



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

An Investment Advisory Service of  
PNC Investments LLC

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March 31, 2023

This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of PNC Investments, LLC, specifically in connection with our PNC Directions Wrap-Fee Advisory Program ("PNC Directions Program," "PNC Directions" or "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 March 31, 2023

**The following changes have been made to the PNC Investments PNC Directions wrap fee program brochure since the annual brochure dated March 31, 2022:**

*Page 7 – The PNC Directions Program* – The Brochure has been updated to provide additional information regarding our role as introducing broker for your account and the conflicts of interest that creates.

*Page 8 – Account Termination* – The Brochure has been updated to provide additional information regarding our practices at the termination of your Program account or upon the death of any account owner.

*Page 12 – Other Expenses* – The Brochure has been updated to provide additional information related to certain credits we receive from our Clearing Firm and the conflicts of interest they create.

Page 12 – Other Expenses – The Brochure has been updated to reflect information regarding termination fees applicable to our clearing agreement and the conflicts of interest they create.

*Page 13 – Cash Balances* – The Brochure has been updated to reflect additional information regarding our Bank Deposit Sweep Program and the conflicts of interest it creates.

Page 13 – Cash Balances – The Brochure has been updated to provide additional information regarding revenue earned by our affiliate, PNC Bank, in relation to our Bank Deposit Sweep Program.

*Page 18 – Trading Practices* – The Brochure has been updated to clarify certain trading practices for your Program Account.

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### **About PNC Investments LLC**

PNC Investments LLC (“PNC Investments” or the “Firm”) is an investment adviser and also a registered broker-dealer and member of FINRA and SIPC. 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 PNC 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 PNC Directions Program. In addition to the PNC Directions Program, PNC Investments offers a variety of investment advisory services. These include, but are not limited to, the Capital Directions Program, the Portfolio Solutions Program, the Portfolio Solutions Strategist Program and Pocket by PNC. 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/>. For more information about these or other services that are available from PNC Investments, please contact your Financial Advisor. Other advisory services are offered by our affiliates.

### **The PNC Directions Program**

PNC Directions is a discretionary mutual fund and exchange traded fund (“ETF”) advisory program that provides an asset allocation strategy for investing in a portfolio of mutual funds and ETFs (together, “Funds”) based on your declared risk tolerance, asset levels, time horizons, and financial goals.

Before you open an Account in the PNC Directions Program, you should carefully review our Client Relationship Summary (“Form CRS”) and consider whether an advisory relationship is right for your situation and circumstances. You may discuss any questions you have regarding our Form CRS or whether an advisory account is right for you with your Financial Advisor. Some things you may wish to consider are your preference for a fee-based versus a commission based relationship, your preference for on-going support and advice from your Financial Advisor, how much trading activity you expect to take place in your account, and the anticipated PNC Directions Program

total costs. You should know that your Financial Advisor benefits when you open a PNC Directions account, as described in more detail in the Financial Advisor Compensation section of this Brochure, and has a conflict of interest when recommending an advisory account to you.

When you open a PNC Directions account, your Financial Advisor<sup>1</sup> will help you complete an investor questionnaire that provides an understanding of your financial situation, investment objectives, investment time horizon and risk tolerance. Based on the information collected in the investor questionnaire, we will recommend an asset allocation strategy (“Allocation Model”) appropriate to your situation. Your Financial Advisor will help you understand the risk and return characteristics of the selected Allocation Model and help you evaluate the Allocation Model’s return potential in relation to your investment goals and objectives. We will present our recommendation to you in the form of a proposal (the “Proposal”), which will include the actual initial investment portfolio recommended to you, for your acceptance and approval. It is very important that you understand the risks associated with the Allocation Model you select and should discuss this with your Financial Advisor if you have any questions.

Five Allocation Models, each associated with a distinctive risk profile and comprised of a different mix of asset classes, have been developed by PNC Bank’s Private Bank and approved by PNC Investments’ Product Development and Oversight Committee. Each of the mutual fund strategies is offered in taxable, tax-sensitive, domestic taxable, and domestic tax-sensitive variations. Each of the ETF strategies is offered in a standard version only. As described above, working with your Financial Advisor, you can select a strategy based on your investment goals and financial circumstances. The five strategies are summarized below.

