Large Cap Value Advantage Equity

Quarterly Commentary | Second Quarter 2019

Performance Summary

For the quarter ended June 30, 2019, the Large Cap Value Advantage Equity Composite slightly underperformed its benchmark, the Russell 1000 Value Index, returning 3.4% gross of fees and 3.2% net of fees. This compares with a return of 3.8% for the Russell 1000 Value Index during the same period.

Performance Summary as of June 30, 2019[1]

		2Q19	YTD	1 Year	3 Year	5 Year	10 Year
Large Cap Value Advantage Equity Composite	Gross	3.40%	13.77%	3.74%	9.07%	7.07%	12.66%
	Net	3.20%	13.35%	2.97%	8.26%	6.27%	11.82%
Russell 1000 Value Index		3.84%	16.24%	8.46%	10.19%	7.46%	13.19%

[1]Data as of June 30, 2019. Source: Advent Portfolio Exchange®(APX). Performance returns are presented gross and net of fees and include the reinvestment of all income. Gross of fee performance returns do not reflect the payment of investment advisory fees and other expenses. Actual returns will be reduced by advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest management fee of 0.75%, representing the maximum advisory fees charged to client accounts invested in the Large Cap Value Advantage Equity Composite during the respective period. **Past performance is no guarantee of future results.**

For information regarding the current investment advisory fees of PNC Capital Advisors, LLC, please refer to Form ADV, Part 2A, which is available at: https://pnccapitaladvisors.com. Please refer to our GIPS®-compliant Presentation, which includes additional important disclosures and is located at the end of this commentary.

Summary

The Large Cap Value Advantage Equity Composite underperformed the Russell 1000 Value Index in a quarter that saw growth equities continue to move ahead of value equities, with the Russell 1000 Growth Index returning 4.6% vs. the Russell 1000 Value Index return of 3.8%. The S&P 500 Index first quarter 2019 earnings (reported during the second quarter) showed continued deceleration and actually turned negative for the quarter.

Market Commentary

First quarter 2019 S&P 500 earnings growth (reported during the second quarter) was -0.30%, demonstrating a continued slowdown from the previous quarter's 13% growth. Only six of the eleven GICS sectors reported positive earnings growth, versus ten in the first quarter. Interestingly, approximately 76% of the companies within the S&P 500 reported positive earnings surprises, up significantly from the fourth quarter 2018 earnings season. Perhaps this led to the phenomena experienced this quarter. Stocks that beat EPS expectations were not rewarded as much as they have been historically yet stocks that missed were punished more than the historical average.

Markets continued to experience a rebound from December's lows, although concerns around U.S.-China trade in May stunted the rally for the month but dovish comments from the Fed buoyed stocks into the end of the quarter. It appeared investors continued to favor companies with strong fundamentals during earnings season, or perhaps more accurately, punish those with fading fundamentals. Avoiding companies that missed earnings expectations was key during this quarter.

While the market posted positive results for the second quarter, intra-quarter stock movement was influenced by multiple headlines, including questions about the prospects for a U.S.-China trade deal, global growth concerns, and increasingly fickle comments from the Federal Reserve concerning fed funds rate targets. Additionally the partial inversion of the yield curve and oil price volatility during the quarter caused great concern for the market more broadly. The Fed's dovish comments along with the renewed possibility of a U.S.-China trade deal toward the end of the quarter provided a broad reprieve.

Although financial markets continued their recovery from fourth quarter 2018 lows, there was significant dispersion among stocks within the index. In particular, we note that there was modest strength in stocks that exhibited strong momentum and quality characteristics. While macro events continue to, in some cases move the market, we are pleased to see a return of fundamental factors having an outsized influence. We remain confident in our belief that earnings drive stock prices over the long term and that

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our process identifies companies with the greatest potential earnings surprise upside. We believe that the earnings outlook for the remainder of 2019 is not tepid, so being able to identify the companies who will continue to exhibit strong EPS growth and surprises will be of the utmost importance.

Quantitative Overview

During the second quarter, our multi-factor model demonstrated modest effectiveness relative to the Russell 1000 Index. Our momentum and stability of earnings factors were also modestly effective, driven by a resurgence in the strength of both factors during the last month of the quarter. However, this was offset partially by the continued weakness of value factors.

In particular, we noted significant strength in our price momentum and earnings surprise factors during the quarter as companies that beat earnings expectations were rewarded while companies that missed earnings expectations were punished. In fact, the negative price impact from misses this quarter was even more substantial compared to recent history. This environment benefited us as we had a greater percentage of companies that beat expectations and a lower percentage of companies that missed relative to the benchmark. Additionally, the stocks that scored the worst on our momentum factor significantly underperformed during the quarter. Therefore the avoidance of these names was also critical to our performance.

Quarterly Attribution Analysis, June 30, 2019[2]
Large Cap Value Advantage Representative Account vs. Russell 1000 Value Index

	Large Cap Value Advantage			Russell 1000 Value			Variation			Attribution Analysis		
GICS Sector	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection + Interaction	Total Effect
Communication Services	5.56	4.98	0.28	7.06	6.41	0.44	-1.49	-1.44	-0.16	-0.03	-0.08	-0.11
Consumer Discretionary	7.50	1.68	0.12	5.31	3.57	0.19	2.19	-1.89	-0.07	-0.01	-0.15	-0.16
Consumer Staples	6.76	0.38	0.01	7.84	2.52	0.19	-1.08	-2.14	-0.18	0.00	-0.16	-0.16
Energy	8.56	-3.48	-0.27	9.22	-3.65	-0.37	-0.66	0.17	0.09	0.09	0.01	0.09
Financials	24.45	6.07	1.44	22.47	7.68	1.66	1.98	-1.62	-0.22	0.07	-0.36	-0.30
Health Care	12.83	0.57	0.00	14.83	2.85	0.43	-2.00	-2.28	-0.43	-0.04	-0.29	-0.33
Industrials	10.07	11.55	1.10	7.91	6.64	0.52	2.16	4.90	0.59	0.05	0.46	0.51
Information Technology	9.07	3.64	0.27	9.80	3.17	0.31	-0.73	0.47	-0.03	-0.01	0.04	0.04
Materials	4.27	8.97	0.37	4.00	3.98	0.18	0.28	4.99	0.19	-0.02	0.20	0.19
Real Estate	2.59	-9.82	-0.27	5.14	1.00	0.06	-2.55	-10.82	-0.33	0.05	-0.29	-0.24
Utilities	5.92	5.71	0.33	6.43	3.43	0.23	-0.51	2.28	0.11	0.00	0.13	0.13
Cash	2.42	0.58	0.01	0.00	0.00	0.00	2.42	0.58	0.01	-0.09	0.00	-0.09
Total	100.00	3.41	3.41	100.00	3.84	3.84	0.00	-0.43	-0.43	0.07	-0.50	-0.43

[2]Source: FactSet.® The attribution presented above reflects the results of the representative account of the Large Cap Value Advantage Equity Composite. Sectors are subject to change and may differ between clients based on investment objectives, restrictions and other specifics applicable to each account. It should not be assumed that investments in any of the sectors listed were or will prove profitable. Performance attribution is an analysis of the representative account's return relative to a selected benchmark and is calculated using the account's daily holding information within FactSet®. FactSet® calculates performance used in the attribution analysis based on the daily closing position and price. Performance calculations using daily closing positions may vary, sometimes significantly, from intraday-based performance calculations generated from Advent Portfolio Exchange®(APX), the system of record for PNC Capital Advisors, LLC. Attribution analysis is based on gross of fee returns, which include the reinvestment of all income, and are not annualized for periods of a year or less. Actual returns will be reduced by investment advisory fees. Please refer to additional important disclosures located at the end of this report. FactSet® is a registered trade mark of FactSet® Research Systems, Inc. and its affiliates. **Past performance is no guarantee of future results.**

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One-Year Attribution Analysis, June 30, 2019[3]
Large Cap Value Advantage Representative Account vs. Russell 1000 Value Index

	Large Cap Value Advantage			Russell 1000 Value			Variation			Attribution Analysis		
GICS Sector	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Average Weight	Total Return	Contribution to Return	Allocation Effect	Selection + Interaction	Total Effect
Communication Services	5.21	18.10	0.71	6.97	16.58	1.09	-1.75	1.51	-0.39	-0.14	-0.03	-0.17
Consumer Discretionary	7.05	10.44	0.77	5.30	2.54	0.19	1.75	7.90	0.58	-0.01	0.39	0.39
Consumer Staples	6.59	-2.66	-0.31	7.64	15.68	1.13	-1.05	-18.34	-1.43	-0.15	-1.22	-1.37
Energy	10.06	-13.56	-1.66	9.87	-14.01	-1.69	0.19	0.45	0.03	-0.08	0.11	0.02
Financials	25.18	-2.33	-0.44	22.82	4.93	1.27	2.36	-7.26	-1.71	-0.12	-1.80	-1.92
Health Care	14.10	14.40	1.70	14.98	19.01	2.55	-0.88	-4.61	-0.85	-0.13	-0.51	-0.65
Industrials	9.22	9.65	0.97	7.77	10.44	0.84	1.45	-0.79	0.13	0.04	-0.06	-0.02
Information Technology	9.29	20.71	1.77	9.60	15.86	1.46	-0.30	4.85	0.30	-0.04	0.41	0.38
Materials	3.86	-11.93	-0.45	4.01	-2.57	-0.03	-0.15	-9.36	-0.42	-0.08	-0.35	-0.43
Real Estate	2.85	-11.61	-0.45	4.94	10.93	0.57	-2.09	-22.54	-1.02	-0.16	-0.67	-0.83
Utilities	4.66	29.35	1.14	6.10	19.39	1.07	-1.45	9.96	0.07	-0.23	0.33	0.10
Cash	1.92	2.28	0.05	0.00	0.00	0.00	1.92	2.28	0.05	-0.16	0.00	-0.16
Total	100.00	3.80	3.80	100.00	8.46	8.46	0.00	-4.66	-4.66	-1.26	-3.40	-4.66

