker-dealer, or in securities which are underwritten, issued, packaged or serviced by an affiliate.

Moreover, PNC Investments may act as a broker in executing your purchase or sale for your account of a debt security from or to PNC Capital Markets, a brokerage affiliate. Additionally, your Financial Advisor may recommend you purchase a mutual fund advised by PNC Capital Advisors, an affiliated registered investment adviser. These affiliates may receive compensation as a result of these transactions, if these transactions were to occur.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

PNC Investments has adopted a Code of Ethics, which consists of certain general principles, including the following:



- Advisory personnel must place client interests before their own
- The personal securities transactions of our personnel must avoid even the appearance of a conflict with client interests
- Our 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 requires our employees to report their personal securities transactions and holdings. A copy of our Code of Ethics will be provided to any client or prospective client upon request.

Our 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.

### **Client Reports**

As part of the Capital Directions Program, we will provide periodic reports to assist you in monitoring and assessing the performance of your Account. These reports will contain information regarding trades, investment return, and selected benchmark comparisons. These reports may also contain letters, notices and other important information regarding the Model Managers and any changes to the Account during the period.

### **Client Referrals and Other Compensation**

Your Financial Advisor may also receive compensation for referring you to PNC Bank or other PNC Investments affiliates.

A portion of the fees charged for the Capital Directions Program services described in this Brochure may be paid to your Financial Advisor in connection with the introduction of Accounts as well as for providing client-related services within the Programs. This compensation may be more or less than a Financial Advisor would receive if you paid separately for investment advice, brokerage and/or other services.

Certain employees of PNC Bank's Wealth Management and or Private Client Group receive compensation in connection with referrals to PNC Investments.

PNC Investments has related persons who are investment advisors who may act as general partners in partnerships in which our clients may be solicited. PNC Investments would not have knowledge of such solicitations should they occur, and consequently, would not be a participant in them, nor would we receive any compensation for them.

### **Financial Information**

In certain circumstances, PNC Investments would be required to provide you with financial information or disclosures about our financial condition. Currently, no such circumstances exist for PNC Investments.

PNC Investments has no financial commitments that impair our ability to meet our contractual and fiduciary commitments to our clients and has never been the subject of a bankruptcy proceeding.