- **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, 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 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, 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.

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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 Services Consultants.

- **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. 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, 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. 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.

PNC Investments will periodically adjust Allocation Models or remove Funds from our approved list. In all of these circumstances, PNC Investments will update your Allocation Model and/or the Funds accordingly and, if necessary to align your Account to the new Allocation Model, will execute transactions in your Account. Note that you will not be sent a new Proposal in these circumstances, unless requested through your Financial Advisor. Your Financial Advisor may recommend you change your Allocation Model if they determine your financial circumstances have changed. Additionally, you may direct us to change the Allocation Model for your Account once every 90 days, or more frequently as PNC Investments may agree in its sole discretion.

Before you may establish a PNC Directions Account, you must establish a brokerage account with PNC Investments and agree to the terms and conditions of the PNC Investments Brokerage Account Customer PNC Directions Program

Agreement. 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 Funds, and other financial instruments in accordance with the Allocation Model that you have selected. PNC Investments has delegated certain portfolio management services to Envestnet Asset Management, Inc., an unaffiliated investment adviser (the "Investment Delegate") for Program Accounts. The Investment Delegate will facilitate the execution of trades in your Account as instructed by PNC Investments. 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 will act as your introducing broker and we will also act as your investment advisor, but only for your Program Account and not for any other assets or accounts, unless otherwise separately agreed to by us in writing. As discussed in more detail below, we earn certain fees and other revenue in connection to our capacity as introducing broker to your account. This is a conflict of interest because we would not earn such fees or revenue if we did not serve as your introducing broker. Our PNC 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.

The PNC 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 to buy or sell securities in your PNC Directions Account. You will not be able to obtain a margin loan using the securities in your Account as collateral.

You will have, subject to our approval, the ability to place certain reasonable investment restrictions on the types of Funds that may be purchased for your Account. For example, you may request that your Account not be invested in Funds with a primary focus on international securities. You should note, however, that Funds utilized in a domestic-only strategy may potentially maintain some exposure to international markets.

### **Automatic Rebalancing**

The PNC Directions Program provides automatic rebalancing to ensure that the investments in your Account continue to conform to the selected allocation model. Asset allocations are monitored on a quarterly basis, and generally, we will rebalance an Account if any asset class varies by more than 3% from its target allocation within the model. In lieu of the Program's default practice of rebalancing on a quarterly basis, you may request that periodic rebalancing for your Account occur on a less frequent basis of either semi-annually or annually. You should consider, however, that less frequent periodic rebalancing, could cause your Account to diverge from the selected allocation percentages and such divergence could potentially negatively or positively impact performance.

In addition to periodic automatic rebalancing, we will also rebalance your Account if you change your investment model, or when additional contributions to or withdrawals from your Account cause the cash balance to exceed 5%, or be less than 0.5%, respectively, of the portfolio value. Further, you may also request, subject to approval by PNC Investments, that an ad hoc rebalance be executed.

In order to avoid the expense of inefficient rebalancing, we reserve the right, in our sole discretion, to from time to time change timeframes for effecting rebalances to your Account as well as the thresholds that must be exceeded before any rebalancing will occur. To rebalance an Account, we buy or sell, as relevant, shares of the

individual Funds in an Account until its holdings match the Fund weight percentage specified for the applicable model. Rebalancing transactions are subject to short-term trading policies, described more fully below, of Funds held in your Account, and, if your account is taxable, will create tax consequences for your Account.

### ***Account Statements***

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. You will be reminded quarterly to contact your Financial Advisor if you should have any questions, or if there have been material changes in your financial goals or needs that would affect your investment strategy.

### ***Account Termination***

Either party may terminate the Investment Management Agreement on 30 days' written notice to the other party. You are also entitled to terminate such agreement within five (5) business days of your execution of it without incurring a Program Fee, defined below; you may, however, be subject to certain other fees incurred with respect to the Account for the relevant period. Upon the termination of the Investment Management Agreement, PNCI will be under no obligation to provide advice on any holdings in your Account. Any transactions executed by you after the termination of the Investment Management Agreement will be subject to fees and commissions described in the PNC Investments Overview of Products and Services (the "Overview of Products and Services"). You may obtain a copy of our current Overview of Products and Services, at any time, by contacting your Financial Advisor, by contacting us at (800) 622-7086 or online at <https://www.pnc.com/investments-relationship-summary>. In addition, upon learning of the death of any account owner, PNCI will immediately terminate the Investment Management Agreement. You should be aware that any transactions executed by your heirs or beneficiaries after your death will be subject to fees and commissions described in the Overview of Products and Services, unless waived by us in our sole discretion. Please see the agreement governing your PNC Directions Program Account for more information.

