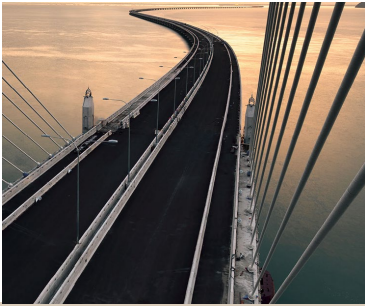


Investment Strategy



Weekly guidance from our Investment Strategy Committee October 5, 2026

Equities Spotlight: Go the distance 2

- Our preferred areas of equity exposure include hyperscalers, systems software, semiconductor, and communications infrastructure providers, along with industrial sub-industries leveraged to ongoing investment in power, data center, and network infrastructure.
- Within Industrials, we believe the recent pullback in Electrical Equipment and Machinery has resulted in a more constructive risk-reward profile, particularly following our recent upgrade in the outlook for the group.

Fixed Income: Corporate credit remains strong, but requires monitoring 4

- Corporate debt has remained a consistent source of income for investors in 2026 with some issuers taking concessions from higher primary issuance, and default rates remain low.
- Our view is that recent widening spreads, especially for certain issuers and some high-yield bonds, reinforces that selection and bond characteristics remain key for investors to manage total returns.

Real Assets: Investing in U.S. energy leadership 5

- We believe that the Midstream Energy subsector represents an attractive opportunity for investors to gain durable exposure to the theme of U.S. energy production leadership.
- In our view, critical infrastructure linking abundant U.S. energy resources with growing domestic and international demand supports a positive long-term investment thesis.

Alternatives: Long/short credit: Navigating volatile credit markets 6

- Higher short-term rates and rising credit dispersion are making security selection increasingly important across credit markets.
- Investors may want to consider an allocation to Long/Short Credit strategies, which can provide the potential to benefit from widening performance gaps among issuers while providing diversification from traditional stocks and bonds.

Current tactical guidance 7

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

Equities Spotlight

Lawrence Pfeffer, CFA
Equity Sector Analyst

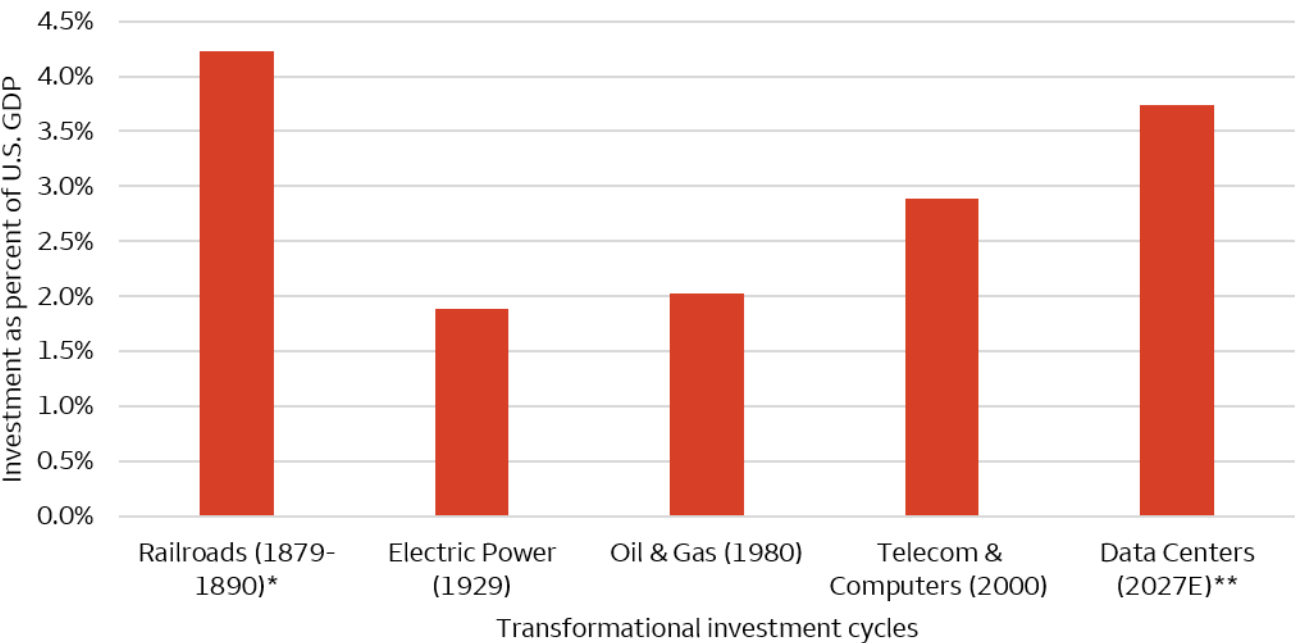
Amit Chanda
Equity Sector Analyst

Thomas Christopher
Equity Sector Analyst

Go the distance

Our title is not just a reference to Field of Dreams, but an investment philosophy. The artificial-intelligence (AI) capital-expenditure (capex) cycle continues to evolve. We have written on the growing scale of this phenomenon for several years. One of the salient moments for us was when the four-largest hyperscalers surpassed the four-largest integrated oil companies on annual capex by nearly a factor of two times in 2023.¹ It is no coincidence that this was the year following the launch of ChatGPT, which kicked off a race to scale computing power to serve the new budding technology of generative AI. Fast forward to today and consensus for 2027 capex for the eight-largest cloud computing companies is now approximately \$1.3 trillion.¹ This would represent approximately 3.7% of our nominal gross domestic product forecast for next year, putting this investment cycle on par with some of the largest in U.S. history (see Chart 1).

Chart 1. AI capex concentration relative to prior cycles



Sources: Cain, Fishlow, Balke & Gordon, Ulmer, Kuznets, American Petroleum Institute (API), U.S. Department of Energy (DOE), National Bureau of Economic Research (NBER), U.S. Bureau of Economic Analysis (BEA), FactSet, company filings, and Wells Fargo Investment Institute estimates. Data as of September 29, 2026. GDP = gross domestic product. E = estimates. *Railroads use the average of 1879-1890 in acknowledgment of relative data quality and inflation adjustment complexity. **Data Centers represents FactSet consensus estimates for the seven-largest hyperscalers and the current annualized run-rate for the eighth-largest cloud computing companies. Estimates are based on certain assumptions which are subject to change.

This rapid scaling has revealed both potential opportunities and risks for investors with key beneficiaries changing over the course of even a few quarters. We believe 2026 will be remembered primarily for two key items in the evolution of the story. First, monetization and use cases took hold at an increasing pace, featuring both new applications for businesses and consumers. Second, in classical economic parlance, numerous factors of production — land, power, semiconductors, industrial components, and financial capital — all experienced strains to

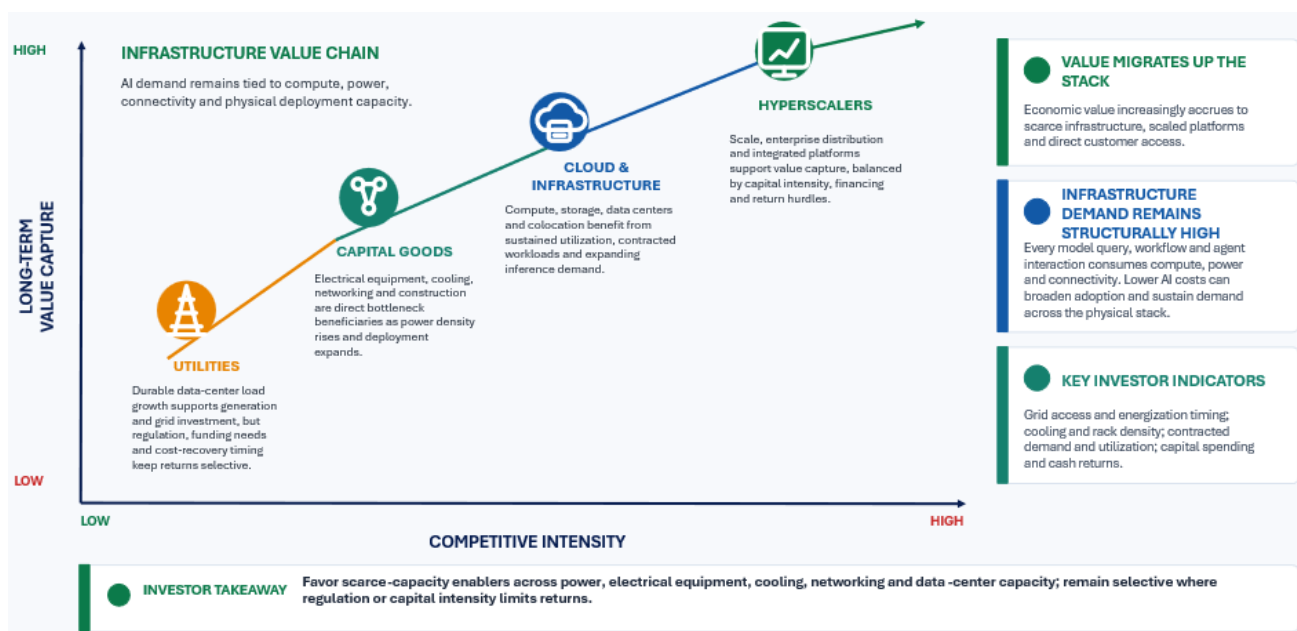
1. FactSet. Data as of September 28, 2026.
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accommodate the growing weight of AI capex in today's economy. We still believe the opportunity set remains somewhat broad, but we would also note that we believe execution risk has risen against a backdrop of higher interest rates, elongated supply chains, a fast pace of technological change, and political perception. With this as context, we would note that we prefer focusing on industry groups and companies that we believe have the best opportunities to benefit throughout the full cycle of AI capex investment.

How would we position?

- We remain positive on all three sub-industries containing the leading hyperscalers: Interactive Media & Services (Communication Services), Systems Software (Information Technology), and Broadline Retail (Consumer Discretionary). Although much has been written about the increasing use of debt to finance capex, we would note these companies retain very strong balance sheets and, in our view, should continue to have ready access to capital markets. Importantly, we also believe that monetization opportunities across cloud computing, agentic commerce, cybersecurity, and enterprise applications will continue to grow.
- Semiconductors and the hardware space writ large have been defined by broader participation across 2026. We still expect many areas of this supply chain to remain in shortage well into 2027 and even beyond. That said, after very strong year-to-date performance across nearly every key vertical in this supply chain, we would become incrementally selective. We see the most durable competitive advantages for those companies providing graphics processing units (GPUs), leading edge foundry services, Semiconductor Capital Equipment, and Communications Equipment.
- Within the Industrials sector, we continue to prefer Electrical Equipment and Machinery. Here, several companies in the power equipment supply chain are booking orders into 2029-2032. Leading players have complemented their existing footprint with technology acquisitions, capacity expansion, and new product introductions. Large production ramps require strong execution, but we believe recent underperformance for the sector and these sub-industries has provided a more attractive entry point to re-engage.

Chart 2. Infrastructure value chain



Source: Wells Fargo Investment Institute. Image generated using Microsoft Copilot on September 29, 2026. No historical performance or market data is depicted.