[3]Source: FactSet.® The attribution presented above reflects the results of the representative account of the Large Cap Value Advantage Equity Composite. Sectors are subject to change and may differ between clients based on investment objectives, restrictions and other specifics applicable to each account. It should not be assumed that investments in any of the sectors listed were or will prove profitable. Performance attribution is an analysis of the representative account's return relative to a selected benchmark and is calculated using the account's daily holding information within FactSet®. FactSet® calculates performance used in the attribution analysis based on the daily closing position and price. Performance calculations using daily closing positions may vary, sometimes significantly, from intraday-based performance calculations generated from Advent Portfolio Exchange®(APX), the system of record for PNC Capital Advisors, LLC. Attribution analysis is based on gross of fee returns, which include the reinvestment of all income, and are not annualized for periods of a year or less. Actual returns will be reduced by investment advisory fees. Please refer to additional important disclosures located at the end of this report. FactSet® is a registered trade mark of FactSet® Research Systems, Inc. and its affiliates. **Past performance is no guarantee of future results.**

Overall, we are encouraged by the continued return to strength in our multi-factor model (which is also showing modest effectiveness on a year-to-date basis now). Importantly, our conviction in our process and our model remains resolute. Belief in our central tenet—that earnings drive stock prices over the long term—leads us to remain true to our process and model so that as our factors continue to return to favor, we believe investors' portfolios are poised to benefit.

During the quarter we initiated 17 new investment positions across multiple sectors:

Ameriprise Financial, Inc. (AMP) is a diversified holding company with five segments. The company has a track record of beating earnings expectations, shows positive earnings revisions, and has an attractive total return. The stock scores well in our multi-factor model.

Berry Global Group Inc. (BERY) is a manufacturer and supplier of non-woven, flexible, and rigid products through three segments. We saw an opportunity with the excellent execution and integration from their recently announced RPC purchase. As management deleverages the balance sheet with significant free cash flow generation, we anticipate improved valuation.

E*TRADE Financial Corporation (ETFC) provides financial services including brokerage and banking products and services to traders, investors, stock plan administrators, and registered investment advisors. The company is a leading growth-oriented financial services company with a focus on online brokerage. A mix of fee income, transaction-oriented income, and interest income provides a diversified stream of revenues.

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FMC Corporation (FMC) is a diversified chemical company that provides solutions, applications and products for the agricultural consumer and industrial markets worldwide. The company is trading at a discount to typical agriculture companies. The company has multiple levers to drive operating profitability over the next several years in excess of top-line growth beginning in 2020.

Hershey Company (HSY) manufactures and markets chocolate and sugar confectionery products. The company was purchased in response to the Russell Sector rebalance. It is a top scoring name in our process in the consumer staples sector. Our quantitative model showed top quintile momentum scores, reflecting solid share price and importantly, increasing earnings estimates. Hershey has high organic revenue growth relative to its sector.

Honeywell International Inc. (HON) operates as a diversified technology and manufacturing company worldwide. The company has a diversified core growth and continues to score well in our quantitative multi-factor model.

Ingersoll-Rand Plc (IR) designs, manufactures, sells and services industrial and commercial products. We see strong residential and nonresidential replacement and emission reduction opportunities, which could drive revenue growth and margin expansion. The recent increases in production, as dealers build inventory on a strong sales environment, could help drive double-digit growth and improve margins.

Invitation Homes, Inc. (INVH) is a real estate investment trust company. The company had a good recent quarter and scored well in our multi-factor model. Invitation Homes helps us maintain exposure in real estate with top scoring quantitative numbers.

Marathon Oil Corporation (MRO) is an energy company in the United States, United Kingdom, and Equatorial Guinea. Marathon Oil has been at the forefront of maintaining discipline in terms of its capital budget, helping to drive free cash flow generation levels of around 7%. It is on track to deliver 10% oil production growth in 2019 at a breakeven price of $45/barrel.

Marsh & McLennan (MMC) is a professional services company that provides advice and solutions to clients in the areas of risk, strategy and human resources, worldwide. The company has a consistent history of generating both a return on assets and return on equity above its peers. Importantly, Marsh & McLennan has a track record of returning excess capital to its shareholders in the form of both dividends and stock buybacks.

