

Short Term Income

What is Short Term Income?

- A credit-centric strategy positioned as a money-market fund alternative that seeks higher current income while preserving capital and providing liquidity
- Actively managed and invested in a diversified portfolio of investment-grade fixed-income securities
- Portfolio-duration characteristics benchmarked to the BofA Merrill Lynch U.S. 3-6 Month Treasury Index
- Available to clients with at least \$25 million to invest

Rationale

- Money-market fund regulation and an extended low-rate environment have driven cash management plans in search of yield
- We believe there is compelling space positioned between 2a-7 money-market funds and short-duration total return products for an income seeking, low volatility, hyper-short duration solution
- Because short-term Income is exempt from 2a-7 rules, investors can avoid the liquidity fees and redemption gates of prime money-market funds while participating in higher-yielding securities

Distinguishing Characteristics

The portfolio is designed to minimize the potential fluctuation in net asset value by investing in investment-grade securities and controlling the interest rate-risk. By limiting the weighted average maturity and duration, price volatility triggered by rising interest rates is muted. Due to the shorter duration profile, investors can actually benefit from rising yields because of the ability to reinvest at the higher rates faster than a longer maturity strategy.

The strategy aims to generate income in excess of money-market funds, while maintaining liquidity by balancing short-term commercial paper and AAA-rated asset-backed securities with high-quality corporate securities (both fixed rate and floating rate). The approach to higher income generation is supported by an allocation to:

- A-2/P-2 rated commercial paper
- Floating rate notes benchmarked to LIBOR
- BBB-rated short-term corporate bonds
- AAA-rated asset-backed securities which enhance yields relative to treasuries without significantly altering the risk profile.

Experienced portfolio management team with more than \$31 billion in assets under management* looks to ensure the safety of principal while delivering a competitive yield.

PNC Capital Advisors Value Proposition

We feel that many investors are reaching too far for yield in the current environment and forgetting lessons of the not-so-distant past – with added yield comes added risk. Our fixed-income team's disciplined approach to risk management has always served as its strength. By avoiding opaque and exotic securities, as well as high yield, the Short Term Income portfolio maintains a high level of liquidity while generating yields in excess of government and prime money-market funds. A disciplined portfolio construction process that is predicated on the assessment and management of credit risk protects our clients' capital and provides for attractive risk-adjusted returns.

How Does Short Term Income Differ from Money Market Funds and Ultra Short Duration?

Money Market Funds - <u>Operating Cash</u>	Short Term Income - <u>Reserve Cash</u>	Ultra Short Duration - <u>Strategic Cash</u>
Needed for short-term operating expenses	Reserve cash to meet scheduled near- and intermediate-term obligations as well as potential unexpected expenses	Intermediate term cash availability needs
Zero tolerance for loss and interest-rate risk	Low investment risk tolerance	Moderate risk tolerance
Dollar-weighted average maturity of 60 days or less	Dollar-weighted average maturity approximates 6 months	Dollar-weighted average maturity approximates 12 months
Traditional money-market instruments	Blend of money-market and short-duration fixed-income instruments	Short-duration fixed-income instruments

*Assets as of 9/30/17

Firm Overview

PNC Capital Advisors, LLC and its predecessors have provided institutional asset management services for over two decades. Our investment team approach allows portfolio managers to do what they do best – manage money. Each team follows a disciplined process with a focus on style purity, consistency, and risk management. The teams are supported by centralized sales, client service, performance measurement, and compliance capabilities. PNC Capital Advisors offers a comprehensive array of investment strategies across both equity and fixed income classes to serve the investment requirements of corporate, public, multi-employer, foundations, endowments, and other tax-exempt clients, as well as select individual clients.

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