### ***Review of Accounts***

When you open a PNC Directions Program Account, we review and must approve your investment objectives and strategy for consistency with Program guidelines. Thereafter, we will continuously monitor the Account including its performance, the appropriateness of the individual funds in it, and any 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.

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 PNC Directions Account, any transferred securities that are not part of the recommended investments for your Account will be liquidated upon or shortly after transfer. Typically, this means that we will liquidate all of the securities you transfer to your Account prior to investing to your Account in the recommended investments.

If your Account is not tax-exempt, you will incur tax consequences as a result of these transactions. You should consult with your tax adviser to review these consequences. Additionally, if you liquidate securities prior to transferring your account to PNC Investments, or liquidate your securities prior to establishing your PNC Directions account, you will likely incur transaction costs for those transactions. PNC Investments will not reimburse you for transactions executed at another firm. Please note that if you transfer illiquid securities into a PNC Directions Account, it will delay management of that Account until such securities are transferred out or otherwise removed.

You may, at your election, choose an optional Dollar Cost Averaging (“DCA”) feature when adding funds to your Program Account. With the DCA feature, you have the ability to deploy free cash to your Allocation Model over a defined period and in pre-determined amounts. The DCA feature can enable clients to slowly invest excess cash over time, rather than make one lump-sum investment. You have no obligation to complete scheduled DCA transactions and may terminate the DCA feature at any time, by providing notice to us, at least 5 business days prior to the next scheduled DCA transaction. You should know that if sufficient cash is not available in your Account at the time of a scheduled DCA transaction, that transaction, and all future scheduled DCA transactions will be canceled. You should also be aware that cash pending investment under an optional DCA plan will be treated as unallocated cash, and swept to a deposit account at our affiliate bank, as described below. The parameters of DCA requests are subject to our approval.

#### ***Withdrawals from an Account***

You should also be aware that if you request a withdrawal from a PNC 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. If your Account is taxable, you will incur tax consequences as a result. These transactions are subject to short-term trading policies of Funds held in your Account. Liquidation requests are processed according to our standard procedures and your liquidation request may not be completed on the day it was submitted. This is more likely if your request is submitted late in the day or during periods of severe market volatility. Cash is available for distribution three to five business days after the initial request is made, however, you should also be aware that liquidation transactions are at the discretion of the investment manager and could exceed this timeframe.

#### ***Taxes***

You need to be aware that the Program operates in a manner that will likely cause non-retirement Program 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 Funds in the account. You should consider and discuss the potential tax implications of opening and maintaining a PNC Directions account with your tax adviser.

#### ***Fees and Expenses***

The program fee you pay to PNC Investments for the PNC Directions Program is charged quarterly in advance PNC Directions Program

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and is based on the average daily market value in your Account over the prior calendar quarter, including cash holdings, or portion thereof ("Program Fee"). You should be aware that your account is subject to the Program Fee whether you make or lose money on the investments. The Program Fee covers the cost of brokerage commissions and other transaction fees only for transactions executed through National Financial Services LLC ("National Financial") on an agency basis. The Investment Delegate will typically route trades to National Financial for execution. From time to time, the Investment Delegate will trade through broker dealers other than National Financial when the Investment Delegate determines, in its sole discretion, that this is in your best interest. Trades executed away from National Financial are described as "trading away" or "step-out trades." You will bear the cost of any brokerage commissions incurred on transactions executed through other brokers, dealer markups, markdowns and spreads when the Investment Delegate trades away from National Financial. See the Trading Practices section below for details.

Generally, the Program Fee is non-negotiable. The Program fee for PNC Directions is in addition to any of the specific fund fees and expenses that are discussed in more detail below. Generally, you will be charged commissions or service charges for transactions executed prior to establishing your PNC Directions account; you should discuss your options for funding your account with your Financial Advisor.

