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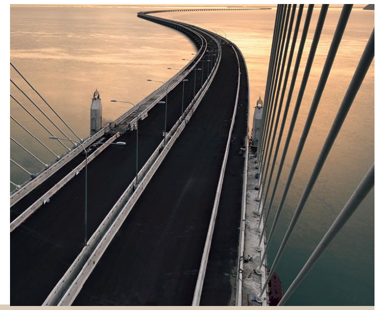
Investment Institute

Investment Strategy



Weekly guidance from our Investment Strategy Committee **June 15, 2026**

1. Duration is a measure of a bond's interest-rate sensitivity.

Real Assets Spotlight

Mason Mendez
Global Real Assets Analyst

Lingering supply shocks create potential opportunities

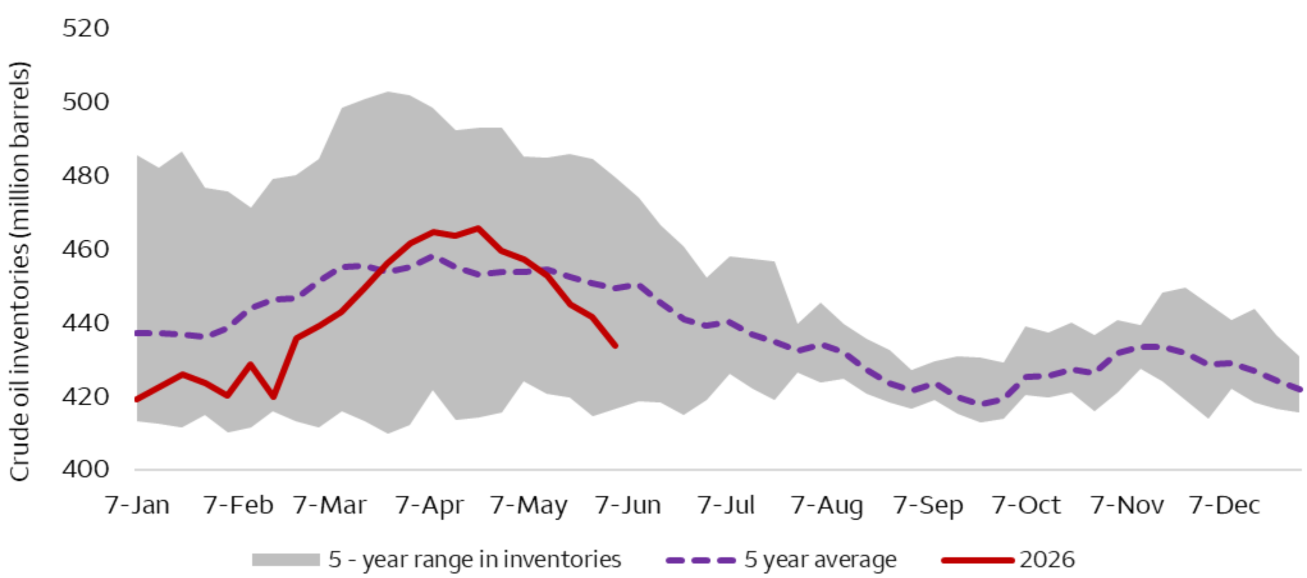
Elevated commodity prices are proving more persistent than expected, and ongoing supply disruptions from the Iran war are spilling beyond energy into broader markets. These pressures are fueling concerns around inflation, economic growth, and higher interest rates.

In this environment, commodity performance has been led by sectors directly impacted by the conflict, with the S&P 500 Energy sector up 61% year-to-date[2], as of June 8, while those tied more closely to economic activity and interest rates (Precious Metals and Industrial Metals) have lagged.

Looking through year-end, we believe energy prices will likely remain elevated while a clear path towards a resolution to the conflict proves elusive, and emerging inventory constraints point to deeper structural supply tightness. As roughly 20% of the world's daily oil and natural gas supplies were effectively shut-in, global economies have been forced to draw on existing inventories.[3]

Even net exporters are beginning to show signs of tightening. U.S. oil inventories have fallen below seasonal averages and at a faster pace (see Chart 1). While not yet at extremes, we suspect the combination of stronger seasonal demand and elevated U.S. exports will further strain inventories, reinforcing an upward bias to prices. We see similar trends of below average inventories globally and believe relief from a supply response among Persian Gulf producers will likely be delayed due to logistical constraints — even after an eventual peace agreement. Therefore, we raised our 2026 year-end crude oil targets to \$80–\$90 and \$85–\$95 per barrel for West Texas Intermediate (WTI) and Brent crude, respectively. Given the energy sector's large weighting, we also raised our 2026 year-end Bloomberg Commodity Index target to 360–380 to reflect our expectations for sticky commodity prices.

Chart 1. U.S. crude oil inventories seasonality



Sources: Energy Information Administration, Bloomberg, and Wells Fargo Investment Institute. Weekly data is from January 7, 2021 – June 3, 2026.

2. As measured by the S&P 500 Energy Index.

3. Energy Information Administration, "World oil transit chokepoints," March 3, 2026.

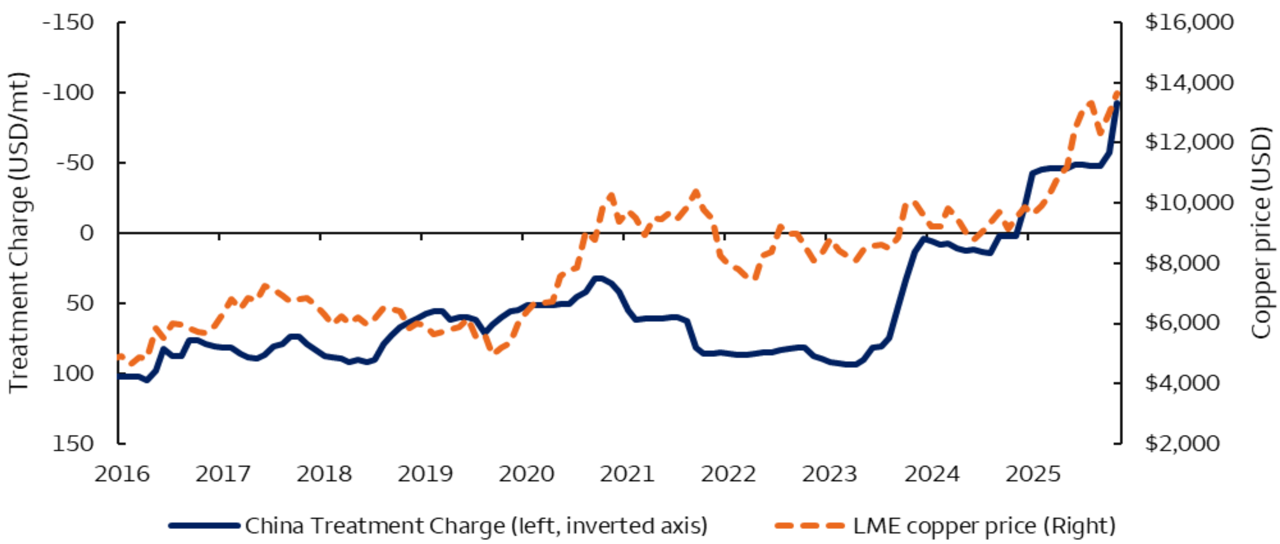
Should inflation pressures persist and interest rates remain elevated, demand for non-interest-bearing perceived safe havens — such as gold — will likely remain subdued. Though we believe the structural demand story that attracted investors to Gold remains in-tact, near-term macro and monetary headwinds will need to soften before gold outperforms. Therefore, we also lowered our 2026 year-end gold target to $5,300–$5,500 per troy ounce.

Looking into 2027, we see some of these macroeconomic headwinds reverting as energy supply normalizes and global supply growth, driven by the U.S. and OPEC+[4], begins to outpace demand. We expect prices to ease from 2026's highs and introduce our 2027 year-end targets of $70–$80 and $75–$85 per barrel for WTI and Brent crude, respectively.

Lower energy prices should alleviate some inflationary and budgetary pressures enabling global central banks to return as net-purchasers of gold, which supports our higher 2027 target of $5,800–$6,000 per troy ounce.

Additionally, our expectations for positive economic growth and strong technology related spending could drive outperformance in Industrial Metals, which have already benefited from the artificial intelligence (AI) buildout. Copper is a notable example, where demand has continued to strengthen despite mined supply constraints. A way to view this divergence is in the treatment charges (TCs) from Chinese refiners, which account for 50% of global copper refining. In recent years, expanding refining capacity, demand growth, and limited mine supply have driven TCs to low, and even negative, levels (see Chart 2). Given there are so many refiners competing for limited ore, when demand is strong a negative TC indicates that smelters are willing to pay miners to receive and refine their copper ore — rather than the other way around. This unique dynamic highlights one aspect of the structural disconnect between lagging mine supply and the growing demand for usable refined copper.