Mondelez International, Inc. (MDLZ) through its subsidiaries, manufactures and markets snack food and beverages products worldwide. Mondelez is poised for accelerating global revenue growth and has opportunities for top share positions in many categories in key geographies including China and India.

Omnicom Group Inc. (OMC) is one of the largest advertising, marketing, and corporate communication companies in the world. Domestic organic revenue growth is accelerating while international organic growth continues to grow solidly. The company exhibits positive free cash flow generation, with a high emphasis on return of cash to shareholders through share repurchase and dividend growth.

PepsiCo, Inc. (PEP) is a food and beverage company. PepsiCo is a high scoring stock in our quantitative process in the consumer staples sector. It has strong share price performance relative to its competitors and has consistent earnings growth.

Pioneer Natural Resources Company (PXD) operates as an independent oil and gas exploration and production company in the United States. Pioneer has one of the best balance sheets among the large cap exploration & production companies, a strength that will allow it to better manage around the cyclicality of the upstream business.

Realty Income Corporation (O) is a real estate investment trust company. The company exceeded earnings expectations, has a track record of increasing dividends, and is attractive from a total return perspective.

Sempra Energy (SRE) is a large-cap California-based utility company involved in natural gas and electric transmission and distribution with an emerging liquefied natural gas (LNG) business. Sempra is looking to grow earnings at 8% over the next several years, with LNG projects driving a large part of the surge in earnings. Free cash generation should allow for robust returns of cash to shareholders.

Target Corporation (TGT) is a large discount retailer that sells general merchandise and consumables as well as unique, fashionable items at reasonable prices. Store closings from competitors, small store concept expansion into more urban areas, store remodels, new private label merchandise as well as sharper pricing on everyday items should result in increased sales and store traffic.

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During the quarter we sold 16 positions across multiple sectors:

AT&T Inc. (T) is the largest communications company in the United States, with nationwide video and wireless businesses and a regional fixed broadband business. The company's share price has struggled to gain any momentum over the past year, continuing in its downward trend evidenced by its 50- and 150- day moving averages. Its momentum factor score has deteriorated and fell to the bottom quintile.

Bank of New York Mellon Corporation (BK) is a leading global investments company with operations in Investment Management and Investment Services. Given the weak operating metrics, subsequent earnings revision trends for FY 2019 were negative following the earnings disappointment. The multi-factor model score deteriorated following the earnings shortfall and negative earnings per share revisions for FY 2019.

Boeing Company (BA) is the world's largest aerospace company. It designs and produces commercial airplanes and is a contractor for major defense programs. We see deteriorating cash flows and earnings in addition to declining multi-factor model scores.

Bristol-Myers Squibb (BMY) is a global bio-pharmaceutical company engaged in developing, manufacturing, and selling these types of drugs. They have a strong presence within the immune-oncology and cardiovascular markets. The security was sold to adjust our allocation to Health Care in response to the Russell Sector rebalance and as a source of funds for better scoring securities.

Centene Corporation (CNC) is a diversified health care enterprise that provides programs and services to low-income, uninsured, and underinsured individuals in the United States. Centene was eliminated from the portfolio on sustained price weakness following the proposed acquisition of WellCare (WCG) which would expand Centene's presence in the government healthcare segments of Medicaid and Medicare, but comes at a high cost and an extended review period. Furthermore, Humana (HUM) formally announced that they would not be making an acquisition offer for CNC.

Clorox Company (CLX) manufactures and markets consumer and institutional products. The company is experiencing increased competitive activity in key product categories. Quant model metrics deteriorated, especially momentum, from top quintile to bottom quintile during the quarter.

Duke Energy Corporation (DUK) is a large-capitalization electric utility company with assets primarily in North Carolina, South Carolina, and Florida. The company continues to operate under the burden of a delayed start in the Atlantic Coast Pipeline, with regulatory issues as the key driver.

Eastman Chemicals Company (EMN) manufactures and sells materials, specialty additives, chemicals, and fibers in the United States and internationally. Eastman Chemical Company has seen declining model scores along with deteriorating fundamentals.

Intel Corporation (INTC) engages in the design, manufacture, and sale of computer products and technologies. It delivers computer, networking, data storage and communications platforms. The position was sold due to lowered guidance and deteriorating scores of our momentum and TWR (time weighted revisions) factors. The company's management team lowered guidance for Q2 to $0.89 while consensus was $1.01; the company also lowered guidance for the year to $4.35 versus prior guidance at $4.60 (consensus estimate $4.50.) This is a result of management taking a more cautious stance on IT spending levels driven by an accelerated decline in memory pricing, congestion in data center inventory, and headwinds stemming from China Trade talks. During their annual investor day event, the company also lowered their revenue growth outlook to roughly 3% annually through 2021.

Kohl's Corporation (KSS) owns and operates department stores targeting middle income consumers. The company reported Q1 earnings below expectations and reduced its fiscal 2019 earnings per share guidance. The reduction stems from the EPS miss in the first quarter, the U.S. government increasing tariffs on China from 10% to 25%, and planned increases in promotional activity (especially in the Home category) in order to gain market share.

LyondellBasell Industries NV (LYB) is an independent chemical company. The company experienced a smaller profit spread as it surpasses their price to cost. The multi-factor model and fundamentals have also deteriorated.

Marathon Petroleum Corporation (MPC) refines, markets, and transports petroleum products in the United States. Marathon Petroleum was sold due to deterioration of model scores with pending weak first quarter results.

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Philip Morris International Inc. (PM) is a holding company that manufactures and sales cigarettes, tobacco, and other nicotine products. The company had a relative price weakness in an industry that was the worst performer in consumer staples sector. It has deteriorated in our multi-factor model, most concerning momentum due to deteriorating earnings estimate revisions.

Raytheon Company (RTN) develops and manufactures defense and security solutions. The company is seeing margin pressure in their missile segments. The multi-factor model score is deteriorating along with fundamentals.

Regions Financial Corporation (RF) is a diversified bank holding company. The company missed earnings and continued on negative earnings revisions. The stock declined within our quantitative multi-factor model.

Simon Property Group, Inc. (SPG) is a real estate investment trust. The company reported first quarter earnings that missed the Street consensus by $0.01. The retail store traffic data has been negative on a year-over-year basis for retailer during the month of May and June. Investors are concerned that the poor fundamentals experienced by retailers may lead to a decline in both real estate occupancy levels and potential future rents, which is a negative for retail REIT fundamentals.

Positioning

Our multi-factor model not only defines the candidate pool for fundamental analysis and provides sell signals for current holdings, but it also determines the portfolio's sector positioning. After the multi-factor model ranks the investible universe, we construct a portfolio by equally weighting the top quintile of stocks. The resulting sector overweights and underweights relative to the benchmark are used as the parameters to construct the Large Cap Value Equity portfolio. Currently, the portfolio's largest overweights are to the Consumer Discretionary, Industrials, and Financials sectors. The portfolio's largest underweights are to the Health Care, Information Technology, Real Estate and Communication Services sectors.

Outlook

Our investment process is focused on bottom-up, fundamental analysis guided by our multi-factor model, with particular attention paid to earnings and a company's ability to surprise on the upside. We are optimistic about our process and our model for 2019, which saw clear signs of strength in the second quarter. We believe that the market will continue to reward solid fundamentals and the avoidance of stocks with poor fundamentals will be key to success. In an environment where earnings growth is slowing; the ability to avoid disappointments will be rewarded.

There is a strong correlation of earnings and stock prices over time; in the past 10 years, the correlation between earnings and prices of the S&P 500 Index was 95%[4]. While this long-term relationship is foundational to our process we understand that in the short-term the relationship can sometimes break down. For instance, in 2018, there was almost zero correlation of earnings to stock prices. In contrast, 2019 is showing a reversal to the longer term trend where company earnings will drive their stock price. We will continue to focus our efforts to position our portfolio in companies that we believe have improving fundamentals and can surprise on the upside in terms of earnings

Top Contributors

American Water Works Company, Inc. (AWK) is an East Coast-based water utility with operations throughout the United States. American Water continues to generate best-in-class earnings with guidance remaining at the high end of the 7-10% range. The company is also a favorite name among portfolio managers looking for ESG exposure given American Water Works' operations in maintaining clean water supplies in a number of locations across the country. Dividend growth also remains in the 7-10% range, in-line with earnings growth.

Bank of America Corporation (BAC) provides commercial banking and investment banking to small and middle market businesses and to large corporate clients. Bank of America reported strong first quarter earnings results that exceeded the Street consensus by 8%. In addition to the strong earnings report, the company also received positive news that it passed the Federal Reserve's annual bank stress test in June 2019 and that the company was approved for a double digit dividend increase. The dividend increase and stock buyback (also approved by the Federal Reserve) is expected to be implemented later in 2019.

[4]Source: FactSet, PNC Capital Advisors analysis

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Representative Account Top Contributors and Detractors for the Quarter Ending June 30, 2019					
Top Contributors	Avg. Weight	Contribution	Top Detractors	Avg. Weight	Contribution
JPMorgan Chase & Co.	4.29	0.42	Kohl's Corporation	1.01	-0.44
Lockheed Martin Corporation	1.19	0.24	Intel Corporation	1.53	-0.37
American Water Works Company, Inc.	2.01	0.23	Marathon Oil Corporation	0.85	-0.25
Microsoft Corporation	1.76	0.23	Simon Property Group, Inc.	1.70	-0.25
Bank of America Corp	4.03	0.21	Eli Lilly and Company	1.35	-0.21

The holdings identified above do not represent all of the securities purchased, sold, or recommended for advisory clients. Average Weight is determined by averaging the daily weights of each holding in the representative account. The weight is the day's market value for each holding divided by the total value of all account holdings. Contribution is the contribution of each representative account holding determined by multiplying the Average Weight for each holding by the rate of return for that holding during the quarter. The result shows each holding's contribution to the account's overall return during the quarter. **Past performance does not guarantee future results.**

To obtain the calculation methodology, a list showing each holding's contribution to the overall performance during the measurement period, or for the complete list of all securities in the strategy that were recommended during the previous year, please contact pcacompliancegroup@pnc.com.