You may contact your Financial Advisor if you have any questions regarding the fees charged to your Account. Upon your request we will provide you with a detailed explanation of the fee calculation which will allow you to recalculate the fee should you so desire.

Generally, fees incurred by your Account will be paid from the cash balance in the Account. If your Account does not have a sufficient cash or money market mutual fund balance to pay the fees, we may sell Fund shares as necessary to pay the fees. As described previously, you may incur transaction costs and could create tax consequences by selling securities to pay fees and expenses.

The annual Program Fee for the PNC Directions Program is 1.00%. There is an annual minimum fee for the program of \$80.00. From time to time, we offer discounted pricing programs in our discretion.

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. If you terminate your PNC Directions account within 90 calendar days of initial investment, PNC Investments reserves the right to charge you commissions, according to the Overview of Products and Services, for transactions executed on your behalf during the time your account was managed, less any pro-rated advisory fee paid by you.

#### ***Additional Fees for Brokerage Services***

PNC Investments will charge its standard fees for additional brokerage account services that are not included in PNC Directions Program

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the Program. Such fees include, but are not limited to, ACAT (i.e., account transfer) fees, wire transfer fees, IRA fees and stop payment fees. You should be aware that in some cases, PNCI retains this entire fee or marks up the fee National Financial, our clearing firm, charges to PNCI for these services. This is a conflict of interest for us because PNCI has an incentive to utilize a clearing firm that allows us to mark up designated fees. PNCI also has incentive to recommend to you services that have been marked-up. Please refer to the Account Level Fees section of the Overview of Products and Services for details.

### ***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 will liquidate other securities as necessary to pay them.

Selling securities to pay fees is subject to the short-term trading policies of Funds and, if your account is taxable, will create tax consequences for you. You may contact your Financial Advisor if you have any questions regarding the fees charged to your Account.

### ***Fund-Level Fees and Expenses Received by Us***

**Mutual Fund Models.** Each mutual 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, and will reduce your investment returns. Other classes of mutual funds have lower fund-level fees and expenses than those used in this Program. Please review the relevant mutual funds' prospectuses for a full explanation of fund expenses and charges.

PNC Investments includes in the Program only "Approved Share Classes" of mutual funds, which are share classes that generate revenue sharing payments, as described below, to PNCI. PNCI will select Approved Share Classes that are either (i) share classes that trade on our custodian's Institutional No-Transaction Fee platform ("INTF Eligible" share classes); or (ii) if no such 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 PNC Investments' overall program trading costs, which costs would otherwise be payable by PNC Investments. These selection criteria represent a conflict of interest for us because they enable PNC Investments to avoid costs, but also may result in you purchasing a share class that is more expensive than other share classes of the same fund for which you are eligible. You acknowledge that when you establish a Program Account, you authorize and direct PNC Investments to purchase for your Account only Approved Share Classes using the criteria described above and you waive any obligation of PNC Investments, if applicable, to purchase any other share classes for your Account, even if less expensive share classes are available. A higher cost share class will adversely affect the investment performance of your account. 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.

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 PNC Directions Program

Mutual Fund Compensation received by such entities. You should be aware that any Mutual Fund Compensation paid to entities not affiliated with PNC Investments increases Fund expenses and, consequently, reduces the investment performance of your account.

PNC Investments receives an annual credit from National Financial (the “Business Development Credit”). The Business Development Credit is contingent on the fully disclosed clearing agreement with National Financial remaining in effect. The Business Development Credit is not related to the sale or offer of any specific products or services, nor is it dependent upon assets under management. If received, we will retain the Business Development Credit in its entirety, and we will not pass along any portion of it to you. Your Financial Advisor does not receive any portion of the Business Development Credit.

Additionally, if under certain circumstances our clearing arrangement with National Financial is terminated prior to the expiration of our agreement, PNCI is subject to certain contractual fees and penalties (collectively, the “Termination Fee”). The Termination Fee creates a strong disincentive for PNCI to consider clearing relationships other than National Financial. This creates a conflict of interest for us as we expect to benefit from the continued recommendation of National Financial as our clearing firm. Additionally, PNCI is further incentivized to continue the relationship with National Financial as we may not receive the same incentives from other clearing firm arrangements, such as receiving particular credits from National Financial or having the ability to mark-up certain fees to clients.