Chart 2. China refined copper treatment



Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data is from January 31, 2016 – May 31, 2026. LME = London Metal Exchange. USD = U.S. dollars. mt = metric ton.

We expect improvement in metal performances to offset the weakness in energy markets, and see nominal growth in the Bloomberg Commodity Index, which supports our 2027 target of 380–400. We see the potential diversification benefits of commodities; however, we remain neutral given its run-up in price and the divergences that we do not expect to continue between energy and other commodity sectors. At the sector level, though, we see opportunities to position for leadership rotation from energy into metals. We remain favorable on Precious and Industrial Metals, while unfavorable on Energy, as we expect supply to normalize through 2027.

4. Organization of Petroleum Exporting Countries and their allies.

Equities

Ian Mikkelsen, CFA
Equity Sector Analyst, Energy

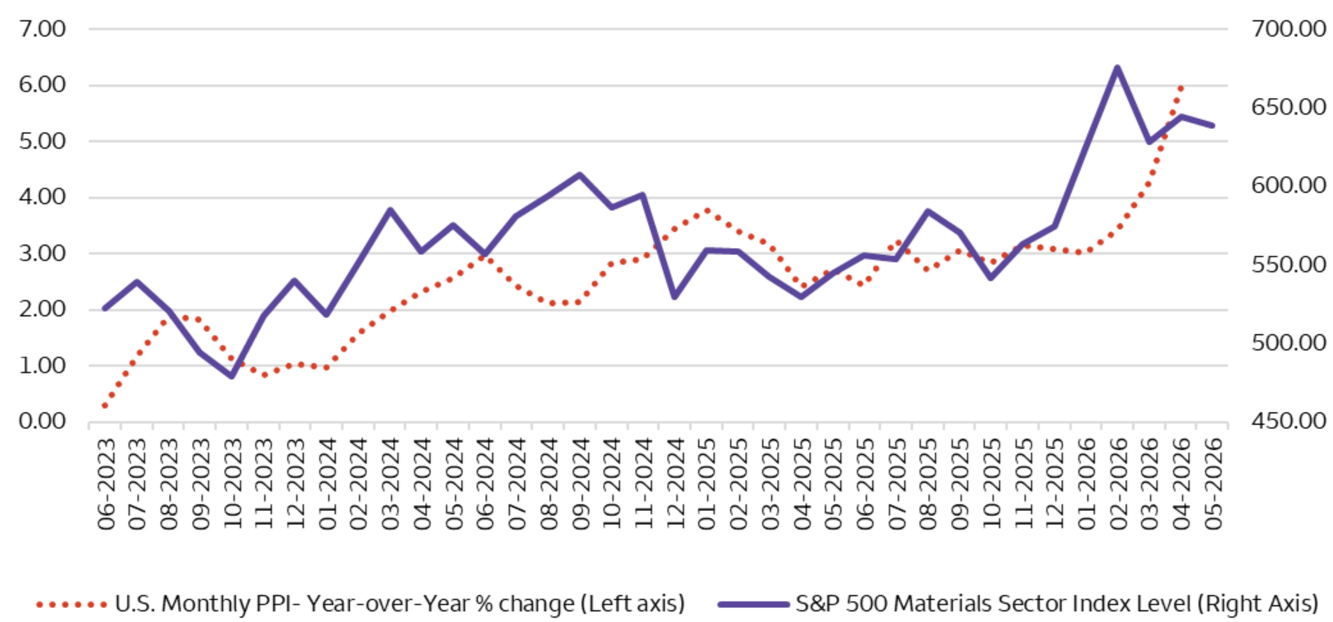
Materials: Defense for inflation

We upgraded the Materials sector to favorable as we believe that a combination of cyclical and secular forces are aligning to improve the outlook. While it is a highly cyclical sector with strong operating leverage to the global economy, the sector also offers defensive traits that can help reduce the near-term risks of accelerating inflation to equity portfolios. We believe that geopolitical dynamics are placing a greater emphasis on supply chain resilience, supporting structurally higher pricing power and improving reinvestment opportunities for most companies within the sector.

The Materials sector has high international exposure, and we view current U.S. global trade policy and tariffs as a net benefit to the sector as a whole. Although some companies face tariff-related risks, many high-quality Materials companies have diversified global operations that help to limit negative tariff impacts, while others (such as steel producers) are direct beneficiaries of tariffs. Additionally, the renewed focus on domestic supply chains is creating additional demand and opportunities for U.S. expansion.

Within the Materials sector, our favorable sub-sectors are Industrial Gases, Specialty Chemicals, and Construction Materials, each of which we believe offers strong quality characteristics. With respect to Industrial Gases, we are attracted to high margins, consistent pricing power, and broadly diversified end market demand. Our view is that the Construction Materials sub-sector should benefit from strength in infrastructure and heavy non-residential construction (including data centers), where competition within the industry is limited. In Specialty Chemicals, we believe that most companies have the ability to maintain strong margins throughout cycles due to sticky customer relationships and their ability to deliver a unique value proposition.

Chart 3. The Materials sector has generally performed well during periods of rising inflation



Sources: FactSet and Wells Fargo Investment Institute. Monthly Index Level data is from June 30, 2023 – May 29, 2026; monthly PPI data is from June 2023 - April 2026. PPI = Producer Price Index. The S&P 500 Materials Sector represents companies within the S&P 500 Index that are classified within the Materials sector based on Global Industry Classification Standards (GICS). S&P 500 Materials Sector Index Level is as-of the last trading day of each month. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Fixed Income

Luis Alvarado
Co-Head of Global Fixed Income Strategy

Where might central bank rates be by year-end?

Major central banks will face a similar overriding question over the next six months: how far they are willing to tighten into a slowing global economy in order to defend inflation credibility against an oil shock that shows no sign of fading quickly. Although the specifics — "when" and "by how much" — may differ across institutions, most major central banks are entering the June meeting cycle with a clear but cautious outlook: maintain restrictive policy settings until inflation shows more convincing signs of cooling.

The European Central Bank's (ECB) June 11 rate hike reinforced the view that inflation — particularly services inflation and energy-sensitive prices — remains too persistent for policymakers to wait on the sidelines. In our view, the ECB is currently the most committed hiker among G7 central banks, although fragile growth heading into 2027 raises the risk that policymakers may eventually need to reverse course next year. The Bank of England (BOE) (next meeting announcement June 18) is also leaning more hawkish, with markets increasingly expecting additional tightening later this year, as wage pressures and energy costs remain elevated. However, the BOE faces one of the most difficult policy environments, as committee members remain divided on how much additional tightening is necessary.

Meanwhile, the Federal Reserve (Fed) (next meeting June 16 – 17) is expected to hold rates steady, while continuing to signal that cuts are unlikely until inflation shows clearer progress toward their target. Although market pricing has recently assigned greater probability to hikes, our base case remains unchanged: no Fed hikes or cuts through year-end 2027.

In Asia, the Bank of Japan (next meeting June 15 – 16) is expected to continue gradually normalizing policy, while the Reserve Bank of Australia (next meeting June 15 – 16) is likely to maintain a restrictive stance amid persistent inflation concerns. Emerging markets remain more divided: Indonesia has aggressively raised rates to defend its currency, while Brazil and Mexico continue cautiously paced easing cycles.

Collectively, major central banks are still prioritizing inflation credibility over growth support, reinforcing our bias toward higher bond yields. For fixed-income investors, we believe caution by policymakers supports elevated income opportunities but also argues for continued volatility in longer-duration bonds as markets have repeatedly pushed back expectations for broad global rate cuts.

Alternatives

Mark Steffen, CFA, CAIA
Global Alternative Investment Strategist

A diversified approach to Private Market investing

Alternative investments are often viewed as a way to help diversify a traditional portfolio of stocks and bonds. However, investors may achieve even greater diversification benefits by allocating across a range of sub-strategies within the private capital landscape. Different private market sub-strategies can perform very differently from year-to-year and across various stages of the economic cycle (see Chart 4). Because of this, maintaining exposure across multiple private capital categories may help smooth returns and reduce overall portfolio volatility over time.

For example, Venture Capital generated a strong 53.2% horizon internal rate-of-return (IRR) in 2021, but then declined by 16.9% in 2022, as market conditions became more challenging. In contrast, Infrastructure investments delivered steadier returns during that same period, with horizon IRRs of 16.6% in 2021 and 10.6% in 2022. Combining different strategies can help offset periods of weakness in any one area of the market. Chart 4 also highlights the benefits of broad diversification over longer periods. Over the 15-year horizon shown:

- Buyout strategies were among the strongest performers, with a 14.4% horizon IRR
- Direct Lending produced a lower, but still positive, 7.6% horizon IRR
- A diversified allocation across all private capital sub-strategies generated a 12.1% horizon IRR

It is important to note that no single private market strategy has consistently led in performance every year. Investors who maintain a disciplined, diversified approach across private capital strategies may be better positioned to manage risk, reduce volatility, and improve portfolio resilience over time, rather than attempting to chase whichever strategy performed well most recently.

Chart 4. Annual performance of various private capital strategies (2019-2025)

2019	2020	2021	2022	2023	2024	2025*	15-Year Horizon IRR
Venture capital 19.7%	Venture capital 43.2%	Venture capital 53.2%	Infrastructure 10.6%	Direct lending 10.7%	PE growth 9.8%	Venture capital 14.1%	Buyout 14.4%
Buyout 18.4%	PE growth 35.2%	PE growth 47.0%	Direct lending 7.9%	Buyout 10.4%	Secondaries 9.1%	PE growth 10.2%	PE growth 14.0%
PE growth 16.3%	Buyout 24.1%	Secondaries 44.2%	Real estate 7.6%	Infrastructure 10.3%	Infrastructure 7.5%	Direct lending 8.6%	Venture capital 13.0%
Private capital 12.5%	Private capital 17.9%	Buyout 38.7%	Secondaries 6.7%	Private capital 6.9%	Direct lending 7.1%	Infrastructure 7.1%	Secondaries 12.9%
Secondaries 9.1%	Secondaries 12.6%	Private capital 34.6%	Private capital 1.2%	Secondaries 6.8%	Buyout 6.6%	Private capital 7.0%	Private capital 12.1%
Real estate 8.2%	Infrastructure 7.3%	Real estate 25.5%	Buyout 0.3%	PE growth 5.1%	Private capital 6.1%	Secondaries 6.9%	Real estate 9.3%
Direct lending 7.7%	Direct lending 7.2%	Infrastructure 16.6%	PE growth -5.9%	Real estate -4.3%	Venture capital 3.9%	Buyout 6.3%	Infrastructure 9.2%
Infrastructure 6.3%	Real estate 4.8%	Direct lending 7.0%	Venture capital -16.9%	Venture capital -4.5%	Real estate -1.0%	Real estate 3.1%	Direct lending 7.6%

Sources: Pitchbook, data as of September 30, 2025. Horizon internal rate-of-return (IRRs) are a capital-weighted pooled calculation that shows the internal IRR at a certain point in time. The Horizon IRRs listed in the chart are one-year pooled IRRs by strategy type of funds available in the Pitchbook database. Note: The various strategy groupings listed in the chart include all fund information available in the Pitchbook private-capital database that are classified under the specified strategy types. **Past performance is no guarantee of future results.** Horizon IRRs: One- or fifteen-year pooled IRR by strategy. *2025 year-to-date data through September 30, 2025.

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 15, 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

Forecasts and targets are based on certain assumptions and on views of market and economic conditions which are subject to change.

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. Investing in **gold or other precious metals** involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

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

Bloomberg Commodity Index is comprised of 22 exchange-traded futures on physical commodities and represents 20 commodities weighted to account for economic significance and market liquidity.

S&P 500 Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

An index is unmanaged and not available for direct investment.

Pitchbook data composition:

PitchBook's fund returns data is sourced primarily from individual LP reports, serving as the baseline for our estimates of activity across an entire fund. For any given fund, return profiles will vary for LPs due to a range of factors, including fee discounts, timing of commitments, and inclusion of co-investments. This granularity of LP-reported returns — all available on the PitchBook Platform — provides helpful insight to industry practitioners but results in discrepancies that must be addressed when calculating fund-level returns.

To be included in pooled calculations, a fund must have: (i) at least one LP report within two years of the fund's vintage, and (ii) LP reports in at least 45% of applicable reporting periods. To mitigate discrepancies among multiple LPs reporting, the PitchBook Benchmarks (iii) determine returns for each fund based on data from all LP reports in a given period. For periods that lack an LP report, (iv) a straight-line interpolation calculation is used to populate the missing data; interpolated data is used for approximately 10% of reporting periods, a figure that has been steadily declining.

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We strive to maintain consistency from edition to edition of PitchBook Benchmarks, but fund classifications will change occasionally, and new funds will be incorporated into the dataset as we gather more information.

All returns data in this report is net of fees and carry.

The Pitchbook Private Capital All Global NR USD index (Private Capital) was incepted in 1998 and includes over 4900 private funds that account for over $4,590 billion in net asset value. The index is a capital-weighted, unfrozen index that tracks the net-of-fees quarterly performance of closed-end, finite-life private capital funds globally in the Pitchbook fund universe with available cash flow and NAV data.

General disclosures

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