

Small Cap Equity

Quarterly Commentary

Third Quarter 2018

Performance Summary

For the quarter ended September 30, 2018, the Small Cap Equity Composite outperformed its benchmark, the Russell 2000 Index, returning 4.20% gross of fees and 3.96% net of fees. This compares with a return of 3.58% for the Russell 2000 Index during the same period. Through the first nine months of 2018, the Small Cap Equity Composite returned 9.91% gross of fees and 9.17% net of fees. This compares to a return of 11.51% for the Russell 2000 Index.

Performance Summary as of September 30, 2018 ¹		3Q18	YTD	1 Year	3 Year	5 Year	10 Year
Small Cap Equity Composite	Gross	4.20%	9.91%	15.09%	12.30%	9.96%	13.26%
	Net	3.96%	9.17%	14.05%	11.29%	8.97%	12.24%
Russell 2000 Index		3.58%	11.51%	15.24%	17.12%	11.07%	11.11%

¹Data as of September 30, 2018. 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 0.90%, representing the maximum advisory fees charged to client accounts invested in the Small Cap 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.

During the quarter, overall stock selection contributed to relative investment results. Specifically, stock selection within the Industrials, Financials, Materials, Real Estate, Information Technology, and Energy sectors contributed, while stock selection within Health Care and Consumer Discretionary detracted. The strategy does not have positions in Consumer Staples, Telecommunication Services, or Utilities.²

From a sector allocation perspective, an underweight in Health Care and Information Technology, and an overweight in Financials detracted from relative investment results. The strategy benefitted from overweights in Industrials and Consumer Discretionary and an underweight in Energy. The lack of exposure to Telecommunication Services negatively impacted relative performance, while the lack of exposure to Consumer Staples helped.

Over the first nine months of the year, relative underperformance of the Small Cap Equity strategy was driven by sector allocation, while stock selection was a positive contributor. Positive contributions from stock selection within the Industrials, Information Technology, Real Estate, Materials, and Energy sectors offset negative effects of stock selection within Consumer Discretionary, Health Care, and Financials.

On a sector allocation basis, the strategy's overweight to Industrials, Financials, and Consumer Discretionary hurt relative investments results, as did the underweight to Health Care and Information Technology. Underweights to Energy, Real Estate, and Materials, and were positive contributors from a sector allocation perspective. The lack of exposure to Utilities and Consumer Staples benefitted relative investment results, while the lack of exposure to Telecommunications Services detracted modestly.

Strategy Commentary

During the third quarter, investors' focus seemed to center on the potential effects of various new or threatened trade tariffs on future domestic and global growth, further Federal Reserve interest rate increases, and macroeconomic data that showed the domestic economy continued to strengthen. Corporate earnings continue to grow and the unemployment rate hit a multi-decade low of 3.7% in September. We are seeing these trends play out in the companies we have invested in. While top-line growth continues to trend favorably, in certain cases, margins have been hit on higher raw material prices, due to the effects of trade tariffs in China, Mexico, and Canada, as well as tight labor markets. In our view, the balance sheets of our portfolio companies remain in excellent shape, and although interest rates have increased, rates remain at levels that are quite low from a historical standpoint.

²At the end of the third quarter, the Global Industry Classification Standard (GICS) introduced a series of changes. The Telecommunications Services sector will be broadened and renamed as the Communications Services sector. Certain stocks currently classified under the Consumer Discretionary and Information Technology sectors will be reclassified and combined with stocks currently classified under Telecommunications Services. Also, some stocks will move from Information Technology to Consumer Discretionary.

Small Cap Equity

From a style perspective, the Russell 2000 Growth Index came roaring back during the third quarter after lagging its value counterpart in the second quarter, posting gains of 5.52% compared to the Russell 2000 Value Index which showed returns of 1.60%. Thus far in 2018, growth has handily outpaced value, with the Russell 2000 Growth Index returning 15.76% while the Russell 2000 Value Index returned 7.14%. The core Russell 2000 Index gained 3.58% in the third quarter and was, once again, boosted by gains in the Health Care and Information Technology sectors—a trend that has been consistent thus far throughout the first nine months of 2018.

