WELLS FARGO Advisors

A Guide to Investing in Hedge Funds

What you should know before you invest

Before you make an investment decision, it is important for you to review and discuss with your financial advisor the following factors with respect to a recommendation to invest in hedge funds:

- The potential risks, rewards, and costs in purchasing and in the future selling of a security.
- Your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.
- The security's investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions.
- For complex products, you should consider whether less complex or costly products achieve the same objectives.

We have a responsibility to consider reasonably available alternatives, but we are not required to evaluate every possible alternative either within our products or outside the firm, nor are we required to offer the "best" or lowest cost product in making a recommendation. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

This guide will help you better understand the features and costs associated with various types of hedge fund and fund of hedge fund investments, as well as how your financial advisor and Wells Fargo Advisors are compensated when you invest in these products.

For detailed information about a particular hedge fund, you should read the private placement memorandum (PPM) and other offering documents for that fund. This guide is not an invitation to subscribe for interests in any Fund and is intended for educational and information purposes only.

What is a single manager hedge fund?

There is no exact definition of the term "hedge fund" in federal or state securities laws. Hedge funds are essentially private investment pools for wealthy, financially sophisticated investors. Traditionally, they have been organized as partnerships, with the general partner (or managing member) managing the fund's portfolio, making investment decisions and, typically, investing personally in the fund.

Hedge fund managers generally seek to generate a specific range of performance and to produce positive returns regardless of the underlying trends in the financial markets. In an attempt to achieve this performance, hedge fund managers often use sophisticated investment strategies and techniques that are described in detail below.

Because private hedge funds are usually only open to a limited number of wealthy, financially sophisticated investors and generally may not advertise or publicly offer their securities, they are typically not required to i) register with the U.S. Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 (the "**1940 Act**"), nor ii) register

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

the fund's securities under the Securities Act of 1933 (the "**1933 Act**"). As a result, unregistered private hedge funds do not provide many of the investor protections that apply to registered investment companies and products. In addition, because they invest in only one manager, the use of single-manager hedge funds could lead to lower diversification, greater volatility, and greater firm-specific risk.

Investors should keep in mind that privately offered alternative investments such as hedge funds are generally only available to persons who are "accredited investors" and/or "qualified purchasers," or who otherwise qualify within the meaning of U.S. securities laws. Moreover, privately offered alternative investments such as hedge funds are speculative, involve a high degree of risk, may have substantial charges, and are appropriate only for the investment of the less liquid capital portion of an investor's portfolio.

What is a fund of hedge funds?

Funds of hedge funds, also known as "funds of funds," are investment vehicles whose portfolios invest in several underlying hedge funds to provide investors access to different fund managers and their investment strategies. Unlike the underlying private hedge fund, in which a fund of hedge funds invests, the hedge fund of funds can register with the SEC under the 1940 Act. In addition, the fund of funds' securities also can be registered for sale to the public under the 1933 Act. Registered funds of funds can have lower minimum investments than private hedge funds (some as low as $25,000). A registered fund of hedge funds can be offered to an unlimited number of investors. However, there is no investor right of redemption — shares cannot be redeemed directly with the fund unless the fund offers to redeem them, nor are the shares usually listed on a securities exchange. With very limited exceptions, there is no "secondary market" (a market where investors purchase securities from other investors rather than from the issuers) available, so you won't be able to sell your investment readily. Although funds of hedge funds have been made available to more investors due to the lower minimum investments, it is important to note that these investment vehicles are not appropriate for all investors.

An investment in a fund of hedge funds does have some potential advantages over a direct investment in a private hedge fund. For example, a fund of funds may diversify between a number of different investment styles, strategies and hedge fund managers in an effort to more effectively manage risk.

What are concentrated hedge funds?

Concentrated hedge funds are a type of fund of hedge fund with a very limited number of underlying managers, generally less than five. Concentrated hedge funds provide investors with the "feel" of a single manager strategy with a slightly more diversified approach. These funds can be used to employ a core-satellite strategy when combined with fund of fund offerings that are diversified among a larger number of managers.

