

Investment Strategy

Weekly guidance from our Investment Strategy Committee May 11, 2026

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- During geopolitical shocks, asset classes that have historically been perceived as “safe havens” may behave in unexpected ways, reinforcing that diversifying among asset classes may be an effective hedging strategy.
- A diversified allocation is designed to help manage risk across a range of outcomes, not just a single market narrative.

Equities: Earnings growth reinforced equity strength 4

- Calendar-year 2026 earnings revisions have tracked toward the strongest pace on record outside of a post-recession rebound, although growth has been driven disproportionately by mega-cap companies.
- The earnings backdrop supports a continued tactical preference for equities over fixed income, with a lean towards U.S. Large- and Mid-Cap Equities, in our opinion.

Fixed Income: Corporate bonds: Resilient income potential amid geopolitical volatility 5

- Middle East-driven energy risk could lift inflation expectations and rates, but investment-grade (IG) corporate bonds have remained resilient on solid balance sheets and manageable refinancing needs.
- We favor high-quality (A–BBB) intermediate maturities (3–7 years) and diversify across issuers/maturities, avoid chasing outlier yields given potential spread volatility if energy stays elevated or growth slows.

Real Assets: Gold hits an air pocket 6

- After a strong start to 2026, gold prices have stalled out due to an uptick in interest rates and the U.S. dollar, along with a pullback in central bank demand.
- Gold’s recent underperformance appears temporary, which we view as an opportunity to consider a shift commodity exposure from Energy and into Precious Metals ahead of an expected rebound in central bank demand.

Alternatives: Global Macro generated most gains during Q1 2026 7

- Wilshire Global Macro and Event Driven indexes reported gains during the first quarter of 2026, while both U.S. equities and fixed income indexes generated losses.
- Gains in Global Macro were sizable. Most of those gains came from sharp rallies in crude oil and precious metals prices.

Current tactical guidance 8

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

Asset Allocation Spotlight

Veronica Willis

Global Investment Strategist

Hedging is not one asset, it is a mix

Periods of geopolitical stress may prompt investors to try to find the one asset that they believe will protect their portfolios when uncertainty rises. Historically, those assets perceived to be safe havens have often been gold, long-term government bonds, or defensive large cap stocks. However, the market response following the outbreak of the Iran war serves as a reminder that hedging risk is not that simple, as individual asset class responses to a geopolitical shock are not always predictable.

Since the conflict began (February 28, 2026), oil prices have risen sharply as disruptions around the Strait of Hormuz heightened concerns about global energy supply. At the same time, asset classes that investors often expect to provide protection have not necessarily behaved consistently with historical observations. Gold prices declined after an initial increase, while long-term U.S. Treasury yields moved higher rather than lower, reflecting an appreciating U.S. dollar, renewed inflation pressures and changing expectations for central bank policy. Equity markets, meanwhile, experienced bouts of volatility but did not uniformly reprice in a single risk-off direction. In fact, traditionally defensive sectors — like Consumer Staples, Healthcare, and Utilities — declined in the month following the start of the war.

The divergence from what investors may have expected highlights the importance of using diversification to hedge instead of selecting one asset. We believe asset behavior during a market shock will likely depend heavily on the source of that shock. In economic-growth-driven shocks, investors expect long-term Treasury bonds to effectively diversify if interest rates fall. In deflationary scares or acute financial crises, investors expect gold to benefit as a perceived safe-haven demand.

The current environment is different. The Iran war has amplified inflation risks through higher energy prices driven by supply shortages. Demand destruction and recession could still follow in parts of the world but we would expect these countries to sell gold to raise dollars for energy and food imports. As a result, some traditional hedges have faced conflicting forces. Higher oil prices pushed inflation expectations higher, weighing on U.S. long-term Treasuries. Rising yields increased the opportunity cost of holding non-income-producing assets, such as gold.

From an asset allocation perspective, hedging is less about predicting which asset will succeed and more about seeking to ensure that portfolios are built with multiple levers to help manage risk. Stocks, bonds, commodities, and alternative investments do not all respond to economic shocks at the same time or for the same reasons, and their interactions can change across cycles, and even over the span of particular political crises. Diversified allocations are not designed to eliminate short-term volatility. Instead, they seek to reduce the depth of drawdowns, avoid concentration risk, and support recovery over full market cycles — even as individual asset classes underperform at different points.

Importantly, diversification does not imply being permanently defensive in our opinion. Within equities, earnings growth expectations, sector composition, and regional exposure continue to matter. Within fixed income, duration, credit quality, and yield-curve positioning influence outcomes. Diversifiers such as commodities or alternative investments may contribute differently depending on the nature of the shock. The core principle is that no single exposure is expected to carry the burden alone.

The market response to the Iran war highlights several lessons that are consistent with long-standing asset allocation principles. Geopolitical uncertainty can reprice inflation expectations quickly, changing how both risk assets and defensive assets behave. Assets commonly viewed as hedges may respond unevenly when inflation —

rather than growth — is the dominant risk. Over time, we believe diversification works by maintaining exposure to the outperformers during market rallies, participating on the upside, as well as asset classes that help diversify equity risk during a downturn. Historically, diversification has been effective because the risk mitigation on the downside means the allocation does not need as high of a return to recover fully. Looking at recent bear markets¹, the S&P 500 Index averaged a 36% drawdown during bear markets, which requires about a 57% gain to recover. Meanwhile, a diversified allocation, Moderate Growth and Income (MGI), averaged only a 20% drawdown, which requires a 25% gain to recover.

The individual asset class responses to the geopolitical shocks so far this year have shown that exposure to just one of these assets would have proven highly volatile when compared to a diversified allocation (see Table 1), like Moderate Growth and Income (MGI). In fact, MGI has had less volatility than the S&P 500 Index while only containing about 50% equities.

Table 1. Individual asset class returns have displayed more volatility than a diversified allocation

Asset/allocation	Observed response	Key driver	Year-to-date total return (%)	Total return since start of Iran war (%)	March 2026 total return (%)	April 2026 total return (%)
Crude Oil	Prices moved sharply higher	Supply disruption and inflation risk	86.7	59.9	40.0	12.8
Gold	Declined after early strength	Higher yields, stronger U.S. dollar	4.7	-14.3	-11.6	-1.1
Long-term Treasurys	Yields moved higher	Rising inflation expectations	-1.5	-5.0	-4.0	-0.7
U.S. Large Cap Equities	Volatile, mixed performance	Offset between growth, rates, and earnings	5.6	4.9	-5.0	10.5
Moderate Growth and Income	Mixed performance, but less volatile than individual asset classes	Upside participation, while diversification mitigated downside risk	5.3	1.6	-3.8	5.7

Sources: Bloomberg, © Morningstar Direct, All Rights Reserved¹, and Wells Fargo Investment Institute, as of May 4, 2026. Start of Iran war = February 28, 2026. Performance results for Moderate Growth and Income are calculated using blended index returns. Moderate Growth and Income allocation is dynamic, and changes as needed with adjustments to the strategic allocations. Long-term Treasurys represented by the Bloomberg U.S. Long Treasury Index. U.S. Large Cap Equities represented by the S&P 500 Index. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** Diversification does not guarantee investment returns or eliminate risk of loss. The risk associated with the representative asset classes and the definitions of the indexes and the blended index composition are provided at the end of the report.

Periods like this can feel unsettling for investors seeking clear signals or simple defenses. However, we believe they also reaffirm why asset allocation matters during times of volatility and uncertainty. Our strategic allocations continue to emphasize diversification across asset classes and regions, with an eye toward managing return-to-risk rather than short-term outcomes. Markets will continue to respond to geopolitical developments, inflation data, and policy decisions, often in ways that may challenge assumptions based on history. In our view, a diversified allocation remains one of the most durable ways to navigate that uncertainty, recognizing that hedging is not about finding the best individual asset but about having an appropriate asset allocation.

¹ S&P 500 Index bear markets since 1987: August 26, 1987–December 4, 1987, July 17, 1990–October 11, 1990, March 27, 2000–October 9, 2002, October 10, 2007–March 9, 2009, February 20, 2020–March 23, 2020, and January 4, 2022–October 12, 2022.

Equities

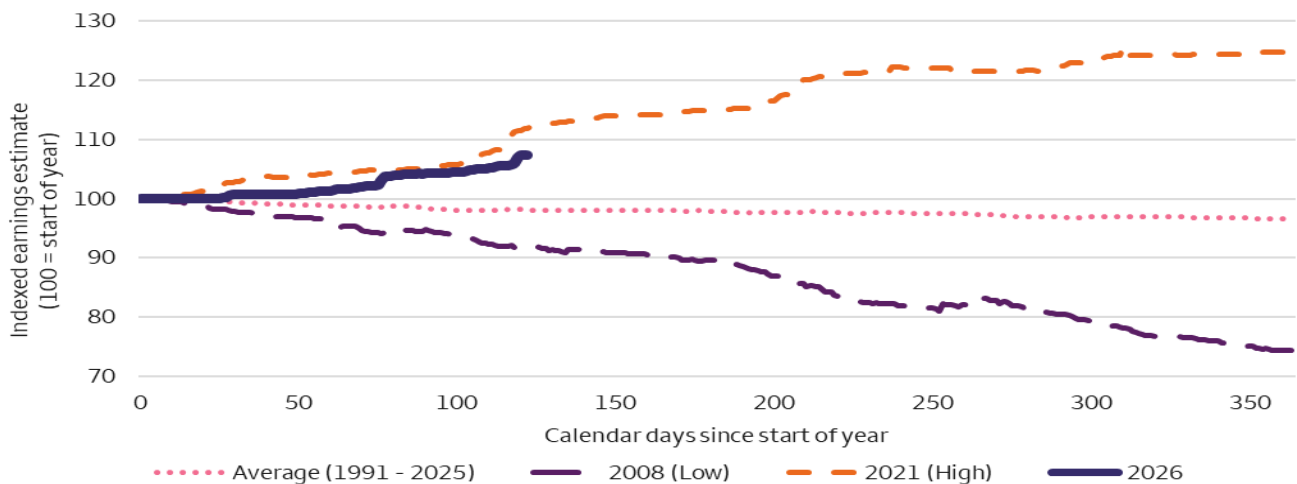
Alex Sagal

Investment Strategy Analyst

Earnings growth reinforced equity strength

The first-quarter 2026 earnings season reinforced our view that U.S. corporate fundamentals remain resilient, even as markets navigate geopolitical stress and inflation uncertainty. According to Bloomberg, earnings for the S&P 500 is expected to increase by 23.9% year-over-year, marking the strongest earnings growth since the fourth quarter of 2021. Notably, and as shown in Chart 1, calendar-year 2026 earnings revisions are tracking toward the strongest pace on record outside of a post-recession rebound.

Chart 1. Annual S&P 500 Index earnings estimates by calendar year



Sources: Bloomberg and Wells Fargo Investment Institute. Data as of May 4, 2026. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Importantly, growth has not been confined to a single corner of the market. Bloomberg reports, as of May 4, nine of the 11 S&P 500 sectors are on track to deliver year-over-year earnings growth, signaling somewhat broad participation. Five sectors — Communication Services (+53%), Information Technology (+44%), Consumer Discretionary (+34%), Materials (+23%), and Financials (+21%) — are on track to grow earnings by more than 20%. We believe this reflects a combination of recovering advertising demand, AI-driven investment, pricing power in materials, and strong capital markets activities. That said, concentration remains an essential part of the earnings story. The first quarter median S&P 500 company has grown earnings at roughly half the pace of the index year-over-year, underscoring how mega-cap companies have led index earnings higher. Large platform businesses generally continued to exert outsized influence on index-level results through scale, operating leverage, and margin efficiency.

Speaking towards efficiency, net margin for the S&P 500 Index is near 16% for the first quarter and represents a new high-water mark, far above the roughly 10% level seen a decade ago. Over time, we expect rising margins to reflect not only pricing power but also structural improvements, such as higher productivity, capital-light business models, software-driven scalability, and more disciplined use of capital.

The earnings backdrop supports a continued tactical preference for equities over fixed income, with a lean towards U.S. Large- and Mid-Cap Equities in our opinion. Equity exposure should be disciplined and selective. We believe investors should focus on companies with potential for operational resilience and supply-chain control, characteristics to consider within our favored sectors of Financials, Industrials, Information Technology, and Utilities.

Fixed Income

Brian Rehling, CFA

Co-Head of Global Fixed Income and Digital Assets

Corporate bonds: Resilient income potential amid geopolitical volatility

Geopolitical risk has risen as the conflict in the Middle East continues, and markets focus on potential disruptions near the Strait of Hormuz. Higher energy prices can feed through to inflation expectations, which may lift Treasury yields and add short-term volatility to credit spreads. Even so, IG corporate bonds have held up well, supported by generally strong issuer balance sheets, low near-term default risk, and manageable refinancing schedules.

Spreads remain near the tighter end of recent history, signaling that investors still see corporate fundamentals as stable (chart 2). That said, renewed escalation or a prolonged energy shock could weigh on energy-sensitive industries and the most highly levered issuers. For investors, the key is to emphasize diversification and avoid concentrating on a single issuer or sector based solely on headline yield.

Chart 2. Bloomberg U.S. Aggregate Corporate Index — OAS Spread (bps)



Source: Bloomberg, as of May 5, 2026. OAS = Option-Adjusted Spread, which is the spread relative to a risk-free interest rate. bps = basis points. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

We are currently favorable guidance on IG credit, and we favor higher quality corporate exposure. Investors should consider focusing on A to BBB rated bonds and intermediate maturities (about 3–7 years) to seek attractive income potential while limiting sensitivity to rate moves. We believe when buying individual bonds, investors may lower reinvestment and single-name risk by diversifying across maturities and issuers. Investors should be cautious when considering the highest-yielding “outlier” bonds unless the underlying credit fundamentals have been carefully evaluated, as some issuers may be more exposed if energy costs remain elevated or economic growth slows.

Bottom line — in today’s uncertain backdrop, we believe a diversified allocation to IG corporate bonds can help provide steadier income and ballast within a broader portfolio.

Real Assets

Mason Mendez
Investment Strategy Analyst

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Investment Strategy Analyst

Gold hits an air pocket

Gold has surged in recent years, rising 27% in 2024 and 65% in 2025, and even achieving a record \$5,595 per troy ounce in early 2026. While easing financial conditions and retail demand supported gold’s ascent, the main driver of its sustained outperformance was persistent and elevated demand from global central banks (see Chart 3). This trend began following Russia’s 2022 invasion of Ukraine, which underscored the risk of sanctions restricting access to U.S. assets. As a result, many countries turned to gold as a hedge against these geopolitical risks.

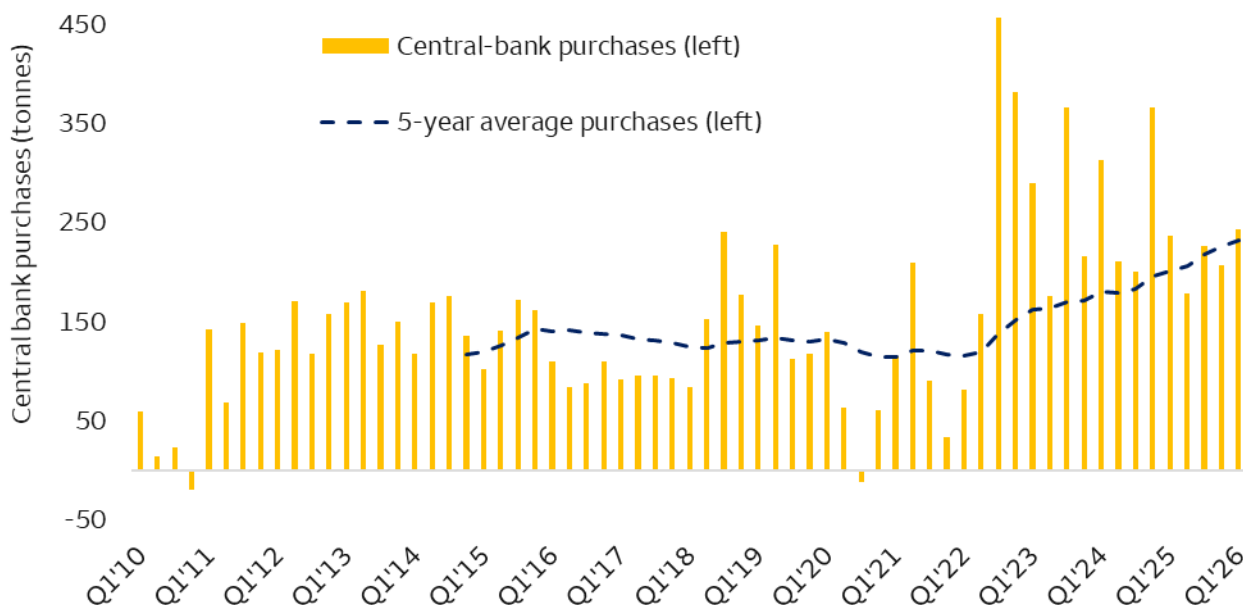
Recently, however, gold’s performance has weakened, down 16% since the January peak (as of May 6). So, what has changed?

The war in the Middle East created a perfect storm of higher long-term yields and a stronger U.S. dollar, which tend to act as mild headwinds for gold. Rising energy prices also strained fiscal budgets, prompting many central banks to become net sellers for the first time in 10 months. Lastly, retail investors who jumped on the bandwagon in January 2025 also reversed course.

Looking ahead 12–18 months, however, we see a brighter outlook. Easing oil disruptions should lower energy and inflation pressures, allowing central banks to return as net purchasers — especially as geopolitical risks remain. Despite near-term selling, many countries have continued to slowly accumulate gold — signaling that gold remains in favor with central banks.

Against this backdrop, we view gold’s pullback as an opportunity to consider rotating commodity exposure — reducing Energy, where we see further downside risks, and adding to Precious Metals, where renewed central bank demand and easing macro headwinds could support further upside.

Chart 3. Central bank demand remains elevated



Sources: World Gold Council and Wells Fargo Investment Institute. Quarterly data is from Q1 2010 – Q1 2026.

Alternatives

Arun Kumar, CFA

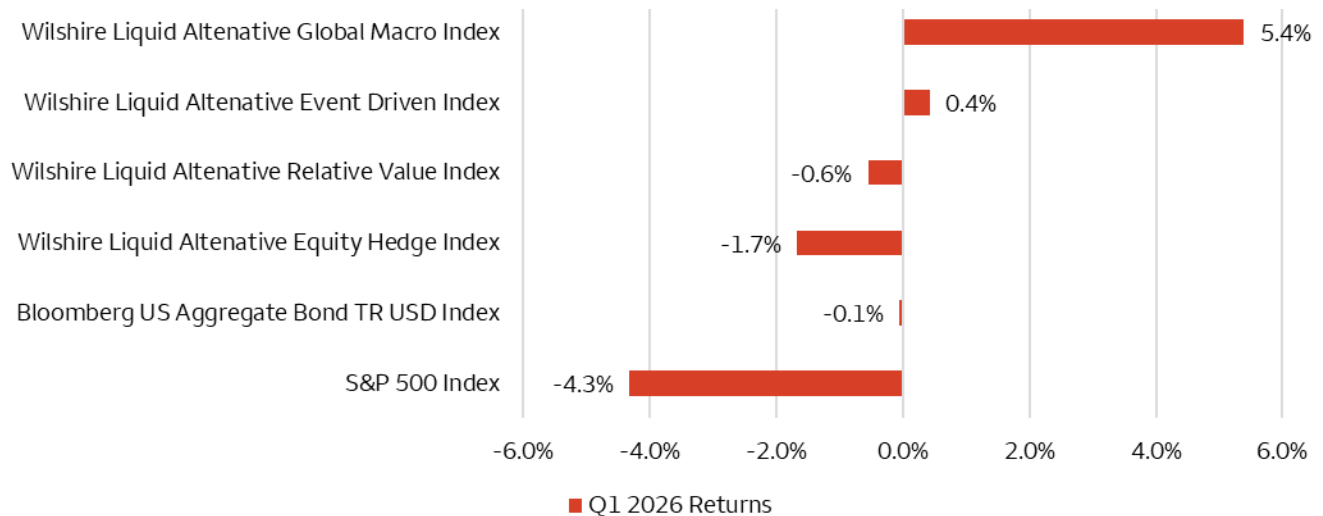
Senior Lead Retail Research Analyst

Global Macro generated most gains during Q1 2026

We reviewed first-quarter (Q1) 2026 performance data for liquid alternative Equity Hedge, Event Driven, Global Macro, and Relative Value strategies. The chart shows the performance of various Wilshire Liquid Alternative indexes, which track the respective liquid alternative mutual funds. We have also shown the S&P 500 Index and the Bloomberg US Aggregate Total Return (TR) USD Index, both of which generated losses driven by conflict in the Middle East, a reassessment of artificial intelligence (AI)-driven technology stocks, and hawkish central bank shifts as markets quickly reduced expectations for Fed rate cuts.

- The Wilshire Liquid Alternative Equity Hedge Index reported a negative absolute return but outperformed the S&P 500 index. Stock picking was challenging, as the market environment pivoted from AI-driven optimism to geopolitical and associated inflationary concerns. Value oriented strategies performed well.
- The Wilshire Liquid Alternative Event Driven Index reported gains, as merger deal activity remained robust, continuing to provide a tailwind for the strategy. Credit-focused event-driven strategies performed well, supported by progress with bankruptcy restructurings and exposure to post-reorganization securities.
- The Wilshire Liquid Alternative Global Macro Index reported gains from strong run-up in oil and petroleum product prices due to the conflict in the Middle East. Rallies in precious metal prices earlier in the quarter also contributed to gains, particularly for systematic global macro strategies.
- The Wilshire Liquid Alternative Relative Value Index reported small losses, as a 'higher-for-longer' rate environment caused headwinds for fixed income heavy portfolios. Mortgage- and asset-backed securities were resilient during the quarter. Sell-off in software stocks hurt technology-driven relative value opportunities.

Chart 4. Performance of traditional and liquid alternative indexes during first-quarter 2026



Sources: Bloomberg and Wells Fargo Investment Institute. Data from January to March 2026. Wilshire Liquid Alternative Equity Hedge, Event Driven, Global Macro, and Relative Value indexes provide representative performance of the four broad categories of hedge funds used within Wells Fargo Investment Institute. These indexes have daily track records going back to July 2014 and include 40 Act mutual funds that have at least six months of returns for being included in the index. Included funds pursue the respective investment strategy as defined by Wilshire Manager Research. Further details are available at <https://www.wilshireindexes.com>. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.

Tactical guidance*

Cash Alternatives and Fixed Income

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Long Term Taxable Fixed Income U.S. Short Term Taxable Fixed Income	Cash Alternatives Developed Market Ex-U.S. Fixed Income Emerging Market Fixed Income High Yield Taxable Fixed Income	U.S. Intermediate Term Taxable Fixed Income	

Equities

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Small Cap Equities	Developed Market Ex-U.S. Equities Emerging Market Equities	U.S. Large Cap Equities U.S. Mid Cap Equities	

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Commodities Private Real Estate	Private Infrastructure	

Alternative Investments**

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Hedge Funds—Equity Hedge Hedge Funds—Macro Hedge Funds—Relative Value Private Equity Private Debt	Hedge Funds—Event Driven	

Source: Wells Fargo Investment Institute, May 11, 2026. Please see Wells Fargo Investment Institute's Asset Allocation Strategy Report for more detailed, investable ideas in each asset group.

*Tactical horizon is 6-18 months

**Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see end of report for important definitions and disclosures.

Risk considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Liquid alternative mutual funds (liquid alts) are designed to provide retail investors access to strategies utilized by hedge funds and provide investors an “alternative” way to incorporate performance profiles that are less correlated to traditional assets such as stock, bonds and cash and to help improve diversification. Relative to broad, long-only traditional asset class mutual funds, liquid alternatives may employ more complex strategies including hedging and leveraging through short selling and derivatives and might invest in assets such as global real estate, commodities, leveraged loans, start-up companies and unlisted securities. Although liquid alternatives may seek to mimic hedge fund strategies, these funds cannot fully duplicate the broad hedge fund industry and differ substantially from hedge funds and other private investments in a number of ways. Because these funds are registered under the Investment Company Act of 1940, they must hold a certain percentage of their assets in liquid securities and are limited in their use of leverage, among other requirements that are not present for hedge funds and other private investments. While more liquid than traditional private investments, liquidity limitations may still exist depending upon a fund’s structure. It is important to read and understand a fund’s offering documents or prospectus carefully before investing.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund’s offering documents should be carefully reviewed prior to investing.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

Definitions

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Allocation Composition

Moderate Growth and Income: 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.

Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements.

Bloomberg U.S. Aggregate Bond Index is composed of the Bloomberg U.S. Government/Credit Index and the Bloomberg U.S. Mortgage-Backed Securities Index and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities.

Bloomberg US Aggregate Bond Index TR USD Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg US Aggregate Corporate Bond Index includes publicly issued U.S. corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Corporate High Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

Bloomberg U.S. Long Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with 10 years or more to maturity.

Bloomberg U.S. Treasury Bills (1-3M) Index is representative of money markets.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global (USD) is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt.

MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 1000[®] Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index.

Russell 3000[®] Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

S&P 500 Index is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

Wilshire Liquid Alternative Index measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge Index, Wilshire Liquid Alternative Global Macro Index, Wilshire Liquid Alternative Relative Value Index, Wilshire Liquid Alternative Multi-Strategy Index, and Wilshire Liquid Alternative Event Driven Index. The objective of the Wilshire Liquid Alternative Index is to provide a representative baseline for how the liquid alternative investment category performed as a whole. The index weights are derived from the assets under management (AUM) for each constituent fund with caps on weighting applied at both category and strategy level.

Wilshire Liquid Alternative Equity Hedge Index measures the performance of the equity hedge strategy component of the Wilshire Liquid Alternative Index. Equity hedge investment strategies predominantly invest in long and short equities. The objective of the Wilshire Liquid Alternative Equity Hedge Index is to provide a broad measure of the equity hedge sub-strategy of the liquid alternative market. The index weights are derived from the assets under management (AUM) for each constituent fund with caps on weighting applied at both category and strategy level.

Wilshire Liquid Alternative Event Driven Index measures the performance of the event driven strategy component of the Wilshire Liquid Alternative Index. Event driven strategies predominantly invest in companies involved in corporate transactions such as mergers, restructuring, distressed, buy backs, or other capital structure changes. The objective of the Wilshire Liquid Alternative Event Driven Index is to provide a broad measure of the event driven sub-strategy of the liquid alternative market. The index weights are derived from the assets under management (AUM) for each constituent fund with caps on weighting applied at both category and strategy level.

Wilshire Liquid Alternative Global Macro Index measures the performance of the global macro strategy component of the Wilshire Liquid Alternative Index. Global macro strategies predominantly invest in situations driven by the macro-economic environment across the capital structure as well as currencies and commodities. The objective of the Wilshire Liquid Alternative Global Macro Index is to provide a broad measure of the global macro sub-strategy of the liquid alternative market. The index weights are derived from the assets under management (AUM) for each constituent fund with caps on weighting applied at both category and strategy level.

Wilshire Liquid Alternative Relative Value Index measures the performance of the relative value strategy component of the Wilshire Liquid Alternative Index. Relative value strategies are focused on the valuation discrepancy in the relationships between markets or securities. The objective of the Wilshire Liquid Alternative Relative Value Index is to provide a broad measure of the relative value sub-strategy of the liquid alternative market. The index weights are derived from the assets under management (AUM) for each constituent fund with caps on weighting applied at both category and strategy level.

An index is unmanaged and not available for direct investment.

Bond rating firms, such as Moody's, Standard & Poor's and Fitch, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds". Not-Rated securities are securities that have not received a credit rating from one or more of the major credit rating agencies. These securities can present significant liquidity disadvantages to investors.

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