Purchases

Carbonite, Inc. is emerging as a leader in the technology backup and disaster recovery space for small- and medium-sized businesses (SMB). The company is actively adding to its product portfolio and taking a pioneering role in creating a full suite of data protection software that can be used by any business for nearly any purpose. We believe Carbonite has a strong management team and has effectively integrated its acquisitions into the broader business, often picking up underperforming companies at fire-sale prices and implementing changes that boost performance. On top of Carbonite's individual strengths, the company is experiencing a strong tailwind from the increasing threats to data integrity in the form of malware and ransomware. We expect Carbonite to improve its cash flow rates of return as it shifts toward the SMB end market, which carries higher margins and renewal rates, and as it continues to grow the top line based on strong data growth trends and the threat from continued cyber-attacks.

Sales

There were no sales during the quarter.

Quarterly Attribution Analysis, September 30, 2018 ³												
Small Cap Equity Representative Account vs. Russell 2000 Index												
GICS Sector	Small Cap Equity			Russell 2000			Variation			Attribution Analysis		
	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
Consumer Discretionary	17.85	1.72	0.33	13.36	3.93	0.53	4.48	-2.21	-0.20	0.02	-0.38	-0.36
Consumer Staples	—	—	—	2.70	-1.82	-0.04	-2.70	1.82	0.04	0.14	—	0.14
Energy	0.04	6.74	0.02	4.74	-2.77	-0.14	-4.70	9.51	0.16	0.32	0.01	0.33
Financials	23.80	3.04	0.74	17.89	0.97	0.20	5.91	2.08	0.55	-0.15	0.50	0.35
Health Care	6.10	-7.14	-0.35	15.82	7.65	1.16	-9.72	-14.79	-1.51	-0.38	-0.83	-1.21
Industrials	28.86	8.28	2.32	15.20	4.38	0.67	13.66	3.90	1.65	0.11	1.06	1.17
Information Technology	10.54	6.61	0.64	15.15	6.39	0.93	-4.61	0.22	-0.29	-0.14	0.03	-0.11
Materials	3.93	9.24	0.33	4.26	1.09	0.05	-0.33	8.15	0.29	0.02	0.28	0.30
Real Estate	6.71	2.14	0.15	7.07	-0.41	-0.02	-0.36	2.55	0.16	0.04	0.16	0.19
Telecommunication Services	—	—	—	0.70	21.66	0.14	-0.70	-21.66	-0.14	-0.12	—	-0.12
Utilities	—	—	—	3.11	3.58	0.12	-3.11	-3.58	-0.12	0.00	—	0.00
Cash	2.18	0.51	0.01	—	—	—	2.18	0.51	0.01	-0.08	—	-0.08
Total	100.00	4.19	4.19	100.00	3.58	3.58	—	0.61	0.61	-0.21	0.82	0.61

³Source: Factset®. The attribution presented above reflects the results of the representative account of the Small Cap Equity Composite. Performance attribution is an analysis of the strategy's representative account return relative to a selected benchmark and is calculated using daily holding information within Factset® for the representative account. Please refer to the performance attribution disclosure located at the end of this report for additional attribution information. The sectors or industries reflected herein are subject to change and securities within a sector or industry may no longer be held in an account's portfolio. Sector and industry weights of any particular client may vary based on investment restrictions applicable to the account. It should not be assumed that investments in any of the sectors or industries listed were or will prove profitable. FactSet® is a registered trade mark of FactSet® Research Systems, Inc. and its affiliates.

Small Cap Equity

One-Year Attribution Analysis, September 30, 2018⁴ Small Cap Equity Representative Account vs. Russell 2000 Index

GICS Sector	Small Cap Equity			Russell 2000			Variation			Attribution Analysis		
	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
Consumer Discretionary	18.01	-5.46	-1.17	12.48	19.14	2.34	5.54	-24.59	-3.51	0.26	-4.53	-4.27
Consumer Staples	—	—	—	2.57	11.56	0.28	-2.57	-11.56	-0.28	0.10	—	0.10
Energy	0.01	6.74	0.02	4.10	10.18	0.40	-4.09	-3.44	-0.38	0.20	0.01	0.21
Financials	23.59	10.63	2.63	17.98	7.99	1.53	5.61	2.64	1.10	-0.36	0.56	0.20
Health Care	6.91	22.62	1.75	15.85	29.20	4.35	-8.94	-6.59	-2.61	-1.10	-0.20	-1.30
Industrials	29.16	25.79	7.17	15.33	11.91	1.79	13.83	13.88	5.38	-0.46	3.71	3.25
Information Technology	9.92	28.29	2.62	16.47	22.40	3.69	-6.55	5.90	-1.07	-0.46	0.46	—
Materials	3.78	22.10	0.79	4.40	5.50	0.28	-0.62	16.60	0.51	0.07	0.52	0.59
Real Estate	6.06	21.59	1.28	6.81	3.27	0.23	-0.75	18.32	1.05	0.24	0.89	1.13
Telecommunication Services	—	—	—	0.71	22.66	0.14	-0.71	-22.66	-0.14	-0.03	—	-0.03
Utilities	—	—	—	3.29	6.07	0.19	-3.29	-6.07	-0.19	0.33	—	0.33
Cash	2.55	1.67	0.04	—	—	—	2.55	1.67	0.04	-0.30	—	-0.30
Total	100.00	15.12	15.12	100.00	15.22	15.22	—	-0.10	-0.10	-1.51	1.41	-0.10