Core strategies provide exposure to the general market through investments in traditional asset classes such as stocks and bonds. Satellite strategies are potentially alpha generating and use active management to seek to deliver higher returns through investments in real estate, commodities, emerging markets, currencies, high yield fixed income, and other investments that typically are uncorrelated to traditional asset classes. Though requirements may vary by fund, most offerings at Wells Fargo Advisors require investors to meet SEC guidelines of a "qualified purchaser," which require that U.S. individual investors have at least $5 million in investable assets in order to be eligible to invest in a hedge fund. U.S. entities should have at least $25 million in investable assets.

What is an offshore hedge fund?

Hedge funds not organized under U.S. law and domiciled outside the United States are designated as "offshore hedge funds." These funds are not registered with the SEC and, like other offshore products, offshore hedge funds generally cannot be sold to U.S. residents or offered to any persons while they are in the United States. Please note, however, that in certain limited circumstances, offshore funds may be purchased by people or entities that qualify as "U.S. tax-exempt entities or persons" under the U.S. Internal Revenue Code. Tax-exempt entities or persons are urged to consult their tax advisors about their ability to invest in an offshore fund and any potential tax consequences that may result. Additionally, not all funds are authorized for sale in all countries. Offshore hedge funds may be structured as an individual fund or a fund of funds and generally involve similar risks, trading strategies, and characteristics as their domestic counterparts.

Offshore hedge funds (typically structured as foreign corporations) may help reduce U.S. tax exposure for non-U.S.

investors, but they can still be subject to U.S. withholding tax on U.S.-source income. Shares of such funds are generally treated as located outside the United States for tax purposes and, therefore, are not subject to U.S. estate tax for non-U.S. investors. In contrast, U.S. investors remain subject to estate tax on their worldwide assets.

What are interval funds?

An interval fund is a registered and typically publicly offered closed-end fund that, unlike a traditional closed-end fund, is continuously offered, and depending on the fund, allows purchase through subscription on a daily, or monthly basis, but does not trade on an exchange. As there is no secondary market for interval funds, the fund company is required to make periodic repurchase offers for a percentage of their shares outstanding at a price based net asset value (NAV) as defined by the fund's prospectus. The fund may also impose a repurchase fee of up to 2% to cover expenses. As such, if in-between repurchase offers, or a repurchase offer is oversubscribed, interval funds should be considered an illiquid investment. Many of the investment strategies used in hedge funds and funds of hedge funds, and therefore the risks associated with those strategies, are also present in certain interval funds offered through Wells Fargo Advisors. Your financial advisor will help you determine which type of investment best aligns with your objectives.

Features and characteristics

Hedge funds and funds of hedge funds may offer investors the following features and characteristics:

"Absolute" returns — Most hedge funds and funds of hedge funds seek to achieve positive or "absolute" returns in any market, rather than strive to merely "beat" (or outperform) a market index. It is important to note that, in seeking absolute returns, hedge funds and funds of hedge funds may use advanced and high-risk investment strategies such as "arbitrage" (the simultaneous purchase and sale of an asset to profit from the difference in price) or investing in volatile international markets or single issuer securities.

Historically low correlation[1] to traditional asset classes — Hedge funds and funds of hedge funds also seek to use these complex, high-risk investment strategies in an attempt to provide returns that are independent of (that is, not correlated to) traditional asset classes.

Hedge risk of overall portfolio — Many hedge funds strive to "hedge" (i.e., diversify) risk. Because hedge funds generally have low correlations to traditional investments, such as stocks and bonds, they may potentially reduce the overall volatility of a portfolio that includes traditional investments.

*Correlation is the tendency for the returns of two assets to move together relative to their average. The measurement can range from −1 (perfect negative correlation, one goes up while the other goes down) to 1 (perfect positive correlation, both moving in the same direction). A correlation of 0 means no relationship can be found between the movements in the assets' performance. Keep in mind that there is no guarantee that future correlations between asset classes will remain the same.

Investor characteristics

Hedge funds and funds of hedge funds are not appropriate for all investors. Prospective investors are required to meet minimum financial eligibility guidelines to invest in privately offered hedge funds or funds of hedge funds. You should evaluate your individual financial condition and your ability to tolerate risk before you invest in hedge funds.