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 is a conflict of interest for us because mutual funds that may otherwise meet our investment criteria are not included in the Program because their advisors or distributors do not offer revenue sharing to PNC Investments. Although we include only mutual funds whose sponsors pay PNCI revenue sharing, we believe this conflict is mitigated by the large and diverse universe of Funds we make available in our programs which meet our clients’ needs. You should also be aware that we will liquidate mutual funds held in your Account if the advisors or distributors of those mutual funds discontinue their participation in our revenue sharing program. If your Account is taxable, you will have tax consequences as a result of such liquidations. 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/Additional-Compensation-Disclosure.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.

**ETF Models.** Each ETF in which your Account is invested charges its own separate fund-level fees and operating expenses. These fees and operating expenses are ultimately borne by the shareholders invested in the ETF, including you.

#### ***Other Expenses and Costs***

Additionally, some Funds impose redemption fees depending on the share class, if they are redeemed within a PNC Directions Program

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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. Refer to the prospectus or Statement of Additional Information of relevant Funds for details on each Funds' short-term trading policies. 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 PNC Investments. 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.

### ***Cash Balances***

Unallocated cash will be automatically swept through the Bank Deposit Sweep Program ("BDSP") into an interest-bearing deposit account ("Deposit Account") at our affiliate, PNC Bank (and, as noted above, are included in the assets on which Management Fees are charged). BDSP is the only cash sweep option available to your Program Account. The only exception is in very limited situations where your account type is not eligible for BDSP (such as participant accounts of employer sponsored qualified plans). You should be aware that although assets held in the Deposit Account are protected by FDIC insurance neither PNC Investments nor PNC Bank will monitor whether BDSP deposits, individually or in combination with other deposits you hold at PNC Bank, exceed FDIC insurance limitations. You should review your cash balance held in the Deposit Account and other PNC Bank accounts to ensure that cash balances do not exceed FDIC insurance coverage levels, or alternatively, in the event your cash balance exceeds FDIC insurance limitations, that you are comfortable with the risks associated with having uninsured cash. The rate of return you receive on cash balances will, in certain market conditions, be less than the Program Fees attributable to such cash balances.

PNC Bank uses the BDSP program assets to fund its lending activities, allowing PNC Bank to earn revenue based on the difference between the rate paid to you and the higher rate of interest earned by lending the assets to its customers. Moreover, PNC Investments receives revenue from PNC Bank based on the assets in the BDSP, this revenue amount varies depending on market conditions, but will not exceed the current Federal Funds Target Rate Range – Upper Limit rate (available online at <https://fred.stlouisfed.org/series/DFEDTARU>) plus 0.50%.. This means PNC Investments benefits in two ways from placing assets in the BDSP (*i.e.*, the Management Fee and the revenue share from our affiliate). We will not credit any portion of this revenue to your Program Account. Note that the revenue earned by PNC Investments and our affiliate PNC Bank will significantly exceed the interest credited to your Program Account from the allocation to BDSP. The revenue we receive is a conflict of interest for us, because we, and our affiliate, PNC Bank, obtain a financial benefit when your unallocated cash is held through the BDSP in a Deposit Account. This financial benefit is greater than the financial benefit we would receive if your unallocated cash was invested through a different cash sweep vehicle such as a money market fund.

For information pertaining to the interest rate spread earned by PNC on all loans, including those generated from BDSP assets, please see the Net Interest Margin discussion in the most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q for The PNC Financial Services Group, Inc., available at, <https://thepncfinancialservicesgroupinc.gcs-web.com/financial-information/quarterly-results>.