⁴Source: FactSet®. The attribution presented above reflects the results of the representative account of the Small Cap Equity Composite. Performance attribution is an analysis of the strategy's representative account return relative to a selected benchmark and is calculated using daily holding information within FactSet® for the representative account. Please refer to the performance attribution disclosure located at the end of this report for additional attribution information. The sectors or industries reflected herein are subject to change and securities within a sector or industry may no longer be held in an account's portfolio. Sector and industry weights of any particular client may vary based on investment restrictions applicable to the account. It should not be assumed that investments in any of the sectors or industries listed were or will prove profitable. FactSet® is a registered trade mark of FactSet® Research Systems, Inc. and its affiliates.

Representative Account Top Contributors and Detractors for the Quarter Ending September 30, 2018

Top Contributors	Avg. Weight	Contribution	Top Detractors	Avg. Weight	Contribution
Fox Factory Holding Corp.	2.87	1.11	Installed Building Products, Inc.	1.43	-0.49
Credit Acceptance Corporation	3.85	0.92	Bank OZK	2.75	-0.46
HEICO Corporation	3.23	0.73	Lithia Motors, Inc. Class A	2.58	-0.36
Insperty, Inc.	3.28	0.69	PRA Group Inc	3.08	-0.29
John Bean Technologies Corporation	1.94	0.54	RE/MAX Holdings, Inc.	1.47	-0.24

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.

Small Cap Equity

Top Contributors

Fox Factory Holding Corp. designs, engineers, and manufactures performance ride-dynamics products. These products are sold to bicycle, ATV/UTV, automobile, and motorcycle original equipment manufacturers (OEMs), as well as through various channels in the aftermarket. Fox is considered a category leader with a well-known brand name and logo that is featured prominently by OEMs and enthusiasts. Through meaningful research and development investment, management has been able to further penetrate the company's primary end markets as well as establish new end markets for its suspension products. Recent platform wins include off-road capable, on-road vehicles like the Ford Raptor and Toyota Tacoma. The company continues to find additional platforms with Ford and Toyota while also expanding into new end markets, such as commercial trucks. During the quarter, the company reported much stronger-than-expected organic growth and margins while also increasing its full-year guidance.

Credit Acceptance Corporation is an indirect auto lender that makes loans to consumers regardless of their credit history. Credit Acceptance has aligned its loan incentives to encourage auto dealers to do their part to ensure the loan is repaid (i.e., the auto dealer isn't made whole until Credit Acceptance has earned its return on capital). The company's portfolio is a heavy mix of dealer-generated, shared-risk loans, complemented by loans purchased from dealers without the risk-sharing component. The company reported operating results that showed loan growth, credit, expenses, and the company's competitive position are all trending favorably.

HEICO Corporation manufactures Federal Aviation Administration-approved jet engine and aircraft component replacement parts. The company was founded and is still run by the Mendelson family. HEICO announced and closed the largest acquisition in company history during the third quarter. Acquisition-driven revenue gains have complemented the company's above industry average organic growth across both its business segments. We believe HEICO has a long runway for growth in the Parts Manufacturer Approval and aftermarket parts markets. We also like management's exceptional capital allocation track record and that the Mendelsons collectively own an equity stake in the company worth over \$650 million. The company reported excellent quarterly operating results in August.

Insperty, Inc. is an outsourced human-resource services company focused on small- and medium-sized businesses. The company's main clients are businesses that require human resource services, but lack the scale and/or expertise to execute these functions internally. Insperty provides payroll and benefits administration, health and worker's compensation insurance programs, compliance, recruiting, and employer liability management, among other services. We believe the company operates in an underserved, growing market, which should provide room for continued organic growth. During the quarter, Insperty reported operating results that exceeded expectations on both the top and bottom lines.