Fixed Income

David Brandmire, CFA

Taxable Analyst

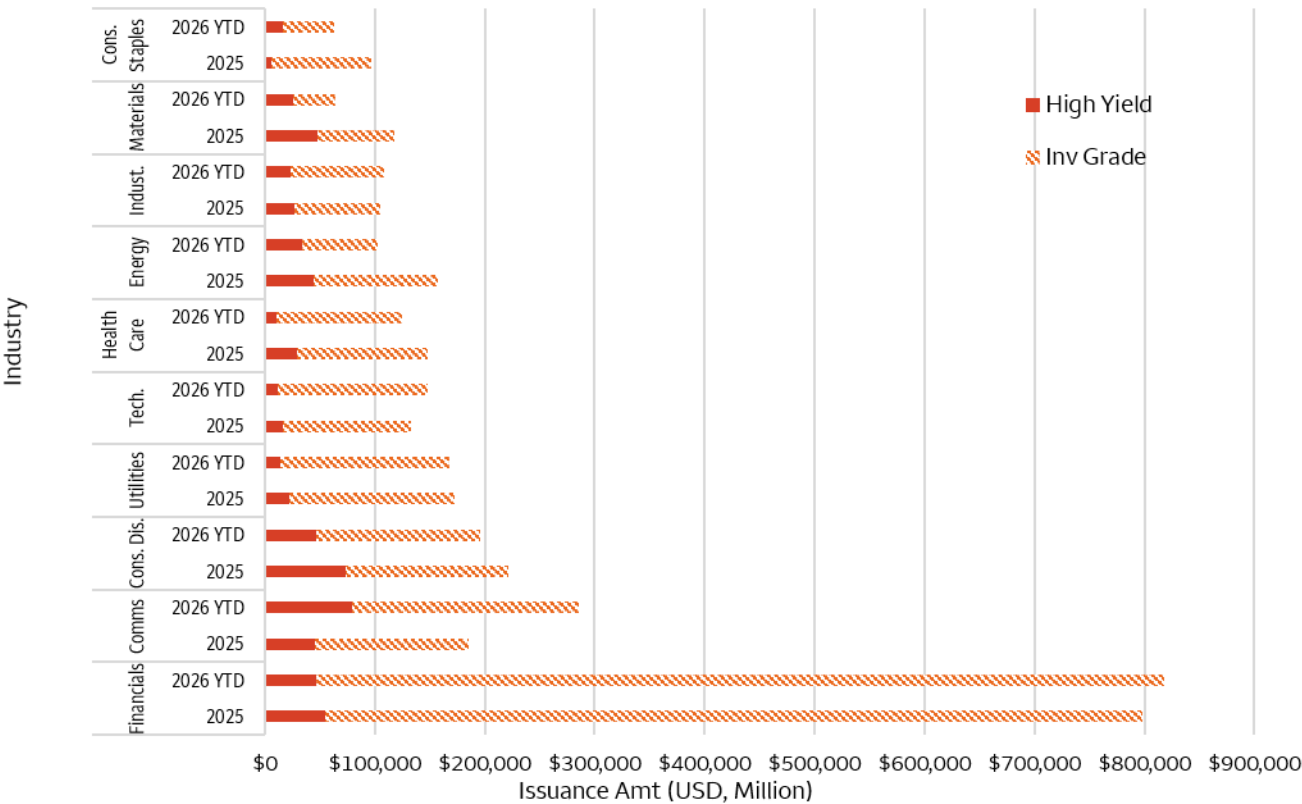
Corporate credit remains strong, but requires monitoring

A higher interest-rate environment continues to reflect higher inflation driven by strong business activity, and we expect corporate default rates to remain low. While corporate spreads moved higher in the month of September 2026, spreads for single-B and higher rated debt remain below the highest levels for the past 12 months which occurred in March.

Debt financing in 2026 for capex and acquisition fundings has been at yields near 20-year high rates for corporate bonds, drawing strong demand from investors. Additionally, the anticipated debt issuance forecast in the corporate and treasury markets has continued to drive long-term rates higher.

We remain comfortable with corporate bond issuers that continue to strategically manage their balance sheets and show resilient business models. Although interest rates have moved higher, we expect issuers to continue to have access to the issuance markets. According to Bloomberg, 2026 year-to-date (YTD) corporate debt issuance through August 31 is 25.9% above 2025 YTD at \$1.4 trillion, excluding convertible debt. Despite high levels of bond issues in 2026 compared to 2025, the total dollar amount of U.S. corporate bonds outstanding has only grown by 7%, or \$873 billion, to \$13.4 trillion.

Chart 3. Debt issuance by industry



Source: Bloomberg. Data as of September 29, 2026. YTD = year to date. Inv Grade = Investment Grade. USD = U.S. dollars. Amt = amount.

We currently favor the front-end of the corporate bond market. With additional strong issuance and some policy uncertainty, we believe investors can benefit by moving up in quality while increasing their portfolio's average coupon. Certain sectors and issuers have seen spreads widen in September. We view the spread changes as driven more by market dynamics, and not broad credit deterioration. We reiterate our belief that selectivity of individual bonds can benefit investors in today's bond market.

Real Assets

Ian Mikkelsen, CFA
Equity Sector Analyst, Energy

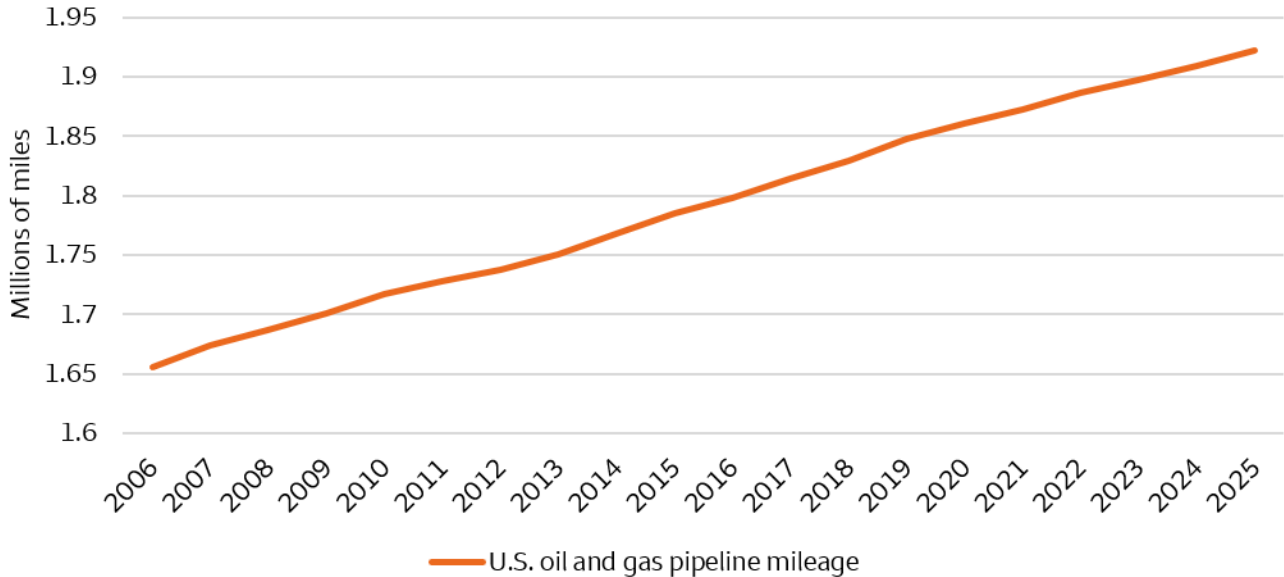
Investing in U.S. energy leadership

The U.S. currently leads the world in energy production², an important national advantage during global supply disruptions. This distinction underpins our favorable view of the Midstream Energy subsector. These companies provide pipelines, gathering and processing systems, storage terminals, and export facilities that connect energy-producing basins with global demand centers. In our view, infrastructure linking abundant U.S. resources with domestic and international demand is essential to sustaining the nation’s energy advantage and supports a positive long-term investment thesis.

Most energy companies have substantial direct business exposure to commodity prices, a key source of earnings volatility. By contrast, Midstream Energy companies are relatively insulated from commodity price swings because revenue and earnings are largely based on the volumes moving through their systems. In our view, this business model provides a visible runway for durable organic growth, as rising production, expanding energy exports, increasing power demand, and industrial reshoring all require additional transportation and logistics capacity.

U.S. oil and gas pipeline mileage has steadily increased over the past two decades (see Chart 4). The growth opportunity extends beyond pipelines, with infrastructure such as storage, export terminals, and power generation representing additional growth verticals.

Chart 4. U.S. oil and gas pipeline mileage (millions)



Sources: U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety, and Annual Report Mileage Summary Statistic. Includes oil, refined products, natural gas transmission, and distribution main lines. Crude oil and refined product pipeline miles are estimated for 2025; all other data is actual. Data as of June 12, 2026.

New projects can support earnings growth, while higher throughput and utilization may improve returns on existing networks. Large operators also typically benefit from scale, broad geographic footprints, and integrated assets that are difficult to replicate. The industry generally operates on a solid financial foundation, with reasonable leverage, simplified corporate structures, and balanced capital allocation frameworks that support internally funded growth and shareholder returns.

2. Source: U.S. Energy Information Administration (EIA).
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Alternatives

Mark Steffen, CFA, CAIA

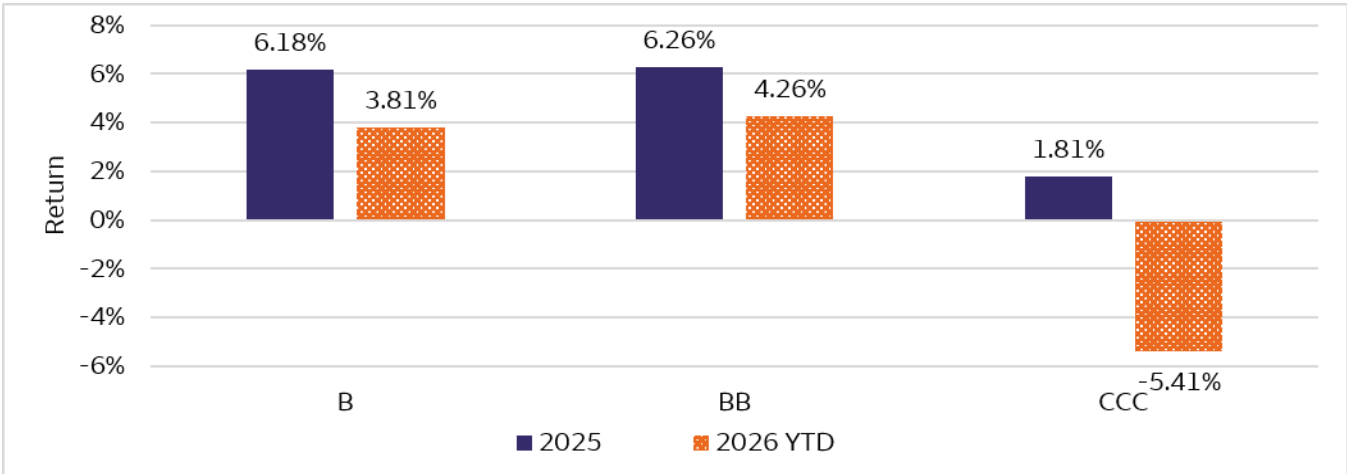
Global Alternative Investment Strategist

Long/short credit: Navigating volatile credit markets

Bond market volatility has returned³ as investors navigate rising government debt levels, growing debt issuance to support AI-related investment, and persistent inflation pressures stemming from higher energy costs. Recent changes in monetary policy have put pressure on small- and mid-sized businesses, as higher short-term interest rates increase financing costs and reduce expectations for further borrowing relief.

At the same time, credit markets have become increasingly selective. As shown in Chart 5, performance differences across credit-quality segments of the bank loan market have widened, suggesting that company-specific fundamentals are becoming more important. In this environment, investors may benefit from looking beyond traditional stock and bond allocations to strategies that can potentially add value when dispersion across credit markets increases.

Chart 5. Bank loan performance by rating – Dispersion rises as lower quality loans underperform



Sources: Pitchbook. Data as of September 25, 2026. Categories represented by the associated Morningstar LSTA U.S. Leveraged Loan Total Return Indexes for the relevant rating. 2026 year-to-date (YTD) are through September 25, 2026. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

One strategy that may be well positioned in this environment is Long/Short Credit. These strategies invest across a broad range of fixed-income securities and seek to capitalize on pricing differences among bonds, loans, and related instruments. Managers can take both long positions, which generally benefit when an asset's price rises, and short positions, which generally benefit when an asset's price falls. This flexibility allows managers to express positive and negative views on individual issuers while seeking to reduce overall market exposure.

Long/Short Credit strategies have historically demonstrated more defensive characteristics than many traditional risk assets and may perform well during periods of elevated volatility, when strong credit analysis and security selection become increasingly valuable. The ability to take both long and short positions can help managers manage risk and navigate changing market conditions. Additionally, these strategies have historically exhibited relatively low correlations to traditional stock and bond markets, making them a potential source of diversification and helping to reduce overall portfolio risk when combined with a traditional mix of equities and fixed income investments.

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.

3. Bond market volatility has increased recently, as measured by the ICE Bank of America MOVE Index (MOVE Index), which measures Treasury rate volatility through options pricing. An index is unmanaged and not available for direct investment.

Tactical guidance*

Cash Alternatives and Fixed Income

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

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Digital Assets Private Real Estate	Commodities 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, October 5, 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. **Leveraged loans** are generally below investment grade quality. Investing in such securities should be viewed as speculative and investors should review their ability to assume the risks associated with investments which utilize such securities. 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.

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 Long/Short, 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

Morningstar LSTA U.S. Leveraged Loan Index is a market value weighted index designed to measure the performance of the U.S. leveraged loan market. The legacy payment default rate includes Morningstar LSTA U.S. Leveraged Loan Index constituents where the company files for bankruptcy, the facility gets downgraded to D by S&P (excluding distressed exchanges and sub-par buybacks), or the interest payment is missed without a forbearance. Distressed exchanges include all liability management transactions considered a distressed exchange or default by S&P Global Ratings.

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".

General disclosures

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Unless otherwise noted, market data, index data, economic statistics, earnings data, and related analytical information referenced throughout this report are sourced from Bloomberg and Wells Fargo Investment Institute, as of September 29, 2026.

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