JPMorgan Chase & Co. (JPM) is a leading global financial services firm with operations in more than 50 countries. The company reported a positive first quarter earnings surprise of 9.9% on April 12 that was well received by the market. In addition to a positive earnings report, the company received positive news following the release of the Federal Reserve's annual bank stress test results in June 2019. The bank was approved for a double digit dividend increase that will be implemented later this year.

Lockheed Martin Corporation (LMT) is a security and aerospace company that engages in the research, design, development, manufacture, integration, and sustainment of technology systems, products, and services worldwide. Given the company's unique position in leading defense programs, we believe organic revenue growth and margins could be more resilient during a defense spending downturn.

Microsoft Corporation (MSFT) is the world's largest software company with a dominant presence in personal computer operating systems and applications. MSFT beat earnings and raised guidance for their fiscal 3Q 2019 which drove the share price higher. The company reported adjusted earnings of $1.14 above the street's consensus of $1.00. Revenue surprised to the upside across all business segments including Productivity & Business Processes, Intelligent Cloud, and Personal Computing. Operating margins continue to expand, exceeding consensus at 33.8% vs 31.0%.

Top Detractors

Eli Lilly and Company (LLY) markets pharmaceutical products, and recently spun off its animal health business. Shares were weak in the second quarter on proposals for Medicare-for-All, lower than expected sales during the first quarter, and more modest than expected cardiovascular benefits when presenting full data for the Phase III REWIND trial for its lead drug, Trulicity.

Intel Corporation (INTC) engages in the design, manufacture, and sale of computer products and technologies. It delivers computer, networking, data storage, and communications platforms. INTC beat on the top line and bottom line but lowered guidance for the upcoming quarter and fiscal year. For Q1 2019, the company reported adjusted earnings of $0.89 above the street's estimate of $0.87 and revenue beat expectations coming in at $16.1 vs $16.03B. Despite the beat, shares were weaker due to management lowering guidance for Q2 at $0.89 while consensus was $1.01; the company also lowered guidance for the year to $4.35 versus prior guidance at $4.60 and consensus estimate at $4.50. This is a result of management taking a more cautious stance on IT spending levels driven by an accelerated decline in memory pricing, congestion in data center inventory and headwinds stemming from China Trade talks. The company also lowered their revenue growth outlook for the next three years during their annual investor day event.

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Kohl's Corporation (KSS) owns and operates department stores targeting middle income consumers. The company reported earnings below expectations and reduced its fiscal 2019 earnings per share guidance to a range of $5.15 to $5.45, down from $5.80 to $6.15 previously. The downward revised guidance was well below the $6.03 consensus estimate and the earnings reduction stems from the EPS miss in the first quarter, the U.S. government increasing tariffs on China from 10% to 25%, and planned increases in promotional activity in order to gain market share.

Marathon Oil Corporation (MRO) is an energy company in the United States, United Kingdom, and Equatorial Guinea. Marathon shares continue to be plagued by lack of support from oil prices, as the commodity had fallen in value from the low $70s/bbl. just over a month ago. While recent asset sales have been a slight positive for the shares, other positive catalysts that would help to buoy the shares have not been present.

Simon Property Group, Inc. (SPG) is a real estate investment trust. The company reported first quarter earnings that missed the Street consensus by $0.01. The retail store traffic data has been negative on a year-over-year basis for retailers during the month of May and June. Investors are concerned that the poor fundamentals experienced by retailers may lead to a decline in both real estate occupancy levels and potential future rents, which is a negative for retail REIT fundamentals. As a result, Simon Property has experienced negative funds from operations (FFO) revisions for fiscal year 2019 and 2020 over the last several weeks.

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Firm Description: As of September 29, 2009, PNC Capital Advisors, Inc. and its affiliate Allegiant Asset Management Company each merged into and with PNC Capital Advisors, LLC ("PNC Capital Advisors" or "the Firm"). PNC Capital Advisors, a registered investment adviser and direct wholly owned subsidiary of The PNC Financial Services Group, Inc. ("PNC"), provides investment advice with respect to equity and fixed income securities for a variety of clients, including institutional accounts and registered investment companies.