John Bean Technologies Corporation is a diversified industrial company that manufactures food processing systems and also supplies solutions and services to the air transportation industry. The company has been fairly acquisitive over the past several years, adding over \$600 million in new revenue from 10 acquisitions made since 2014. John Bean boasts a revenue base that is approximately 40% recurring in nature, leading to less volatility in top line results. After reporting margin pressure that we believed to be temporary in the prior quarter, John Bean delivered impressive margin improvement in the current quarter that pleased investors.

Top Detractors

Installed Building Products, Inc. is a leading insulation installer that caters to the residential and commercial new construction market. The company also installs complementary building products, such as waterproofing, fire-stopping, garage doors, and rain gutters. With residential housing starts still well below peak levels, Installed Building Products has a multi-year growth runway ahead comprising organic growth complemented by a thoughtful approach to making acquisitions. During the quarter, the company announced operating results that revealed more margin pressure than investors were anticipating.

Bank OZK (formerly known as Bank of the Ozarks) has grown through a combination of organic loan growth and acquisitions over the past several years. George Gleason, the firm's founder and CEO, has run the bank for several decades and has done a tremendous job of growing return on equity and tangible book value per share. He has assembled a team that is extremely creative and smart, as evidenced by the firm's ability to compound business value year in and year out. During the quarter, the bank announced operating results that revealed further net interest income and loan growth, and a lower efficiency ratio, offset by slight net interest margin contraction.

Small Cap Equity

Lithia Motors, Inc. is an auto dealer that operates in mid-sized markets in 17 states, mainly in the western United States, but more recently on the East Coast as well. Lithia targets mid-sized markets because it allows the firm to have more brand exclusivity than if it were in larger markets. The company has been a very active acquirer during the past several years and focuses on acquiring underperforming stores and implementing Lithia's systems and management to improve operating results. The company has continued to report operating expenses that exceed management's forecast, which has hurt earnings and cash flow. Additionally, higher expenses have negatively impacted Lithia's return on more recent acquisitions.

PRA Group, Inc. is a defaulted debt collection company. The company has reported improved results over the past few quarters, due mainly to an improvement in cash collection growth. The improvement in cash collections is due to the opening of two new call centers in late 2017 and early 2018. The domestic supply of defaulted debt continues to be in good shape while pricing has held steady. Meanwhile, Europe continues to be extremely competitive, so the company has lowered its purchases in this region. The company recently announced increased spending in the second half of 2018, which negatively impacted the stock during the most recent quarter. However, we expect to see an increased investment yield on collections as we move through 2019. Given PRA Group's improving fundamentals, we added to our position during the quarter.

RE/MAX Holdings, Inc. is one of the leading franchisors in the real estate industry. The company franchises real estate brokerages, and, more recently, mortgage brokerages. RE/MAX was founded in 1973 and has a culture premised on combining high commissions with high-quality training and education. The business derives about two thirds of its revenue from fixed, contractual fees and dues paid based on the number of agents in their network, creating a sticky, recurring revenue base. The franchised nature of its business has led to very low capital intensity and high margins, which has driven substantial free cash flow generation over time. RE/MAX reported operating results that topped investor expectations, but the stock pulled back on the overall malaise surrounding sentiment in the housing sector.

Portfolio Positioning

Turnover for the Small Cap Equity representative account was just over 16% for the trailing 12-month time period. At the end of the third quarter, the strategy's largest overweight was to Industrials, followed by Financials and Consumer Discretionary. Within Industrials, the strategy's overweight was concentrated in professional services, aerospace and defense, and building products companies. Financials included an overweight to consumer finance, insurance, and capital markets companies. The focus within Consumer Discretionary is on the auto components, household durables, and specialty retail industries.

The largest sector underweights were in Health Care and Energy. Health Care investments consisted of a provider of staffing services to hospitals and health-care facilities and a food and animal safety testing products company. While the biotechnology and pharmaceutical industries made up over half the Health Care weight in the Russell 2000 Index, the Small Cap Equity strategy didn't have any exposure to those industries. Those types of companies don't usually fit within our investment process, due to the tendency of those businesses to either lack revenue and/or cash flow, or be dependent on one product for a majority of revenue generation. Our investment in Energy consists of a single holding, which provides services to the oil and gas industry. Finally, the portfolio did not have an exposure to the Consumer Staples, Telecommunication Services, or Utilities sectors.

MANAGEMENT TEAM

James E. Mineman
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Associate Portfolio Manager

Lisa A. Teter
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Natalie Marvi-Romeo, CAIA, CFA
Client Portfolio Manager

Small Cap Equity Composite

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.