If the hedge fund or fund of hedge fund is not registered with the SEC, it can offer or sell securities only to certain individuals and entities who qualify as "accredited investors" and/or "qualified purchasers," or who otherwise qualify within the meaning of U.S. securities laws.

"Accredited investors" generally include individuals with a net worth of at least $1 million (exclusive of the value of the primary residence) individually or jointly with his or her spouse or spousal equivalent, or an individual who earns an individual annual income of at least $200,000, or a joint annual income with a spouse or spousal equivalent of at least

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$300,000 for the past two calendar years, with the reasonable expectation that the income will continue in the current calendar year. An entity will generally qualify as an "accredited investor," if it has at least $5 million in investable assets.

In calculating net worth for purposes of determining accredited investor qualification, generally an investor's equity in his or her primary residence is excluded. Investors must also reduce their net worth by: (i) any mortgage debt assumed on their primary residence in excess of the primary residence's fair market value (i.e., an under-water mortgage); and (ii) the total amount of any loan or additional indebtedness secured against their primary residence (i.e., a home equity loan or line of credit) incurred 60 days prior to purchasing a hedge fund or hedge fund of funds.

A "qualified purchaser," generally includes individuals with at least $5 million in investments, and entities (e.g., corporations, foundations) with at least $25 million in investments.

Though requirements may vary by fund, most offerings at Wells Fargo Advisors may require investors to meet SEC guidelines of a "qualified purchaser".

In the case of offshore hedge funds and other unregistered funds, the financial eligibility requirements may be lower than those listed above.

Prior to investing, it is important to recognize that regardless of your eligibility to invest in these products, you must understand the products' risks and characteristics and be able to bear those risks — including the potential loss of your entire investment.

Diversification — Wells Fargo Advisors believes that you should diversify your investments. It is recommended that you observe an asset allocation strategy and not overweight your overall portfolio in any one class of securities, particularly hedge funds. Asset allocation and diversification are investment methods used to help manage risk. They do not ensure a profit or protect against loss.

Certain risks

The risks listed below are some of the key risks associated with investing in hedge funds and funds of hedge funds; however, this is not an exhaustive list of risks for these products. Please refer to the specific fund's offering documents for a more comprehensive and detailed listing of risks associated with that fund.

Unregistered investments — While many hedge fund managers register with the SEC as investment advisors, other managers of hedge funds and funds of hedge funds are not registered, and so are subject to less regulatory oversight. Moreover, the hedge fund or fund of hedge funds themselves, along with the securities issued by each, typically are not registered with the SEC. In addition, funds of hedge funds may invest in several private hedge funds that are not subject to the SEC's registration and disclosure requirements. Consequently, unregistered investments have less regulatory oversight, and may offer less investor protection. This lack of SEC regulation can make it difficult for both you and the fund of funds manager to assess the performance of the underlying hedge funds or to independently verify information that is reported.

This lack of information may make it more difficult for you to evaluate the risk of the fund. Because of how hedge funds are structured, a fund manager can pose other risks related to your investment, as explained below and/or as disclosed in each fund's offering documents.

Lack of transparency — Hedge funds and funds of hedge funds are not required to provide investors with information about their underlying holdings. As a result, you are placing substantial reliance on the manager's ability to meet the fund's investment objectives, without transparency into the underlying investment selections. This lack of information may make it more difficult for investors to evaluate the risks associated with the funds.

Risky investment strategies — Hedge funds very often use speculative investment and trading strategies that may involve a high degree of risk. Historically, some hedge funds or funds of hedge funds have low volatility compared to the stock markets or, in some cases, the bond markets. This low volatility may lead some investors to believe hedge funds have less risk than the stock and bond markets. However, investing in hedge funds or funds of hedge funds involves inherent risk, and performance can be highly volatile.

To achieve positive investment performance, hedge fund managers use sophisticated investment strategies and techniques such as short selling, arbitrage, hedging, and leverage. Furthermore, managers may invest heavily in concentrated positions of a single issuer or market, distressed or bankrupt companies, derivatives such as options and futures contracts, volatile international markets, and privately issued securities. Many hedge funds balance a high risk of capital loss with a high potential for capital growth.

All investing involves risk, including the possible loss of principal. Due to the strategies (and inherent risks) hedge funds may employ, you may lose your entire investment. If you cannot afford to lose your entire investment, hedge funds and funds of hedge funds are not appropriate for you.