Account assets invested through the BDSP typically will pay you less interest – and in some market conditions, much less interest – than they would if invested in alternative cash sweep vehicles that are available to PNC Investments such as a money market fund. **Accordingly, you should not participate in the Program if you wish to hold your unallocated cash in another sweep vehicle.** (Please note that while BDSP is used as the sweep option to hold unallocated cash, if your account has an investment allocation to cash, that allocation will typically be held in money market mutual funds or other short duration securities.) For more information regarding BDSP, including information about FDIC insurance limitations, please see the PNCI BDSP Disclosure Document, you may also review the current BDSP interest rate at the following link: <https://www.pnc.com/en/personal-banking/investments-and-retirement/sweep-program-rates.html>. Additionally, information about FDIC insurance can be found on <https://www.fdic.gov/resources/deposit-insurance/>

### ***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 PNC Directions Program, and paid separately for investment advice, brokerage and other services covered by the Program Fee. Therefore, your Financial Advisor may have greater financial incentive to offer a managed product over a brokerage product. Occasionally, Program Accounts may be reassigned from the originating Financial Advisor to a new Financial Advisor because the originating Financial Advisor leaves our firm, takes a new position, or for other reasons. Financial Advisors receive less compensation for accounts reassigned to them (“Reassigned Accounts”) than accounts they originated and therefore have a conflict of interest because they have a financial incentive to provide better service to accounts that they have originated versus Reassigned Accounts. Financial Advisors receive additional compensation when clients add funds to Reassigned Accounts and have incentive to encourage additional deposits to Reassigned Accounts. PNC Investments has established policies and procedures reasonably designed to ensure that any recommendation made is suitable for your unique circumstances. 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 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, in some circumstances by enhancing revenue credits paid to them in connection with new advisory accounts or additions to existing advisory accounts, 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 are 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 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 investment required for the PNC Directions Program is \$5,000. We may terminate, on thirty days’  
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written notice to the Account holder, the advisory services on any Account that falls below minimum account value guidelines established by us. To avoid account termination you may be required to deposit additional assets in your Account to remain in the Program. Under certain limited circumstances, we may waive the minimum account size requirement. We may also limit the maximum new account size allowable for the Program. We reserve the right to reject contributions to the Account that may result in Account balances greater than \$100,000.

PNC Investments generally provides investment advice to US based individuals, high-net-worth individuals, and corporations. Investment advisory services to non-US based individuals are provided by our affiliate, PNC Managed Account Solutions, Inc.

### ***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 (collectively the “Lending Arrangements”).

When your Account assets are pledged or otherwise used as collateral in connection with Lending Arrangements, you give the lender certain rights and powers over the assets in the Account. Importantly, lenders have the right to direct PNC Investments to sell or redeem any and all assets pledged as collateral for the loan. In the event of a collateral call on the Account, securities will be liquidated from the Account, which may be contrary to your interests and/or inconsistent with the investment strategy for the Account because positions may be redeemed or liquidated more rapidly (and/or at significantly lower prices) than might 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 to be liquidated. 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 PNC Directions Program and the Account may be subject to termination as described above.

You may 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 PNC Directions Program.

The costs associated with the Lending Arrangements are not included in the Program Fee you pay under the Program. 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 adviser in order to fully understand the tax implications associated with the Lending Arrangements. The securities subject to the collateral call will not be liquidated in a manner that considers tax efficiency. 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 PNC Investments and your Financial Advisor have a conflict of interest because PNC Investments and 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. In addition, you should be aware that PNC Investments and your Financial Advisor will be compensated based on the amounts you draw on the credit line.** This is a conflict of interest for your Financial Advisor because he or she has an incentive to recommend Lending Arrangements as opposed to other potential funding sources, because your PNC Directions Program

Financial Advisor is not compensated for other options. In addition, PNC Bank generates revenue by charging interest on any loan underwritten by PNC Bank, which represents a further conflict of interest for PNC Investments.

Qualification criteria and requirements, including but not limited to, approval criteria, underwriting standards, loan to value requirements, maintenance requirements and asset eligibility vary by program. You should refer back to the Lending Arrangements and associated documents for the specific terms governing the Lending Arrangements.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

### ***Selection of Funds***

PNC Directions was previously an affiliated mutual fund and ETF wrap program, utilizing mutual funds and ETFs advised by investment managers affiliated with PNCI. In November 2019, PNC Capital Advisors sold components of its business, including the PNC Funds, to Federated Investors, Inc. ("Federated"). Subsequently, on May 18, 2020, PNC divested its entire holding of BlackRock, Inc. ("BlackRock") and accordingly, BlackRock is no longer an affiliate of PNC Investments. As a result of these transactions, the mutual fund and ETF selection criteria for PNC Directions no longer focuses on any specific investment manager, including BlackRock mutual funds, iShares or Federated mutual funds, and any eligible fund approved by PNC Investments may be included in the Program. Going forward, we will evaluate BlackRock and Federated mutual funds and iShares for continued and future use in Program accounts in the same manner as we evaluate all investment managers. It is anticipated that BlackRock and Federated funds will continue to represent a significant portion of PNC Directions mutual fund accounts and that iShares will comprise all or nearly all of PNC Direction ETF accounts since we will typically not remove approved funds from the program until our research process indicates there is a reason to do so.

The factors influencing the inclusion of a Fund on our list of recommended Funds include, among other things, the Fund's past performance, management style, quality of its investment process, the number and continuity of investment professionals, and its client servicing capabilities. We receive research and assistance in selecting and reviewing mutual funds and ETFs from the Private Bank division (the "Private Bank") of our affiliate PNC Bank and Morningstar, Inc. Expenses for these services are paid by PNC Investments. We or our research partners may ask a relevant investment manager to provide a completed questionnaire, database information on the firm and statistical analysis of the mutual fund/ETF manager's track record. We or our research providers may also conduct interviews with members of the Fund's management. This process is an ongoing one, and Funds are added or removed from the PNC Directions Program based on many factors, either internal or external to the Fund's management. Returns reported are derived from sources believed to be reliable; however, we make no representations or warranties as to the accuracy of performance information.

The PNC Directions Program includes investments in Funds advised or serviced by affiliates of PNC Investments, who receive compensation for their investment advisory and other services to such Funds. As described above, PNC Investments and our Affiliates also receive additional compensation in the form of revenue sharing payments from mutual fund providers or their affiliates who compensate us for assets invested in their Funds. These payments create incentives to select those mutual funds for which we receive revenue sharing and other compensation over mutual funds from providers that do not compensate us through revenue sharing.

We also seek to mitigate conflicts of interest with respect to mutual funds and ETFs by utilizing a robust due diligence process for selecting mutual funds and ETFs for the Program. This process is designed with the intent that Funds be selected on criteria other than the compensation that may be derived by PNC Investments, and



our Affiliates. Each of the Funds considered for use in the Program is subject to the same review and selection process.

PNC Investments offers a variety of investment advisory services. Advice provided to clients of the PNC Directions Program, or action taken in PNC Directions Program accounts may be the same as or different from advice provided to or actions taken in the accounts of clients in other advisory programs. It is expected that funds recommended for this Program may or may not be recommended for our other advisory programs and vice versa.

#### ***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 PNC 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 will fluctuate from day to day. When individual companies are negatively impacted by industry or economic trends or report poor operating results, the price of securities issued by those companies will typically 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 is 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 will typically fall.

- **Interest Rate Risk.** The value of fixed-income investments will typically decline because of an increase in market interest rates. In addition, in certain low-yield interest rate environments, some short-term investments may produce negative yield, after accounting for fees, inflation and other expenses.
- **Liquidity Risk.** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Liquidity risk is typically reflected in unusually wide bid-ask spreads or large price movements (especially to the downside)
- **Stock-Specific (Unsystematic) Risk.** Unsystematic risk is unique to a specific company or industry. Also known as “nonsystematic risk,” “specific risk,” “diversifiable risk” or “residual risk,” in the context of an investment portfolio, unsystematic risk can be reduced through diversification.

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 PNC Investments. 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 PNC Investments. Frequent or excessive trading in PNC Directions accounts are 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.

### ***Trading Practices***

The Program Fee includes the costs of trades executed only for transactions executed through National Financial on an agency basis. The Program Fee does not include any additional trading expenses incurred when the Investment Delegate determines to trade away from National Financial or for transactions where National Financial acts as principal. The Investment Delegate will trade away from National Financial when the Investment Delegate determines it is in your best interest to do so. This can occur when the Investment Delegate is implementing a model change simultaneously across accounts with many different introducing firms, such as PNC Investments. In these instances, the Investment Delegate may group together trades from several different introducing firms and execute those trades through a single broker-dealer. This process is known as Block Trading (“Block Trading”). Block Trading is intended to reduce the market impact of executing large transactions in a particular security and can allow clients to get better overall execution prices than if the trades were placed individually. The Investment Delegate may also trade away from National Financial when it determines that a broker-dealer other than National Financial is capable of obtaining a better execution price for the trade. This can typically occur in thinly traded securities or in fixed-income securities. These trades will incur additional costs per bond or on a per transaction basis. These costs are embedded in the net price you receive and are not separately disclosed by the executing broker in your confirmation or statement. PNCI does not receive any benefit when the Investment Delegate elects to trade away.