For Global Investment Performance Standards (GIPS®) purposes, PNC Capital Advisors, LLC includes:

1) Assets under management of PNC Bank, N.A. that were previously attributed to a predecessor firm, Mercantile, which prior to September 14, 2007 was defined to include the assets of Mercantile-Safe Deposit and Trust Company and its subsidiary, Mercantile Capital Advisors, Inc. Effective September 14, 2007, Mercantile-Safe Deposit and Trust Company was merged into PNC Bank, N.A., and in conjunction with such merger, PNC Capital Advisors, Inc. became a subsidiary of PNC Bank, N.A. PNC Capital Advisors, Inc. commenced serving as subadvisor to certain clients of PNC Bank, N.A. effective February 11, 2008.
2) Assets under management of PNC Municipal Investment Group, formerly a part of PNC Bank, N.A., now a business unit of PNC Capital Advisors.
3) Assets under management of the Advantage Equity Portfolio Management Team, formerly a part of PNC Institutional Investment Group ("PNC IIG"), a part of PNC Bank, N.A., now a business unit of PNC Capital Advisors.
4) Wrap program assets managed by Allegiant Advisory Services, formerly a part of Allegiant Asset Management Company.
5) Assets under management of Allegiant Asset Management Company (excluding Allegiant Advisory Services), formerly a wholly owned subsidiary of National City Corporation, now an institutional subsidiary of the PNC Financial Services Group, Inc. and part of PNC Capital Advisors.

PNC Capital Advisors Large Cap Value Advantage Equity Composite

Composite Inception Date: October 31, 2003 | Composite Creation Date: June 30, 2006

Year	Gross of Fees Return %	Net of Fees Return %	3 Yr Ex-Post Std Dev Comp %	Benchmark Return %	3 Yr Ex-Post Std Dev Benchmark %	Number of Portfolios (Year-end)	Composite Dispersion (Std Dev %)	Composite Assets ($ millions)	Firm Assets ($ millions)
2017	20.79	19.89	9.62	13.66	10.20	351	0.10	744.9	50,300
2016	7.24	6.44	10.17	17.34	10.77	383	0.14	876.2	48,659
2015	2.93	2.16	10.33	(3.83)	10.68	362	0.07	904.0	41,592
2014	13.39	12.54	9.31	13.45	9.20	318	0.08	928.0	41,062
2013	32.12	31.13	12.35	32.53	12.70	314	0.25	950.4	36,882
2012	18.18	17.31	14.95	17.51	15.51	275	0.19	390.4	34,425
2011	2.31	1.54	17.18	0.39	20.69	269	0.37	358.7	35,113
2010	14.28	13.45		15.51		288	0.27	386.9	33,318
2009	11.90	11.09		19.69		305	0.92	243.2	32,318
2008	(30.92)	(31.50)		(36.85)		216	0.60	122.3	13,190

Compliance Statement: PNC Capital Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PNC Capital Advisors, LLC has been independently verified for the period beginning September 29, 2009 through December 31, 2016 by Ashland Partners and Company, LLP, and for the periods January 1, 2017 through December 31, 2017 by ACA Performance Services, LLC. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Large Cap Value Advantage Composite has been examined by Ashland Partners & Company LLP for the period February 11, 2008 through December 31, 2016, and for the periods January 1, 2017 through December 31, 2017 by ACA Performance Services, LLC. The verification and performance examination reports are available upon request.

Verification: Compliance with the GIPS standards for the predecessor firm (PNC Capital Advisors, Inc.) was verified by Ashland Partners & Company LLC since for the period February 11, 2008, through September 29, 2009. Performance that may accompany this report for the period prior to February 11, 2008, occurred while the portfolio management team was with a predecessor firm, PNC Institutional Investment Group ("PNC IIG"), a part of PNC Bank, N.A. PNC. IIG's compliance with the GIPS standard was verified for the period January 1, 1993 through December 31, 2007, by Ashland Partners & Company LLC. In addition, a performance examination was conducted on the Large Cap Value Advantage Composite for the period November 1, 2003 through December 31, 2007, by Ashland Partners & Company LLC. Copies of the verification reports as well as policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. A list of composite descriptions is also available upon request.

Composite Description: The Large Cap Value Advantage Equity Composite contains fully discretionary actively managed value equity accounts. For comparison purposes the Large Cap Value Advantage Equity Composite is measured against the Russell 1000® Value Index. The Large Cap Value Advantage Equity Composite was created June 30, 2006. Results from all accounts have been continuous from the first full month under management to present or last full month under management. Prior to December 31, 2007 the composite was named the PNC Advantage Value Portfolio℠ ("Value Composite"). Between January 1, 2008 and December 31, 2009, the Large Cap Value Advantage Equity Composite was known as the Large Cap Value Advantage Composite.

Benchmark: The benchmark for the composite is the Russell 1000® Value Index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes companies with lower price-to-book ratios and lower expected growth values and is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment.

Minimum Account Size: All discretionary accounts in excess of $100,000 have been included in the PNC Capital Advisors Large Cap Value Advantage Composite. Prior to December 31, 2007, the minimum account size was $800,000.

Calculation of Results: Accounts are valued using trade date accounting and are denominated in U.S. dollars. Performance results reflect the reinvestment of interest, dividends, and realized capital gains and include cash, cash equivalents, convertible securities, and preferred securities, if applicable. Dividends and interest are recorded on an accrual basis and are gross of all applicable foreign withholding taxes, if any. The net results reflect the deduction of 0.75% for the period prior to January 1, 2008; 1.10% for the period January 1, 2008, through February 29, 2008; and 0.75% for the periods thereafter, representing the maximum advisory fees charged to client accounts during the respective periods in the Large Cap Value Advantage Composite. All returns are net of execution costs and exclude the effect of any income taxes. **Past performance is no guarantee of future results.**

PNC CAPITAL ADVISORS

Large Cap Value Advantage Equity

Significant Cash Flows: As of January 1, 2012, PNC Capital Advisors, Inc. defines a significant cash flow for the portfolios of the Large Cap Value Advantage Equity Composite as one or more external cash outflows equaling an absolute value greater than 20%, or one or more external cash inflows equaling an absolute value greater than 50% of the portfolio's assets at the beginning of the month.

Dispersion: The dispersion of annual return is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for a full year. Prior to October 1, 2009, the dispersion of annual return was calculated across equal-weighted portfolio returns.

Fee Schedule: The management fee schedule is as follows: 0.75% of amounts up to $5 million, 0.60% on next $10 million, 0.50% on next $35 million, and 0.45% on amounts over $50 million. The actual fees paid by a client may vary based on assets under management and other factors.

The **Russell 1000 Growth Index** is an unmanaged index representative of large-cap growth stocks that measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Investments cannot be made in an index.

The **Russell 1000 Value Index** is an unmanaged index representative of large-cap value stocks that measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **S&P 500 Index** is an unmanaged cap-weighted index of 500 publicly traded stocks generally representative of the large-cap U.S. stock market performance and includes a representative sample of leading companies in leading industries. An investor cannot invest in the S&P 500 Index.

Performance attribution is an analysis of the representative account's return relative to its benchmark and is calculated using daily holding information within FactSet® for the representative account. It does not reflect the payment of transaction costs, fees and expenses of the portfolio. Total Returns are presented gross of fees and do not reflect the deduction of investment advisory fees, which will reduce returns.

Attribution is broken down into two primary effects: Allocation Effect (the portion of the representative account's excess return that is attributable to over- or under-weighting a sector relative to the benchmark) and Selection Effect (the portion of the representative account's excess return that is derived from choosing different securities from the benchmark).

Portfolio Contribution to Return measures the impact that each security has on the portfolio's total return and is calculated using daily holding information within FactSet® by multiplying the beginning weight for a given security by its total return on a daily basis, and geometrically linked for any given period. Accordingly, the Contribution to Return shown could differ from actual returns when there is a significant difference between the trade price and the closing price of a given security.

Portfolio holdings that are included in the benchmark index are assigned to the same sectors to which they are assigned by the index provider. Portfolio holdings that are not assigned by the index provider, but included in the FactSet® database are assigned to the index provider's sectors by PNC Capital Advisors, LLC. Attribution is not exact, but should be considered an approximation of the relative contribution of each of the factors considered.

This publication is for informational purposes only. Information contained herein is believed to be accurate, but has not been verified and cannot be guaranteed. Opinions represented are not intended as an offer or solicitation with respect to the purchase or sale of any security and are subject to change without notice. Statements in this material should not be considered investment advice or a forecast or guarantee of future results. To the extent specific securities are referenced herein, they have been selected by the author on an objective basis to illustrate the views expressed in the commentary. Such references do not include all material information about such securities, including risks, and are not intended to be recommendations to take any action with respect to such securities. The securities identified do not represent all of the securities purchased, sold or recommended and it should not be assumed that any listed securities were or will prove to be profitable. **Past performance is no guarantee of future results.**

PNC Capital Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®). To receive a list of composite descriptions of PNC Capital Advisors, LLC and/or a presentation that complies with the GIPS® standards, please send an email to Compliance at pcacompliancegroup@pnc.com.

PNC Capital Advisors, LLC is an SEC-registered investment adviser, offering an array of investment strategies. PNC Capital Advisors, LLC is a wholly-owned subsidiary of PNC Bank, N.A. and an indirect subsidiary of The PNC Financial Services Group, Inc. PNC Capital Advisors' strategies and the investment risks and advisory fees associated with each strategy can be found within Part 2A of the firm's Form ADV, which is available at https://pnccapitaladvisors.com.

INVESTMENTS: NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE