Why Mutual Funds

UNDERSTANDING MUTUAL FUNDS

A mutual fund pools money from many different people to buy securities in larger quantities. In turn, each investor receives a proportionate share of the fund's investment returns, which may include dividends, interest, and capital gains or losses. Mutual funds are highly regulated investment vehicles, with governing agencies like the Securities and Exchange Commission (SEC) in place to protect investors, and offer other advantages such as professional management, convenience and diversification.

PROFESSIONAL MANAGEMENT

Researching and tracking investment opportunities requires a substantial commitment of time and resources. When you purchase a mutual fund, your investment is automatically diversified across dozens, sometimes hundreds of different securities, giving you access to a variety of markets and sectors.

The professionals who manage mutual fund assets have the training, time, and technological resources to analyze economic trends to try to find the best opportunities to buy and sell securities.

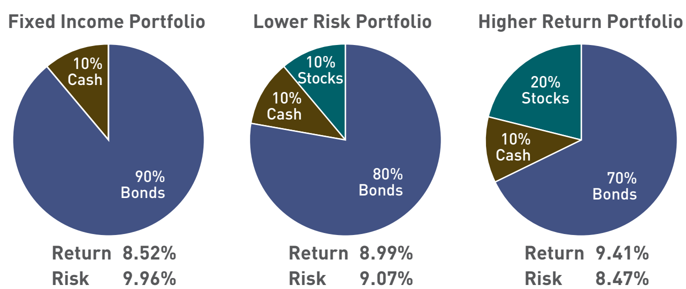
Mutual fund managers use different approaches when selecting securities. Active managers use research and forecasts in their attempt to outperform the market, whereas passive managers, also known as index managers, select stocks that mirror a market benchmark, such as the S&P 500. Growth managers invest in companies with earnings expected to grow at a faster rate than their industry, while value managers look for stocks that they believe have been undervalued by the market and are well priced.

DIVERSIFICATION

Diversification, another benefit of mutual fund investing, involves spreading your dollars among stocks, bonds, and cash in an effort to offset the risks associated with any single investment. Because stocks, bonds, and cash do not react identically to the same economic or market stimulus, combining these assets can produce a more appealing risk and return tradeoff.

The pie charts to the right illustrate the risk and return profiles of three hypothetical investment portfolios. Historically, adding stocks to a portfolio of less volatile assets actually reduced risk without sacrificing return or increased return without assuming additional risk.

POTENTIAL TO REDUCE RISK OR INCREASE RETURN



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. Source: Zephyr StyleADVISOR.

Potential to Reduce Risk or Increase Return 1979–2016:

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This image illustrates the risk-and-return profiles of three hypothetical investment portfolios. The lower risk portfolio, which included stocks, had the same return as the portfolio comprised entirely of fixed-income investments, but assumed less risk. The higher return portfolio had the same risk level as the fixed income portfolio, but produced an increased return.

PNC: A FUND FAMILY OF CHOICE

Our family of mutual funds consists of domestic and international equity, taxable and tax-exempt fixed income, target date and money market portfolios — a broad range of choices to match all your investment goals.

Mutual fund investing involves risk. Principal loss is possible. Please refer to each fund's prospectus for the risks associated with investing.

To Learn More About PNC Funds:

- CONSULT YOUR FINANCIAL ADVISOR
- VISIT PNCFUNDS.COM
- CALL 800-622-FUND (3863)

PNC FUNDS

DIVERSIFICATION [CONTINUED]

Although it may appear counterintuitive, diversifying a portfolio of fixed-income investments to include stocks reduced the overall volatility of a portfolio during the period analyzed. Likewise, it is possible to increase your overall portfolio return without having to take on additional risk.

Because stocks, bonds, and cash generally do not react identically to the same economic or market stimuli, combining these assets can often produce a more appealing risk-and-return tradeoff.

Diversification does not eliminate the risk of experiencing investment losses. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes.

About the data

Stocks are represented by the S&P 500 Index. Long-term government bonds are represented by The Bloomberg Barclays Long U.S. Treasury Index, and cash by the Citigroup 3-month U.S. Treasury Bill Index. Bonds represent an equally weighted portfolio of long-term government bonds and intermediate-term government bonds. All portfolios are rebalanced quarterly. Risk is measured by standard deviation. Standard deviation measures the fluctuation of returns around the arithmetic average return of the investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

CONVENIENCE

Mutual funds are liquid, meaning you can buy, sell or exchange shares on short notice at the fund's next determined net asset value per share. As an investor with PNC Funds, you may set up a Planned Investment Program (PIP) to automatically invest in a mutual fund of your choice by periodically transferring money from your bank account – a strategy known as dollar cost averaging. Keep in mind, though, that dollar cost averaging cannot ensure a profit or protect you against a loss in a declining market.

CHOOSING THE RIGHT FUNDS FOR YOU

Stock Funds

Stock funds, or equity funds, represent the largest category of mutual funds. The U.S. equity market is broken down by market capitalization, or market cap, calculated by multiplying the number of shares a company has outstanding by the price of a single share. Large-cap stocks are those of the largest corporations, small caps are the smallest, and mid caps lie in between. These funds invest in domestic companies, while international equity funds, a fourth category, invest in non-U.S. companies.[1]

Bond Funds

Bond funds are referred to as fixed income funds, and their risk levels range from government bonds, issued by the U.S. Treasury or other federal agencies and considered the least risky of all bond types, to corporate bonds, issued by corporations and considered to carry more risk. In between are municipal bonds, issued by state and local governments and commonly exempt from state and federal taxes.[2]

Cash

Cash investments are often called money market funds and are commonly treated as short-term or emergency "savings" accounts. Money markets are the most liquid mutual funds because you can withdraw funds from them on short notice without penalty. Because these funds typically hold safe investments, they usually carry lower risk but provide lower return than equity or fixed income funds. Keep in mind that an investment in a money market fund is not insured or guaranteed by the FDIC or any government agency. Although these funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

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Within the broad asset classes of mutual funds you can choose funds that, in combination, will help you build a portfolio geared toward your objectives, timeline and risk tolerance.

1 *Investments in small- and mid-cap companies present greater risk of loss than large caps, due to greater volatility and less liquidity. International investments are subject to special risks not associated with domestic investments, including currency fluctuations, economic and political change and differing accounting standards that may adversely affect portfolio securities.*

2 *Investing in bonds involves several risks: Interest Rate Risk — the possibility that a fund's yield will decline due to falling interest rates and the potential for bond prices to fall as interest rates rise. Credit Risk — the financial risk that the issuer will not be able to repay the principal upon maturity as promised. Market Risk — the risk that if a bond is sold before its maturity date, it may be worth more or less than the face value depending on interest rate movements. Inflation Risk — the risk that the value of assets may decline as inflation shrinks the value of a country's currency. Liquidity Risk — the risk that a bond may be difficult to sell in a thin trading market or if it is relatively unknown. Income from municipal bonds may be subject to the Alternative Minimum Tax. State and local taxes may be applicable for investors who buy municipal bonds issued outside of their state of primary residence.*

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