Lack of liquidity — Hedge funds, whether registered or unregistered, are “illiquid” investments (investments that can’t be sold or exchanged for cash quickly or easily), and are subject to restrictions on transferability and resale. Almost all hedge funds and funds of hedge funds restrict liquidity to monthly, quarterly, semiannual, or annual intervals.

Limited secondary market for redemption — Although secondary markets may provide a liquidity option in limited circumstances, the amount you will receive typically is discounted to current valuations. Wells Fargo Advisors does not operate a secondary market, does not expect one to exist for most funds, and does not receive compensation for transactions in the secondary market.

With long-term investments, you should consider your financial ability to bear large fluctuations in value and hold these investments over a number of years.

Funds of hedge funds also typically require a “redemption notice” (notice that you want to redeem your investment), often as much as six to eight weeks in advance of the desired redemption date. Registered hedge fund units may not be redeemable at the investor’s option. This is because limited secondary markets exist for the sale of hedge fund units.

Moreover, hedge funds typically limit opportunities to redeem, or cash in, units to four times a year or less, and often impose a “lock-up” period of one year or more, during which an investor cannot cash in units.

Leverage — Hedge funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may potentially enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy, or deterioration in the condition of the assets underlying such investments.

Manager risk — The hedge fund manager has sole trading authority over the fund. The use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. Furthermore, many single hedge funds are founded by an individual or partners. It is solely the manager’s skill that is responsible for the returns on these funds. If the founder or key person departs, the hedge fund returns may be impacted. Neither you nor your financial advisor has control or power in the management of the fund, although you will receive periodic reports from the fund manager. The fund may not always provide all the information that you request, because certain information may be considered proprietary or otherwise confidential.

Risks specific to concentrated and single manager hedge funds

In addition to the risks listed above related to hedge funds and funds of hedge funds, the following risks apply specifically to single manager and concentrated hedge funds.

Lower diversification — Concentrated hedge funds will have less diversification because they are not allocating to as many underlying funds and/or investment managers. This risk is even greater for single manager hedge funds.

Greater volatility — Concentrated hedge funds will typically have a higher level of return volatility due to their concentration in a smaller number of managers. This risk is even greater for single manager hedge funds.

Greater firm-specific risk — Concentrated hedge funds will allocate to a smaller number of investment managers which will increase the amount of risk associated with each firm. This risk is even greater for single manager hedge funds.

Tax treatment

Generally, hedge fund investors are subject to income taxes on the interest, dividends, and/or capital gains distributed to them from the fund. However, in retirement accounts such as individual retirement accounts (IRAs), taxes are deferred until distributions are taken from the account. As a result of complex tax reporting requirements, and because neither Wells Fargo Advisors nor its affiliates are tax or legal advisors, you should consult with your tax or legal advisor to fully understand the tax implications associated with an investment in hedge funds.

Hedge funds may produce unrelated business taxable income (UBTI), as defined by the Internal Revenue Service (IRS). For most organizations, UBTI is income from a trade or business that is not substantially related to the basis of the organization's exemption. This may subject a tax-deferred account (such as a retirement plan or IRA or a tax-exempt entity such as a foundation or endowment) to taxation. In instances where tax-sensitive funds are available for tax-deferred accounts or tax-exempt entities, you are encouraged to consider the potential advantages of utilizing such a fund for a hedge fund allocation. Please consult your tax advisor to consider the potential impact of UBTI on your investment.

Hedge funds and funds of hedge funds can be tax-inefficient vehicles, and you should analyze the tax consequences before making an investment. There are a number of adverse tax consequences that should be taken into account when considering an investment in hedge funds or funds of hedge funds.

Most onshore hedge funds and funds of hedge funds are organized as limited partnerships (LPs) or limited liability companies (LLCs). Because of their structures, a "pass-through taxation" strategy is achieved (taxes are "passed through" to the owners, who then report loss or income on their personal income tax returns). Rather than a 1099, most domestic hedge funds and funds of funds produce annual tax information on Schedule K-1s that are typically issued *later* than 1099s. For this reason, investors may need to file a tax extension for every year of involvement with the fund.

Wells Fargo Advisors and its affiliates are not tax and/or legal advisors. Investors should consult with their tax advisor or legal advisor before investing.

Costs of investing in hedge funds

The expenses associated with investing in hedge funds are significantly higher than many other traditional investment vehicles. There are no limits on the fees a hedge fund can charge its investors, and several types of fees and charges are associated with investing in hedge funds and funds of hedge funds. You need to understand these expenses before investing. These fees and expenses will reduce the value of your total investment and your return.

All fees and expenses are disclosed in the hedge fund "offering documents" (documents provided by a fund that explains its objectives, strategies, risks, terms, fees, and other information), and you should be aware of each. The expenses generally include, but are not limited to, the following:

Performance fee — Most hedge funds charge a performance-based fee. This fee is usually a fixed percentage of the performance results. Here is an example: If the hedge fund manager returned 10% (net of management fee) in the first year, and the performance fee is 20% of new profits, the performance fee would be 2% (20% of the 10% return above the high- water mark, which is the previous point of performance measurement), resulting in a net return of 8%. It should be noted that no performance fees are charged while a fund's performance remains below a previous high-water mark. A performance fee could motivate a hedge fund manager to take greater risks in the hope of generating a larger return to receive a higher fee.

Placement fee — The placement fee is a "front-end sales charge" (a sales charge that must be paid immediately upon purchase) paid to the placement agent. The agent, in turn, may pay a portion of those fees to affiliated or unaffiliated registered broker-dealers or other entities involved in the offer and sale of the hedge fund interests. Wells Fargo Advisors receives a portion of the placement fee to compensate its financial advisors.

Management fee — You are charged an annual management fee on the value of your investment. This fee is the cost of a fund manager making the investment decisions for you and managing the fund. The fund manager typically receives a fee of 1% to 2% of net assets, although this amount depends on various factors, including the type of fund.

Trail fees — Some registered hedge funds or fund of hedge funds may charge trail fees. Trail fees, while generally considered operating expenses, are not paid directly as a fee. Instead they are deducted from the fund's assets and will reduce investment returns. These fees are used for marketing and distribution expenses, which may include compensating financial advisors or other investment professionals.

Transaction and administrative expenses — As a limited partner, you are charged a pro-rated percentage (based on your investment) of all transaction and administrative expenses incurred by the fund. In addition to the fees outlined in the offering documents, Wells Fargo Advisors may charge a transaction fee.

Costs of investing in funds of hedge funds

In addition to the expenses incurred by the underlying hedge funds, investors in funds of hedge funds also pay an additional layer of fees, including an advisory fee, a performance fee and a pro rata share of the fund's expenses. These two layers of fees can be significant, and you should analyze the added cost against the benefit of diversification obtained by investing in funds of hedge funds.

Costs of investing in interval funds

Breakpoint discounts — Breakpoint discounts are offered by some interval funds on the placement fee or front-end sales charge for large investments, so as the size of your total investment within a fund family increases, the sales charge may decrease. Also, most domestic fund families allow investors to aggregate holdings in related accounts to reach a breakpoint (and receive a discount). This is called rights of accumulation (ROA). Those breakpoints typically occur at $25,000, $50,000, $100,000, $250,000, $500,000, and $1 million but may vary with the fund. Finally, most fund families permit investors to sign a letter of intent (LOI) to invest a certain amount in the fund over a certain period of time, entitling them to a breakpoint discount at lower initial levels of investment. Each fund's rules about ROAs and LOIs differ, so be sure to speak with your financial advisor before investing to make sure you receive any available discounts.

Redemption fees — Designed to discourage frequent trading in interval funds and offset the trade costs associated with redeeming. Redemption fees may be charged when shareholders redeem their fund shares before a specified period defined by the fund company. These fees are paid directly to the fund company and not to the financial advisor and are charged in addition to the initial placement fee paid. Because each fund's rules vary, be sure to check the fund's prospectus for the specific redemption period and schedule of fees.

How your Financial Advisor and Wells Fargo Advisors are compensated on hedge funds and funds of hedge funds

Wells Fargo Advisors and your financial advisor receive payments depending on the fund, amount invested, and class you select. Funds pay Wells Fargo Advisors from the fees paid by you.

For most purchases, a financial advisor's compensation is based on the sales concession that is set by the funds and described in the offering documents. In certain fee-based accounts, a financial advisor's compensation is based on a percentage of the assets in the account rather than on the concession, which is described above.

- In brokerage accounts, financial advisors receive a portion of the placement fee and ongoing payments (known as "residuals" or "trails") on hedge fund units, as set by the fund's Subscription Agreement (excluding advisory programs).
- In investment advisory accounts (also known as "advisory programs" or "fee-based accounts"), your financial advisors' compensation is based on a percentage of the assets in the account rather than on concessions or trails, as mentioned above.

The compensation formula that determines the amount of payment to your financial advisor is generally the same for all funds. Some funds, however, may carry higher sales charges than others, which may create an incentive for the financial advisor to recommend those funds. Typically, registered funds have higher upfront sales charges and lower investment minimums than unregistered funds due to the costs associated with filing the registration statement.

Intra-company compensation arrangements

Wells Fargo Advisors may also receive compensation from other Wells Fargo & Company subsidiaries, including direct compensation or indirect accounting credits in connection with the referral of certain business among such subsidiaries.

Additionally, within the division that operates in Wells Fargo Bank financial centers and some Wells Fargo branches, both financial advisors and licensed bankers can assist you with your hedge fund investment needs. A licensed banker is a Wells Fargo Bank associate who is registered with Wells Fargo Advisors. Licensed bankers may also refer you to a financial advisor. In these instances, both the financial advisor and the licensed banker may be compensated for the sale of a hedge fund, but the licensed banker may receive less through this referral arrangement than from a direct sale.

Referrals and recommendations are made independent of compensation arrangements and based solely on the client's needs and objectives.

At Wells Fargo Advisors, we receive payments from some of the companies whose hedge funds we offer. These payments may be used to pay for training, educational conferences, meetings for our financial advisors, and meetings for our clients or prospective clients. The payments also provide marketing support, which is usually calculated as a percentage of product sales or assets. These amounts are not part of the compensation formula for your financial advisor. We believe that these financial arrangements do not compromise the advice your financial advisor offers you. Additionally, these arrangements do not affect your sales charge.

Additional compensation received by Wells Fargo Advisors from Fund Parties

In addition to transaction-based commissions received by Wells Fargo Advisors and your financial advisor, Wells Fargo Advisors may receive compensation paid by investment managers, their affiliates, and/or in some instances a distributor (each a "Fund Party" and collectively, "Fund Parties"), that is not related to individual transactions, a specific share class, or account type.

This "non-commission" compensation received by Wells Fargo Advisors from a Fund Party may include payments for administrative support, operational support, training, educational conferences and meetings, and other general services provided to investment offerings, investment managers, or their affiliates. This compensation may be paid directly by a Fund Party or charged as a fund expense and can be broken down into general categories:

- Service compensation
- Revenue sharing
- Training and education support
- Data agreements

This additional compensation creates an incentive for us to recommend products where we receive this compensation over products for which we do not receive this compensation or receive smaller amounts of compensation. This additional compensation may also influence the selection of hedge funds that Wells Fargo Advisors and its associates make available for recommendation. Wells Fargo Advisors reserves the right to restrict the hedge funds that we offer to clients based on payment of additional compensation.

Please note these compensation arrangements may be described in the prospectus or PPM for each investment offered by Wells Fargo Advisors. We included this section to provide you with disclosure about the compensation agreements between Wells Fargo Advisors, Fund Parties, and associated potential conflicts of interest.

Service fees

These fees are paid by Fund Parties to compensate Wells Fargo Advisors for providing certain client account and administrative services for those Wells Fargo Advisors' clients holding hedge funds. All or part of this compensation paid by Fund Parties may be rebated to client accounts holding interests of such fund in order to offset a portion of fees and expenses associated with the account. Examples of services provided include assisting in the administrative review of subscription documentation, operational support processes and other general services provided to investment managers. Service fees are paid either at an annual rate of up to 75 basis points of the aggregate net asset value of applicable shares held by clients of Wells Fargo Advisors; or at a one-time rate of up to 200 basis points of the client commitment at the time of commitment. These fees are often disclosed in investment offering documents, which you should refer to for additional information.

Revenue sharing

Revenue sharing may be paid by a Fund Party to Wells Fargo Advisors for providing certain services including subscription process support, ongoing training, operations and systems support, and marketing to financial advisors and clients with respect to the investment offering. These fees are typically paid to Wells Fargo Advisors from the Fund Parties' revenues and profits, not from the investment offering's assets. However, Fund Parties' revenues or profits may in part be derived from fees earned from services provided to an investment offering.

- Fund Parties pay Wells Fargo Advisors revenue sharing compensation either at an annual rate of up to 25 basis points of the aggregate net asset value of applicable shares held by clients of Wells Fargo Advisors; or at a one-time rate of up to 100 basis points. These fees are often disclosed in the investment's offering documents, which you should refer to for additional information.
- Please see the document titled "Wells Fargo Advisors Revenue Sharing Summary" for list of alternative fund managers and/or funds with whom Wells Fargo Advisors has a revenue sharing arrangement.

Revenue sharing rates can differ depending on the Fund Parties, and in some cases, we receive different revenue sharing rates for certain investment offerings offered by the same Fund Party. In addition, not all Fund Parties pay revenue sharing, as a result we have an incentive to include investment offerings on our platform and recommend investments or managers that pay revenue sharing and/or pay a higher rate.

Training and education compensation

These fees compensate Wells Fargo Advisors for providing client account and administrative services for those Wells Fargo Advisors' customer accounts holding certain hedge funds. In recent years, Fund Parties have outsourced many of these operations functions to broker-dealers, such as Wells Fargo Advisors. Wells Fargo Advisors offers multiple ways for managers to provide training and education to our financial advisors in local branch offices or in larger group settings, including at the national level.

- Certain managers have agreed to dedicate resources and funding to provide this training and education at our nationally-organized events. This commitment could lead our financial advisors to focus on investments offered by these managers versus those offered by managers which are not represented during support sessions.
- Wells Fargo Advisors selects the managers that participate in the training and education events based on a variety of qualitative and quantitative criteria and may provide supplemental sales and financial data to these firms. The subset of managers that offers this support and participates in nationally-organized training and education events may change periodically.
- Managers may also provide compensation to offset or reimburse Wells Fargo Advisors for costs incurred in conducting comprehensive training and educational meetings for its financial advisors. These meetings or events are held to teach financial advisors about the product characteristics, sales materials, customer support services, and successful sales techniques as they relate to various offerings.
- Separately, managers may host financial advisors for education and conferences at the manager's headquarters, regional office, or other locations. Likewise, occasionally, managers will reimburse Wells Fargo Advisors for expenses incurred by individual branch offices in connection with conducting training and education meetings, conferences, or seminars for financial advisors and customers. Also, financial advisors may receive promotional items, meals, entertainment, or other noncash compensation from managers.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of investment managers whose investment offerings are offered by Wells Fargo Advisors, it is not possible for all managers to participate in a single meeting or event. Consequently, those investment managers who do participate in training or educational meetings, seminars, or other events gain an opportunity to build relationships with financial advisors; these relationships could lead to additional sales of that particular investment manager's products.

Data agreements

Wells Fargo Advisors works with various alternative investment managers to provide aggregated alternative investments sales data for a fee. These payments are not attributable to a particular account or holding, nor does the service include any information identifiable to a particular account or holding. The payments may be up to $50,000 per year for data agreements from alternative investment managers. These payments are paid to us and retained by us and are not directly shared with financial advisors.

Talk to your Financial Advisor

Determining whether hedge funds and/or funds of hedge funds are an appropriate investment strategy for you requires an in-depth evaluation of your individual financial situation and the objectives you seek to achieve. Talk to your legal or tax advisor and your financial advisor today about how hedge funds and/or funds of hedge funds may help you work toward your investment goals.

Additional information

To learn more about hedge funds and/or funds of hedge funds, ask your financial advisor or visit the websites of the following organizations for further information:

- Wells Fargo Advisors
- Financial Industry Regulatory Authority (FINRA)
- U.S. Securities and Exchange Commission
- Securities Industry and Financial Markets Association (SIFMA)

Disclosures

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