It is important that you understand that you will pay any commissions, mark-ups or mark-downs incurred, in addition to the Program Fee when the Investment Delegate elects to trade away from National Financial or for transactions where National Financial acts as principal. For additional information on the trading practices of the Investment Delegate, please see the following link: <https://www.pnc.com/content/dam/pnc-com/pdf/personal/wealth-investments/PNCI/Trade-Practice-Disclosure.pdf> . Information regarding Investment Delegate is based upon data provided to us by the Investment Delegate. We make no representations regarding the accuracy of the information presented and cannot guarantee that the trading practices reflected in the information presented will be followed by the Investment Delegate in the future. You should also review the Form ADV Part 2 for the Investment Delegate for additional information regarding that firm’s execution

practices.

### ***Proxy Voting***

You will retain the right to vote any and all proxies associated with securities held in the PNC Directions program.

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

The PNC Directions Program involves the allocation of client assets among mutual fund or ETF portfolios, rather than among particular third-party investment advisers or portfolio managers. Thus, PNC Investments acts as the portfolio manager for the Program and obtains client information directly from you. We do not provide information about clients participating in the PNC Directions Program to the Funds or Fund companies, except to the extent such information may be required to maintain or service an Account with the Funds.

## **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The PNC Directions Program does not involve the allocation of client assets among third-party investment advisers or portfolio managers. Instead the Program involves investment in Funds. As such, we do not expect clients to contact the Funds or Fund companies directly. PNC Investments acts as the portfolio manager for the Program and clients may contact the Firm, including via their financial Advisor or other PNC Investments representative.

## **ADDITIONAL INFORMATION**

### ***Disciplinary Information***

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

Through its parent company, The PNC Financial Services Group, Inc., PNC Investments is affiliated with the following financial services entities with whom it may have material business arrangements:

- **PNC Bank, National Association** ("PNC Bank") is a wholly owned subsidiary of The PNC Financial Services Group, Inc., and is a full service bank engaged in traditional lending, cash and/or treasury management and other services.
- **PNC Capital Advisors, LLC** is a wholly owned subsidiary of PNC Bank and provides discretionary fixed income investment advisory services to institutional 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 and advisory services, securities underwriting and trading, private placements, asset securitizations and merger and acquisition advisory 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.
- **PNC Managed Account Solutions, Inc.** is a wholly owned subsidiary of PNC Investments and provides investment advisory services to non-US based individuals and high-net worth individuals.

Selected conflicts of interest that 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

are conflicts of interest between the Firm's interests and a client's interests or there are 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 provide advice to their clients with respect to investment strategies that are similar to or the same as strategies offered by PNC Investments. Those 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 Affiliates. For example, if an investment adviser 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 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 Affiliates on behalf of such Affiliates' clients that are not clients of PNC Investments.

#### ***Funds Advised by Affiliates***

The potential conflicts of interest involved in recommending mutual funds or ETFs advised by Affiliates of PNC Investments and the methods of mitigation employed by PNC Investments with respect to such conflicts are addressed at length previously in this Brochure, specifically in the sections relating to Fees and Selection of Funds. Please refer to those sections for more information.

#### ***Affiliate Transactions***

PNC Investments or its affiliates may from time to time recommend to their clients' 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 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
- From time to time, PNC Investments personnel may accept training, business entertainment or gifts of de minimis value from product vendors. PNC Investments has adopted policies and procedures reasonably designed to ensure any such activity does not impact our personnel's ability to act in the best interests of our clients

- 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 PNC 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 refer you to PNC Bank or other PNC Investments affiliates for additional products or services and will generally receive compensation for such referrals. A portion of the fees charged for the 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 who are registered with PNC Investments receive compensation in connection with securities transactions that result from referrals to a PNC Investments Financial Advisor.

PNC Investments has related persons who are investment advisers who act as general partners in partnerships in which our clients may be solicited. PNC Investments, however, does not recommend such investments and thus, would generally 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.