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 Small Cap Equity Composite has been examined by Ashland Partners & Company LLP for the period January 1, 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 (Allegiant Asset Management Company) was verified by Ashland Partners & Company LLC for the period January 1, 1998 through September 29, 2009 and by a previous verifier for the period January 1, 1998 through December 31, 2007. In addition, a performance examination was conducted on the Small Cap Equity Composite for the period January 1, 1998 through December 31, 2007 by a previous verifier. 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.

PNC Capital Advisors Small Cap Equity Composite

Composite Inception Date: December 31, 1993

Composite Creation Date: December 31, 1993

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	11.23	10.24	14.30	14.65	13.91	260	0.19	1,568.0	50,300
2016	11.02	10.02	15.20	21.31	15.76	324	0.11	1,985.1	48,659
2015	5.83	4.89	13.95	(4.41)	13.96	325	0.12	1,204.5	41,592
2014	4.47	3.53	12.22	4.89	13.12	263	0.10	877.9	41,062
2013	43.23	41.95	15.64	38.82	16.45	158	0.10	616.6	36,882
2012	23.58	22.50	18.37	16.35	20.20	53	0.25	282.9	34,425
2011	3.02	2.10	23.35	(4.18)	24.99	23	0.18	241.3	35,113
2010	29.84	28.66		26.86		15	0.27	276.8	33,318
2009	30.02	28.89		27.17		11	0.56	205.1	32,318
2008	(35.91)	(36.51)		(33.79)		14	0.63	249.2	27,606

Composite Description: The investment objective of the Small Cap Equity Composite is to seek capital appreciation by investing in a diversified portfolio of publicly traded small-capitalization equity securities. Effective October 31, 2014, James Mineman and Peter Roy, CFA became co-lead portfolio managers for the Select Equity team. Senior Portfolio Manager Gordon Johnson, who founded the team in 1994 and provided overall investment direction and management to the team since inception, retired effective June 30, 2015. Effective on October 22, 2018, James Mineman assumed the role of sole Lead Portfolio Manager of the Small Cap Equity strategy, and Peter A. Roy, CFA no longer serves as a co-lead portfolio manager. Results from all accounts have been continuous from the first full month under management to present or last full month under management. Effective July 1, 2011, the Firm changed the composite name from Small Cap Core to Small Cap Equity to better reflect the portfolios' flexible approach to managing small capitalization stocks. The Small Cap Equity Composite was created December 31, 1993.

Benchmark: The benchmark for the composite is the Russell 2000® Index. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership and is constructed to provide a comprehensive and unbiased small-cap barometer.

Minimum Account Size: All fee-generating accounts managed in this style for which the Firm has full discretionary investment decision-making authority have been included in this composite.

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.

Performance results are presented on a gross and net basis. The net results reflect actual net returns prior to 2007 and a deduction of 0.90% for the periods thereafter, representing the maximum advisory fee charged to client accounts from 2007 to the present. The actual fees paid by a client may vary based on assets under management and other factors. **Past performance is no guarantee of future results.**

Significant Cash Flows: As of January 1, 2012, PNC Capital Advisors, Inc. defines a significant cash flow for the portfolios of the Small Cap Equity Composite as one or more external cash flows during the month equaling an absolute value greater than 10% 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.

Fee Schedule: The management fee schedule is as follows: 0.90% on the first \$25 million, 0.80% on the next \$25 million, and 0.70% on amounts over \$50 million. The actual fees paid by a client may vary based on assets under management and other factors.

Small Cap Equity

The **Russell 2000 Index** is an unmanaged index that tracks the common stock price movement of the 2000 smallest companies of the Russell 3000 Index, which measures the performance of the 3000 largest US companies based on total market capitalization.

The **Russell 2000 Value Index** is an unmanaged index representative of small-cap value stocks that measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Growth Index** is an unmanaged index representative of small-cap growth stocks that measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Performance attribution is an analysis of the representative account return relative to a selected 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. Attribution is broken down into two primary effects: sector allocation (that portion of the representative account's excess return that is attributable to over- or under-weighting a sector or industry relative to the benchmark) and security selection (the portion of the representative account's excess return that is derived from choosing different securities from the benchmark).

Total Returns are calculated using the closing price of any given security and do not necessarily reflect the actual trading price of such security. Accordingly, Total Returns shown above may differ from actual portfolio returns. 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 above 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 industries and sectors to which they are assigned by the index provider. Portfolio holdings that are not assigned by the index provider but that are included in the Factset® database are assigned to the index providers, industries, and 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.

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