

# Large Cap Core Advantage SRI Equity - U.S. Conference of Catholic Bishops

Third Quarter 2018

## Investment Philosophy

We believe earnings drive stock prices. Therefore we focus on companies that we believe will exceed consensus earnings estimates. We buy companies we believe have:

- The ability to exceed consensus earnings estimates
- Stable-to-improving fundamentals
- Reasonable valuations
- Adhere to stated socially responsible guidelines

## Investment Process

Our investment process: a rules-based process focused on unanticipated positive earnings.

### 1. Large Cap Core Advantage is the basis for the strategy

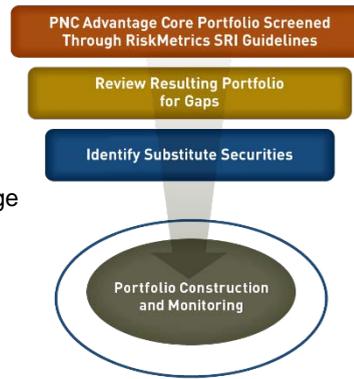
- All Core holdings are evaluated by RiskMetrics SRI guidelines
- Screen out all holdings not in compliance

### 2. Review Resulting Portfolio

- After screening Core portfolio, determine if resulting portfolio is sufficient
- Sector weights must match Large Cap Core Advantage

### 3. Identify Substitute Securities

- Rank qualifying holdings of Large Cap Value Advantage and Large Cap Growth Advantage portfolios using the Base Multi-Factor Model
- Identify substitute securities to bring portfolio to target sector weights
- If additional securities are necessary, those ranked highest in the S&P 500 are considered

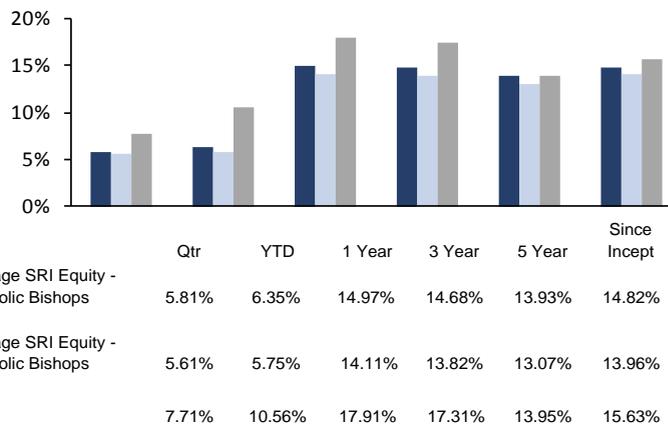


### 4. Portfolio Construction and Monitoring

- Monitor portfolio for adherence to guidelines and consistency with Large Cap Core Advantage

## Performance Summary<sup>1</sup>

(Annualized as of 9/30/18)



<sup>1</sup> Data as of 9/30/18. 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 Core Advantage SRI Equity - USCCB Composite during the respective period. 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 presentation. **Past performance is no guarantee of future results.**

[pnccapitaladvisors.com](https://pnccapitaladvisors.com)

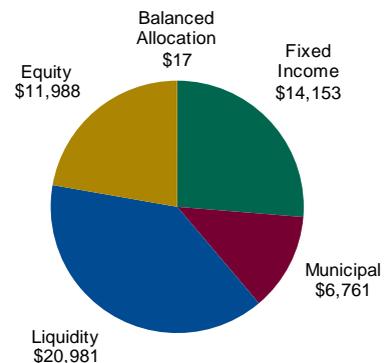
## FIRM OVERVIEW

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.

## ASSETS UNDER MANAGEMENT<sup>2</sup>

|  |                  |
|--|------------------|
| Total Firm:  | \$53,900 million |
| Total Equity:  | \$11,988 million |
| Large Cap Core Advantage SRI Equity - U.S. Conference of Catholic Bishops: | \$92 million     |
| Inception Date:  | 11/30/11         |

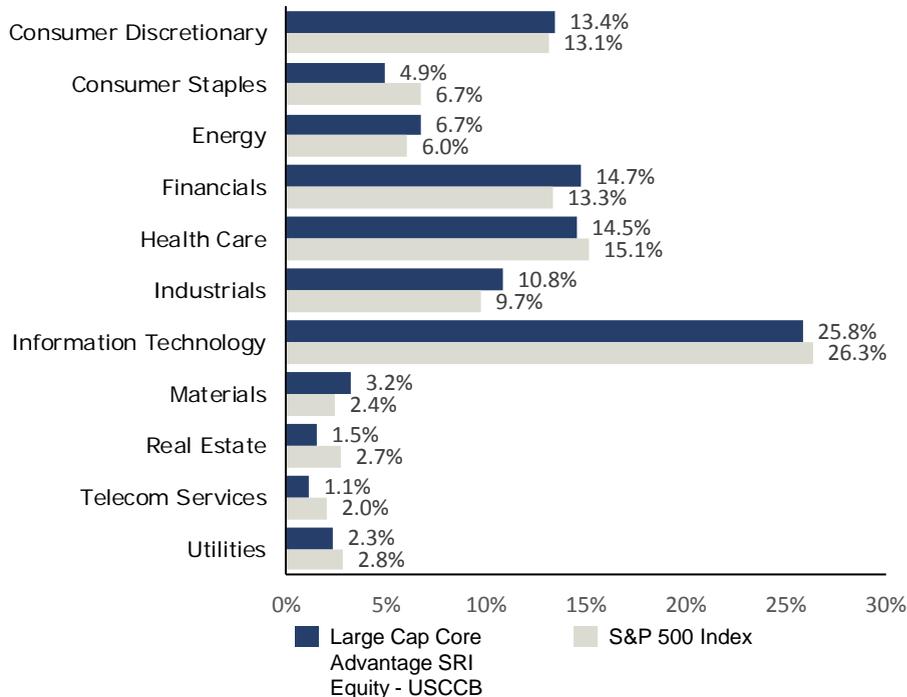
## BY ASSET CLASS<sup>2</sup>



<sup>2</sup> AUM totals in millions for the period ending September 30, 2018. Inc.

# Large Cap Core Advantage SRI Equity - U.S. Conference of Catholic Bishops

## Sector Allocation<sup>3</sup>



## MANAGEMENT TEAM

Our Advantage Equity investment team consists of experienced investment management professionals:

**Douglas J. Roman, CFA, CMT**  
Managing Director,  
Advantage Equity  
31 years industry experience

**Mark W. Batty, CFA**  
Senior Portfolio Manager  
28 years industry experience

**Steven Baumgarten**  
Portfolio Manager  
20 years industry experience

**Total Advantage Equity  
Investment Management Staff**  
Portfolio Managers: 4  
Analysts: 8  
Average Experience: 22 years

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

## Characteristics<sup>3</sup>

|                                       | Large Cap Core Advantage SRI Equity - USCCB | S&P 500 Index |
|---------------------------------------|---|---------------|
| Weighted Average Market Cap (\$MM)    | \$247,797                                   | \$247,646     |
| Median Market Cap (\$MM)              | \$63,452                                    | \$21,671      |
| Price to Earnings (12-month forward)  | 16.5x                                       | 17.0x         |
| Price to Earnings (12-month trailing) | 20.5x                                       | 21.5x         |
| Price to Cash Flow                    | 14.0x                                       | 14.4x         |
| Price to Sales                        | 2.0x  | 2.4x          |
| Return on Equity                      | 20.0%                                       | 19.1%         |
| Dividend Yield                        | 1.5%  | 1.8%          |
| Turnover (12-month Rolling)           | 54.8%                                       | N/A           |
| # of Equity Holdings                  | 58  | 505           |

## Top 10 Equity Holdings<sup>3</sup>

|                              | % of Portfolio |
|------------------------------|----------------|
| 1. Apple Inc                 | 5.9%           |
| 2. Microsoft Corp            | 3.8%           |
| 3. JPMorgan Chase & Co       | 3.6%           |
| 4. Amazon.com Inc            | 3.6%           |
| 5. Alphabet Inc Cl A         | 3.4%           |
| 6. Centene Corp              | 3.0%           |
| 7. WellCare Health Plans Inc | 2.8%           |
| 8. Baxter International Inc  | 2.6%           |
| 9. Waste Management Inc      | 2.2%           |
| 10. CSX Corp                 | 2.1%           |
| <b>Total</b>                 | <b>33.0%</b>   |

<sup>3</sup> Supplemental information. Data as of 9/30/18. Source: FactSet®. It should not be assumed that investments in any of the sectors listed were or will prove profitable. The sectors discussed herein should not be perceived as investment recommendations and securities within a sector may no longer be held in an account's portfolio. Sector allocations are subject to change. PNC Capital Advisors, LLC uses the MSCI and S&P Dow Jones Indices Global Industry Classification Standard (GICS) for sector and industry reporting. On September 28, 2018, revisions to the GICS structure were made. **The information presented herein utilizes the former GICS structure that was in place prior to the change on September 28.** All changes will be reflected by PNC Capital Advisors, LLC in the next reporting cycle. The information shown is derived from a representative account deemed to appropriately represent this investment strategy. Sector weights of any particular client may vary, sometimes significantly, based upon factors applicable to the account such as investment restrictions. The Top Ten Equity Holdings, which exclude cash, cash equivalents, and derivatives, do not represent all securities purchased, sold, or recommended for clients; individual account holdings will vary. Each individual security is calculated as a percentage of the aggregate market value of the securities held in strategy. There is no assurance that any of these securities will be purchased in the future and it should not be assumed that investments in the securities identified were or will be profitable. A complete list of holdings for the previous 12 months is available upon request. Portfolio characteristics are based on a representative account within the composite that we believe most closely reflects current portfolio management style for this strategy. Performance is not a consideration in the selection of the representative account. Characteristics are subject to change and should not be considered as investment recommendations. There is no guarantee that holding securities with relatively high (or low) price to earnings, price to sales, price to cash, return on equity, or dividend yield will cause the portfolio to outperform its benchmark index. Indexes are unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

# Large Cap Core Advantage SRI Equity - U.S. Conference of Catholic Bishops 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 Large Cap Core Advantage Socially Responsible Equity - U.S. Conference of Catholic Bishops ("USCCB") Composite has been examined by Ashland Partners & Company LLP for the period December 1, 2011 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 its inception, 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. 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 Large Cap Core Advantage Socially Responsible Equity – U.S. Conference of Catholic Bishops ("USCCB") Composite

Composite Inception Date: November 30, 2011  
Composite Creation Date: November 30, 2011

| 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 | 26.19                  | 25.25                | 9.89                        | 21.83              | 9.92                             | 36                              | 0.12                             | 86.8                           | 50,300                    |
| 2016 | 5.88                   | 5.09                 | 11.02                       | 11.96              | 10.59                            | 34                              | 0.05                             | 74.2                           | 48,659                    |
| 2015 | 2.34                   | 1.57                 | 11.01                       | 1.38               | 10.48                            | 27                              | 0.06                             | 70.9                           | 41,592                    |
| 2014 | 19.18                  | 18.29                | 10.30                       | 13.69              | 8.98                             | 24                              | 0.10                             | 68.7                           | 41,062                    |
| 2013 | 28.01                  | 27.05                | N/A                         | 32.39              | N/A                              | 18                              | 0.10                             | 59.2                           | 36,882                    |
| 2012 | 15.69                  | 14.84                | N/A                         | 16.00              | N/A                              | 16                              | 0.09                             | 35.1                           | 34,425                    |
| 2011 | 0.18*                  | 0.11*                | N/A                         | 1.02*              | N/A                              | 1                               | N/A                              | 1.8                            | 35,113                    |

\*Represents return from 11/30/11 (date of inception) through 12/31/11

**Composite Description:** The Large Cap Core Advantage Socially Responsible Equity - U.S. Conference of Catholic Bishops ("USCCB") Composite contains fully discretionary actively managed socially responsible equity accounts which invest in accordance with the investment policies adopted by the U.S. Conference of Catholic Bishops. The Large Cap Core Advantage Socially Responsible Equity USCCB Composite was created November 30, 2011.

**Benchmark:** The benchmark for the composite is the S&P 500 Index. The S&P 500 Index is an unmanaged cap-weighted index of 500 publicly traded stocks generally representative of large-cap U.S. stock market performance and includes a representative sample of leading companies in leading industries. "S&P 500" is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by PNC Capital Advisors. The Firm's investment styles are not sponsored, endorsed, sold, or promoted by Standard & Poor's, and Standard & Poor's makes no representation regarding the advisability of investing in the styles.

**Minimum Account Size:** All discretionary accounts in excess of \$100,000 have been included in the Large Cap Core Advantage Socially Responsible Equity - U.S. Conference of Catholic Bishops ("USCCB") 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. The three-year annualized ex-post standard deviation of the composite is not presented because 36 monthly returns are not available. The net results reflect the deduction of 0.75% representing the maximum advisory fees charged to client accounts during the respective periods in the Large Cap Core Advantage Socially Responsible Equity - U.S. Conference of Catholic Bishops ("USCCB") Composite. All returns are net of execution costs and exclude the effect of any income taxes.

Performance results do not reflect the deduction of management and custody fees, which will reduce the rates of return. All returns are net of execution costs and exclude the effect of any income taxes. **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 Large Cap Core Advantage – USCCB Restricted 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.

**Standard Deviation:** The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented for 2011-2013 because 36 monthly returns are not available.

**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: 0.75% 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.

# Large Cap Core Advantage SRI Equity - U.S. Conference of Catholic Bishops Composite

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.

PNC Capital Advisors, LLC is an SEC-registered investment adviser, offering an array of investment strategies. Registration with the SEC does not imply any level of skill or training. PNC Capital Advisors, LLC is an indirect subsidiary of The PNC Financial Services Group, Inc. PNC Capital Advisor's 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>.

©The PNC Financial Services Group, Inc. All rights reserved.

**INVESTMENTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE**