

Investment Strategy

Weekly guidance from our Investment Strategy Committee June 1, 2026

Asset Allocation Spotlight: The cost of emotion in volatile markets..... 2

- Emotional decisions during periods of market volatility can materially reduce long-term returns, especially when investors miss strong market rebounds.
- A disciplined investment approach, including rebalancing when prices across markets diverge, can potentially help investors stay aligned with long-term goals and better navigate uncertainty.

Equities: Power demand continues to drive the Utilities sector..... 4

- Power demand remains a key to the Utilities sector investment thesis.
- A secular infrastructure buildout positions electricity providers favorably for long-term performance.

Fixed Income: Corporate bond risks adjusting to Iran war conflict..... 5

- Most bond investments have remained resilient during the Iran war, but sector performance has been uneven.
- Investors should work with their financial advisors to consider repositioning their bond investments. We favor intermediate bond maturities in investor portfolios.

Real Assets: Oil production edges up, logistics constrain supply..... 6

- We are beginning to see signs of incremental oil production growth in the U.S., but the strategy for large public producers remains largely unchanged.
- Incremental production growth can help to ease supply pressures post-conflict, but we expect some offsetting logistical obstacles to persist.

Alternatives: Private real estate continued gradual recovery 7

- The NCREIF Property Index reported steady gains over the past seven quarters and posted relatively even performance across major commercial property types it measured in the first quarter.
- We continue our neutral view on the asset class and believe the prospect of private real estate hinges on the future path of monetary policy and economic growth.

Current tactical guidance..... 8

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

Asset Allocation Spotlight

Jaden Frazier

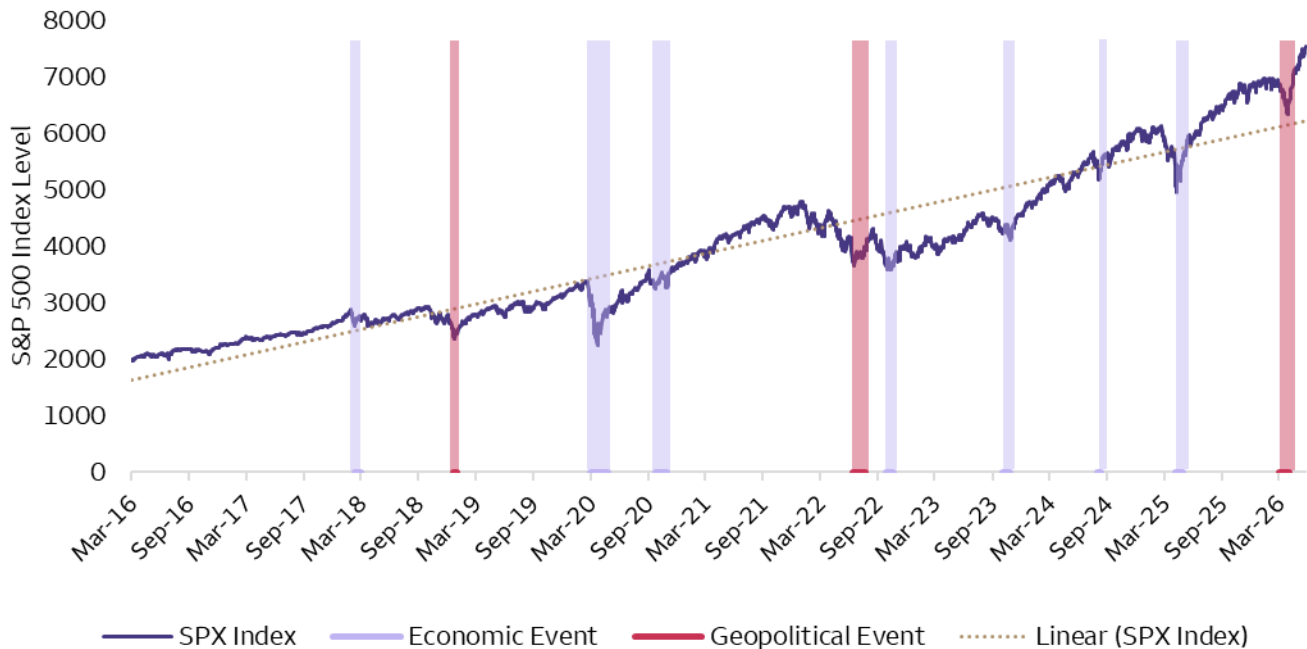
WIM Program Analyst

The cost of emotion in volatile markets

During periods of geopolitical tension and heightened uncertainty, investors often allow emotions to influence investment decisions. Significant market declines, like those during the Great Financial Crisis, the start of the COVID-19 pandemic, or in 2022 as the Federal Reserve raised interest rates to fight inflation, can be concerning and lead investors to question how much further their portfolio values could fall and whether they should remain invested in the equity market. Importantly, markets have recovered from all of these downturns, with the S&P 500 Index up roughly 976%, 235%, and 108%, respectively, from their trough levels.¹ Decisions to sell off portfolios can constrain long-term investment returns. Investors frequently miss days of strong recovery, as the largest gains have historically tended to occur during heightened volatility, and missing even a small number of these days can materially reduce average annual returns.

Meanwhile, attempting to time the market can be challenging, as it requires accurately determining both when to exit and re-enter. As markets are forward-looking, rebounds can happen far quicker and more suddenly than anticipated, leaving investors behind and potentially creating a persistent gap between long-term market returns and investor outcomes. For example, the average equity fund investor underperformed the S&P 500 Index by 5.5% in 2023, the third-largest investor gap in the last 10 years, according to Dalbar.

Chart 1. 10-Year S&P 500 Index performance amid volatile headlines



Sources: Bloomberg and Wells Fargo Investment Institute, data as of May 26, 2026. S&P 500 performance is measured by the daily index level from March 2016 to May 2026. Negative historic economic events include Inflation uncertainty (February 2018), Coronavirus pandemic (February 2020), pre-election uncertainty (September 2020), recession uncertainty (September 2022), Mortgage rate hike (October 2023), recession uncertainty (August 2024), and Trump tariffs (April 2025). Negative historic geopolitical events include U.S./China trade war (December 2018), Russia/Ukraine war (June 2022), and Iran war (February 2026). An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** S&P 500 Index = SPX.

1. The Great Financial Crisis trough ended June 2009, COVID-19 in May 2020, and the Federal Reserve rate hikes in October 2022.

Disruptions tied to major events have periodically interrupted the uptrend of the S&P 500 Index, as illustrated in Chart 1. Although the market may decline, it is important to note that those losses have been typically temporary and often followed by recovery. We have seen a significant increase in market volatility in the past year due to the announcements of tariffs and geopolitical events. In April 2025, President Donald Trump's trade policy tariffs triggered its steepest downtrend in five years. More recently, the S&P 500 Index declined in the four weeks following the start of the war, as rising oil prices and renewed inflation concerns weighed on investor sentiment. A swift rebound, led by the Information Technology and Materials sectors alongside strong first-quarter earnings, then drove the S&P 500 Index to new highs.

Recent market events continue to suggest that a disciplined and flexible investment approach may outperform emotionally driven decision-making during and following periods of volatility. Market cycles are natural, and we expect periods of drawdowns, as well as periods of expansion that can potentially lead to higher returns for resilient investors. Rather than reactionary selling, rebalancing can be viewed as a valuable tool during periods of market volatility. Trimming asset classes that have grown beyond target levels and reinvesting into those that have fallen below target levels can be an effective portfolio management strategy. This can potentially help position investors to capture gains in a long-term portfolio. Alternatively, to avoid triggering capital gains taxes, investors could instead consider direct new funds to the asset classes that are below their target level to help bring their overall portfolio into balance.

Market declines are inevitable, but we believe they can serve as a potential opportunity for long-term investors, as equity markets have historically trended higher.² We expect potential market volatility leading up to and during midterm elections, though equity performance of the S&P 500 Index tends to regain momentum shortly after. It is important for an investor to determine their comfort level with gains and losses and to develop a plan tailored to their individual goals and circumstances. Understanding the potential for declines in portfolio value ahead of time can make staying invested and avoiding emotional decision-making easier. While market volatility is largely uncontrollable, maintaining a disciplined investment approach is important, in our view.

2. The S&P 500 Index measures the performance of 500 of the largest publicly traded U.S. companies since March 4, 1957, to the present day.

Equities

Joe Buffa

Equity Sector Analyst, Utilities

Power demand continues to drive the Utilities sector

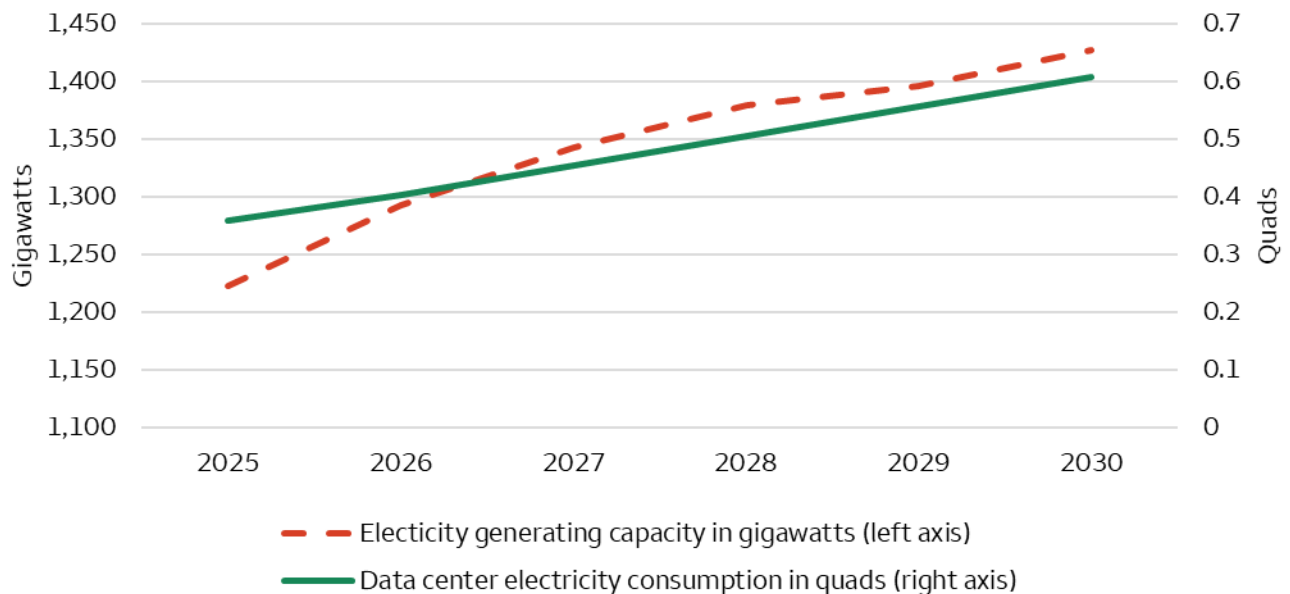
Artificial intelligence (AI) and the data centers that power it are increasingly driving stock market performance. As a key supplier in the data center landscape, the Utilities sector is riding this demand wave and has produced strong returns, a trend we expect to continue.

As of May 19, the U.S. Energy Information Administration (EIA) estimates that data center electricity consumption will grow at an 11% compound annual growth rate (CAGR) through 2030, reaching 0.61 quadrillion British Thermal Units (quads). In our view, this growth highlights the scale of incremental power demand ahead. To meet this increased demand, the EIA estimates U.S. electricity generating capacity will need to grow by nearly 41 gigawatts (GW) per year over the same period, reaching roughly 1,427 GW.

As owners of power generation and distribution assets, utilities — electric utilities in particular — stand to benefit from this long-term infrastructure buildout. In fact, many have already raised long-term annual earnings growth outlooks into the high-single- to low-double-digit range. When paired with 2% to 3% dividend yields, this supports attractive total return prospects, in our view. This represents a shift from the Utilities sector of the past, which was viewed primarily an income-generating sector that grew roughly in line with inflation.

Electric utilities, however, do not have a monopoly on data center power demand. Natural gas distributors (also utilities), producers (energy companies), and pipeline operators are also benefiting by supplying fuel or building on-site power generation at data center campuses. Ultimately, though, we believe electric utilities are likely to see the greatest data center benefit.

Chart 2. Data center power demand and U.S. capacity expansion forecast



Sources: U.S. Energy Information Administration and Wells Fargo Investment Institute. Data as of May 20, 2026. Quads = quadrillion British Thermal Units.

Fixed Income

David Brandmire, CFA

Taxable Analyst

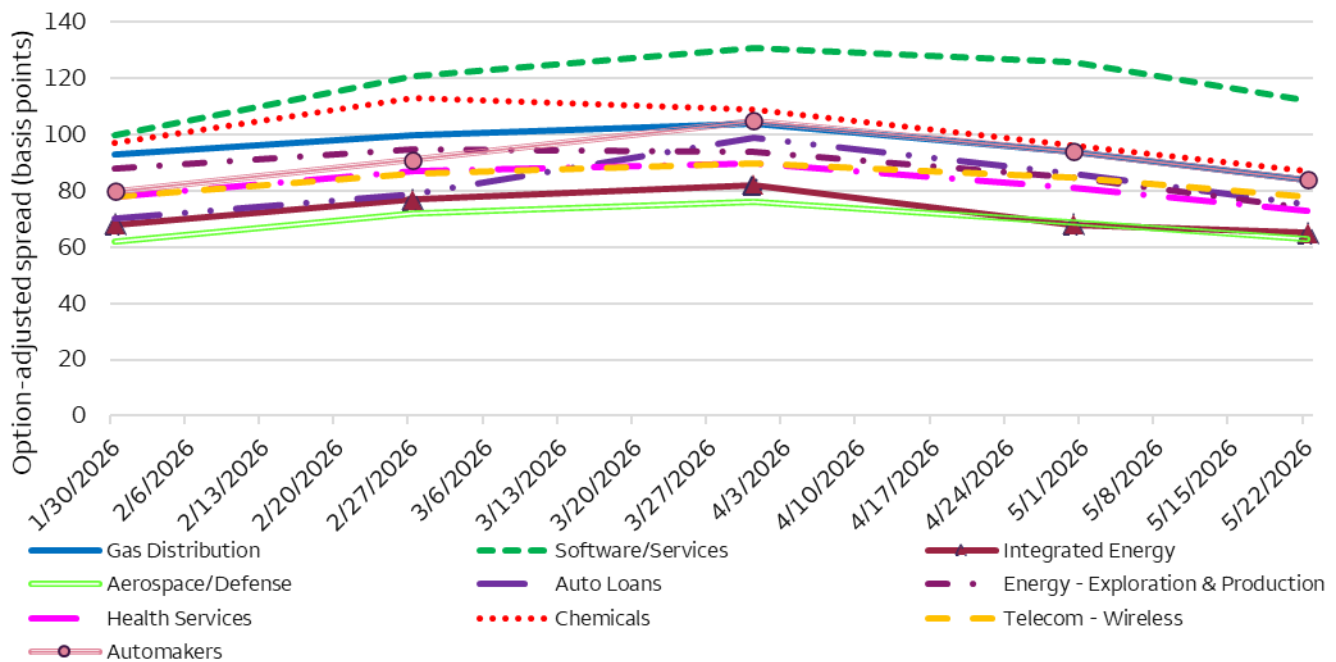
Corporate bond risks adjusting to Iran war conflict

Corporate credit spreads have held near their recent levels despite the shifting news of the Iran war. However, breaking down sector level performance shows clear winners and losers. Top performing corporate bonds have benefited from the surge in oil prices and projected demand for future government spending on defense and rebuilding initiatives. Overall, sector spreads tightened or were flat in energy and aerospace and defense sectors. Meanwhile, the materials and consumer discretionary sectors have seen demand weaken from higher input costs and the likely impact of inflation on personal consumption. Certain consumer and materials sector bonds have widened over 75 basis points (100 basis points is equal to one percentage point). Sectors not directly impacted by the conflicts, such as software services, are also seeing additional news and repositioning from AI and related capital investments.

Despite the uncertain environment, the bond market continues to be open to issuers. The investment grade bond market has seen little if any deterioration from recent events. Market experts are projecting 2026 corporate bond issuance to exceed 2025 issuance.³

In this environment, we believe diversification and frequent monitoring are important to manage portfolio outcomes and potentially mitigate against downside risks. We believe investors should work with their financial advisors to consider reallocating bond investments across the possible outcomes from the conflict and capital investments.

Chart 3. Key sector option adjusted spread history



Sources: Intercontinental Exchange (ICE) Data Indexes, data as of May 26, 2026. 100 basis points = 1 percent.

3. SIFMA Quarterly Report: US Fixed Income, 1Q26.

Real Assets

Ian Mikkelsen, CFA

Equity Sector Analyst, Energy

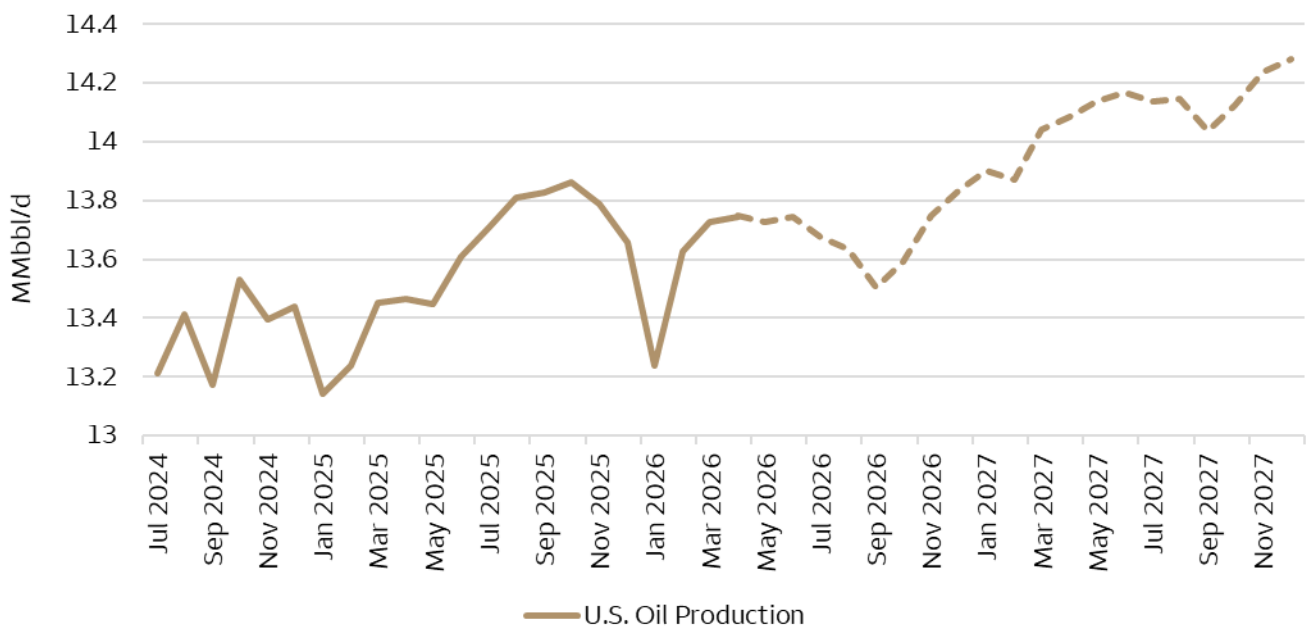
Oil production edges up, logistics constrain supply

A key question for the Energy sector has been whether U.S. oil producers will adjust their strategy in response to near-term oil shortages related to the closure of the Strait of Hormuz. Our takeaway from the recent earnings season is that corporate plans largely remain unchanged. While some companies are becoming more receptive to incremental production growth in U.S. shale, these are mostly private or relatively small producers. We are not seeing an industry-wide push to maximize domestic production growth. We expect the current environment to result in a moderately higher U.S. production outlook, though not enough to materially change the near-term global supply-demand balance.

A couple of key themes were repeated across company management teams. Although the economics for U.S. shale production are currently attractive, the decision to grow production still carries risk because the situation in the Middle East remains very fluid and uncertain. Production from new wells drilled today would not come online until late 2026, and there is significant uncertainty around what the price environment may look like by that time. Additionally, some of the largest companies have already committed substantial capital to international offshore developments, reducing their near-term appetite for growth in U.S. shale.

While we believe that the combination of international production growth and incremental U.S. activity can eventually help ease supply pressures in a post-conflict environment, logistics have a greater influence on actual supply. We expect some logistical obstacles to persist, which could continue to constrain global supply throughout the rest of the year.

Chart 4. U.S. oil production forecasted to increase moderately



Sources: U.S. Energy Information Administration (EIA) and Wells Fargo Investment Institute, data as of May 20, 2026. MMBbl/d = million barrels of oil per day. Dotted line represents EIA forecast data as of May 20, 2026.

Alternatives

Chao Ma, PhD, CFA, FRM

Global Portfolio and Investment Strategist

Private real estate continued gradual recovery

The National Council of Real Estate Investment Fiduciaries (NCREIF) reported a 1.1% return for the NCREIF Property Index (NPI) in the first quarter of 2026 (see Chart 5). This represents the seventh consecutive quarter of positive returns following declines in 2023 and early 2024. The NPI seeks to measure the change in market value of U.S. operating private real estate properties owned primarily by tax-exempt institutional investors, which we believe can offer insight into private real estate market trends.

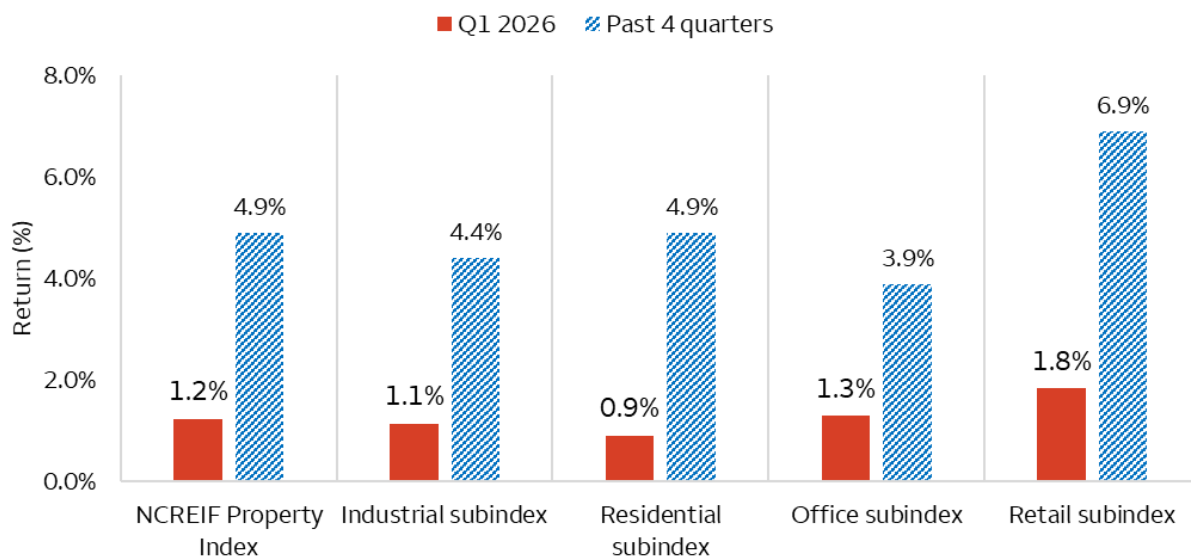
While positive, the quarterly return remains below long-term averages observed before the COVID-19 pandemic. As in recent quarters, income — primarily from rental cash flows — was the main driver of performance, while property value appreciation remained modest. We believe this suggests that while the market is stabilizing, it has yet to fully recover.

Subindex performance across major property types was relatively similar, ranging from 0.9% to 1.8% (see chart 5). Retail subindex posted the strongest performance, which we believe was likely supported by limited inventory and constrained new supply. By comparison, residential, industrial, and office sectors delivered more muted results, likely reflecting softer demand trends or lingering supply pressures.

Additionally, according to NCREIF, niche property types, including senior housing, self-storage, and data centers, delivered solid quarterly performance. We believe longer-term structural trends, such as an aging population and the AI-driven digitalization, will continue to shape these sectors.

Overall, the private real estate market appears to be moving through a transition period. We maintain our neutral view and believe the prospect of private real estate hinges on the future path of broader economic conditions and interest rate environment, which influences cost of capital, valuations, and demand.

Chart 5. NCREIF property index reported gains across property types in Q1 2026



Sources: National Council of Real Estate Investment Fiduciaries (NCREIF) and Wells Fargo Investment Institute. Data as of March 31, 2026. Q1 = first quarter. An index is unmanaged and not available for direct investment. **Past performance does not guarantee 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, June 1, 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. **Cash alternatives** typically offer lower rates of return than longer-term equity or fixed-income securities and provide a level of liquidity and price stability generally not available to these investments. Some examples of cash alternatives include: Bank certificates of deposit; bank money market accounts; bankers' acceptances, federal agency short-term securities, money market mutual funds, Treasury bills, ultra-short bond mutual funds or exchange-traded funds and variable rate demand notes. Each type of cash alternatives has advantages and disadvantages which should be discussed with your financial advisor before investing. 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.

Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market.

Wells Fargo and its affiliates are not tax advisors. Be sure to consult your own tax advisor before taking any action that may involve tax consequences. Tax laws or regulations are subject to change at any time and can have a substantial impact on individual situations.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

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

The NCREIF property index (NPI) measures the change in market value of U.S. based investment-grade, income producing operating private real estate properties held by institutional investors. The market value is based on appraisal and quarter returns are time-weighted returns, including both income and capital appreciation before investment management fees. The index consists of 12,996 investment-grade, income-producing properties with a market value of \$906 billion, and includes property data covering over 100 markets (core-based statistical areas or CBSAs). NPI provides industrial, residential, office and retail subindexes. For Q1 2026, the market value breakdown by property type is about 17% office, 30% residential, 13% retail, 33% industrial with the remaining 7% consisting of hotel, self-storage, and seniors housing and "other" sectors.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

Investment Grade bonds - A rating that indicates that a bond has a relatively low risk of default. Bond rating firms, such as Standard & Poor's, 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".

General disclosures

Global Investment Strategy (GIS) is a division of Wells Fargo Investment Institute, Inc. (WFII). WFII is a registered investment adviser and wholly owned subsidiary of Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company.

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to, any particular investor or potential investor. This report is not intended to be a client-specific suitability or best interest analysis or recommendation, an offer to participate in any investment, or a recommendation to buy, hold or sell securities. Do not use this report as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs and investment time horizon. The material contained herein has been prepared from sources and data we believe to be reliable but we make no guarantee to its accuracy or completeness.

Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. [PM]-12012027-5531829