

# Understanding Mutual Fund Share Classes

Once you've chosen to invest in a mutual fund, the next step may be to select one of the share classes offered by that fund. Different share classes represent equal ownership in the same mutual fund but charge different fees. This can allow you to choose the fee structure that best suits your needs. Mutual fund investors can choose to pay when they invest, after they invest, or as they invest.

## DO YOUR RESEARCH

For an individual investor, the three most important factors in choosing a share class are the fee structure, the total amount of your investment, and your time horizon. Keep in mind, though, that as time passes, any or all of these elements may shift. The fee structure of a particular share class may change, you may decide to make a more significant investment in the fund down the line, or the length of time you intend to hold the fund may increase or decrease. So it's important to review your fund and share class selection regularly. If you do have a financial advisor, keep him or her in the loop when your investment needs shift.

The first step toward educating yourself on a mutual fund's share class offerings is to read the fund's prospectus carefully, especially the information regarding fees charged to the shareholder. If you are not familiar with mutual fund prospectuses, some of the terminology may be new to you. It may be helpful to speak to an investment advisor or call PNC Funds' Shareholder Services team at 800-622-FUND (3863) with questions.

## HOW MUCH WILL IT COST TO INVEST?

The charges and expenses associated with mutual fund investing are typically deducted from the money you invest and can affect the long-term return on your investment. The two most common costs of investing in mutual funds are sales charges and annual expenses.

- **Sales charges:** A sales charge is the broker's commission and it is deducted from your investment either when you first purchase the fund or when you sell it. Sales charges are sometimes referred to as "loads."
- **Annual expenses:** Annual expenses pay for the fund's operating costs – management fees, distribution and service fees (also referred to as 12b-1 fees) and administrative fees. These expenses are usually calculated as a percentage of your assets and are deducted from the fund before the fund's returns are calculated.

## CHOOSING A SHARE CLASS

Most PNC Funds offer two share classes to individual investors: class A and class C. For institutional investors, PNC Funds offers one additional share class: class I. Share classes are vastly different, so it's important to understand how they all work before making an investment decision.

**Class "A" shares:** If you are considering a substantial, long-term investment, class A shares may be right for you. When purchasing A shares, the sales charge, also called a front-end load, is paid immediately, before any principal is invested, thereby reducing the amount of your initial investment.

For example, if you put \$1,000 in an A share with a 5.5% sales charge, \$55 would be deducted from your investment. The remaining \$945 of principal would be invested in the fund.

## PNC FUNDS

### EQUITY

- Emerging Markets Equity
- International Equity
- International Growth
- Multi-Factor All Cap
- Multi-Factor Large Cap Growth
- Multi-Factor Large Cap Value
- Multi-Factor Small Cap Core
- Multi-Factor Small Cap Growth
- Multi-Factor Small Cap Value
- Small Cap<sup>1</sup>

### FIXED INCOME

- Bond
- Government Mortgage
- Intermediate Bond
- Limited Maturity
- Total Return Advantage
- Ultra Short Bond

- Intermediate Tax Exempt Bond
- Tax Exempt Limited Maturity Bond

### MULTI-ASSET

- Balanced Allocation

### MONEY MARKET<sup>2</sup>

- Government Money Market
- Treasury Money Market
- Treasury Plus Money Market<sup>3</sup>

<sup>1</sup> Effective May 17, 2018, PNC Small Cap Fund reopened to new investors.

<sup>2</sup> You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time. The dividend yield paid by each Fund will vary with changes in short-term interest rates.

<sup>3</sup> On March 1, 2018 PNC Advantage Funds (the "Trust") reorganized PNC Advantage Institutional Treasury Money Market Fund (the "Fund") into PNC Treasury Plus Money Market Fund, a newly created series of PNC Funds, a Delaware statutory trust (the "PNC Funds Trust"). PNC Treasury Plus Money Market Fund has principal investment strategies identical to those of the Fund and is managed by the same investment adviser and portfolio management team as the Fund. In addition, the respective share classes of PNC Treasury Plus Money Market Fund assumed the performance, financial, and other historical information of the Fund.

### CHOOSING A SHARE CLASS [CONTINUED]

In addition to an upfront sales charge and other fund expenses, investors pay a 12b-1 fee. A shares typically have lower 12b-1 expenses and lower annual expenses than other retail share classes, but higher up-front expenses.

A mutual fund may offer you discounts, called breakpoints, on the front-end sales charge of a class A investment if you 1) make a sizeable purchase, 2) already hold other mutual funds of the same fund family, or 3) commit to periodically and systematically purchasing additional shares.

**Class “C” shares:** If you are making a large investment and plan to hold onto the fund for less than 5 years, class C shares may be your best option. Rather than imposing a front-end sales charge like class A, PNC Funds’ class C shares have a lower back-end sales charge that is assessed if you sell within 18 months of purchase. A 1% contingent deferred sales charge, or CDSC, is also assessed if you sell within that 18-month period. An exception is made for dividends or distributions reinvested into C shares. The CDSC is also waived if you hold the shares beyond the CDSC period of 18 months.

Class C shares typically charge a higher 12b-1 fee each year but have lower annual operating costs than class A shares.

**Class “I” shares:** Class I shares are sometimes called institutional shares because they are intended only for financial institutions purchasing shares for their own or their clients’ accounts. I shares have no front-end sales charge and low annual operating expenses and can only be purchased through a financial intermediary.

**Class “R” shares:** Class R shares have no sales charge and no minimum initial investment. These shares may be purchased as part of an employer-sponsored retirement plan, or other qualified plan, endowment fund, foundation, etc.

**Class “Advisor” shares:** For certain money market funds, PNC Funds also offers Advisor shares. Like class I shares, Advisor shares are intended for financial institutions. Advisor shares have no front-end sales charge and low annual operating expenses and can only be purchased through select financial intermediaries.

**At PNC Funds, we are committed to producing consistently strong performance and providing top-tier service for our clients. The strength of our structure enables portfolio managers to function as independent investment teams. They are backed by centralized support teams such as trading, compliance and risk management, enabling them to concentrate on their primary goal — delivering strong performance.**

**The PNC family of mutual funds consists of domestic and international equity, taxable and tax-exempt fixed income, multi-asset, and money market portfolios – a broad range of choices to match your investment goals.**

**IF YOU WOULD LIKE DETAILED INFORMATION ABOUT PNC FUNDS AND THEIR SHARE CLASSES, VISIT THE FORMS AND LITERATURE SECTION OF PNCFUNDS.COM TO DOWNLOAD A PROSPECTUS.**

*You should consider the investment objectives, risks, charges, and expenses of PNC Funds carefully before investing. A prospectus with this and other information about the Funds may be obtained at 800-622-FUND (3863) or pncfunds.com. Please read it carefully before investing.*

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

Mutual fund investing involves risk including loss of principal.

PNC Capital Advisors, LLC, a subsidiary of The PNC Financial Services Group Inc., serves as investment adviser and co-administrator to PNC Funds and receives fees for its services. PNC Funds are distributed by PNC Funds Distributor, LLC, which is not affiliated with the adviser and is not a bank.

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