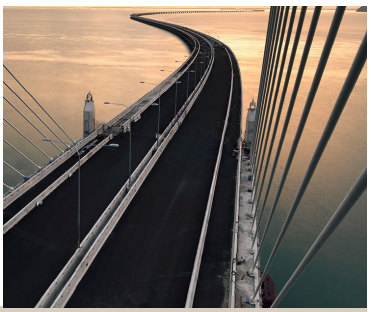
WELLS FARGO
Investment Institute

Investment Strategy



Weekly guidance from our Investment Strategy Committee **November 16, 2026**

Asset Allocation Spotlight: Diversification matters as markets shift..... 2

- A proxy for a global market portfolio has nearly quadrupled in value over the past 20 years, while its asset-class composition has shifted as equities, real assets, and alternatives have grown in importance.
- We see diversification as a potentially important tool to counter shifting and sometimes abrupt leadership changes across market environments.

Equities: Election results could moderate, but extend, AI buildout..... 4

- Recent election results could lead to a more regulated and disciplined data-center development environment. We believe the principal risk is concentrated in speculation about future capacity, while funded and permitted projects should face less near-term disruption.
- We believe a more measured buildout could extend the artificial intelligence (AI) capital-spending cycle and favor established hyperscalers as operating capacity, secured power, funding flexibility, and execution become increasingly valuable.

Fixed Income: High-yield stress shows why quality matters..... 5

- Stress among the weakest borrowers in high yield has risen, but limited strain in higher-quality bonds suggests it is not yet a market-wide problem.
- Stress is showing up first among the weakest borrowers, reinforcing our preference for higher-quality credit. We remain neutral on high yield and prefer investment-grade corporate and securitized bonds.

Real Assets: Industrial Metals — An uneven path ahead..... 6

- Industrial Metals are caught between positive long-term fundamentals and growing near-term risks. We remain favorable but expect an uneven path higher in 2027.
- Speculative positioning remains elevated, but has started to roll over, suggesting investors may be starting to account for more balanced risks ahead.

Alternatives: Higher-for-longer rates may expose vulnerabilities 7

- With inflation remaining above the Federal Reserve's (Fed) target, interest rates may stay higher-for-longer, potentially adding to the financial strain already emerging among more vulnerable borrowers.
- We continue to favor Distressed Credit sub-strategies positioned to provide capital to challenged businesses and support restructuring efforts.

Current tactical guidance..... 8

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

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Asset Allocation Spotlight

David Bornfleth, CFA
Global Asset Allocation Analyst

Caroline Li
WIM Program Analyst

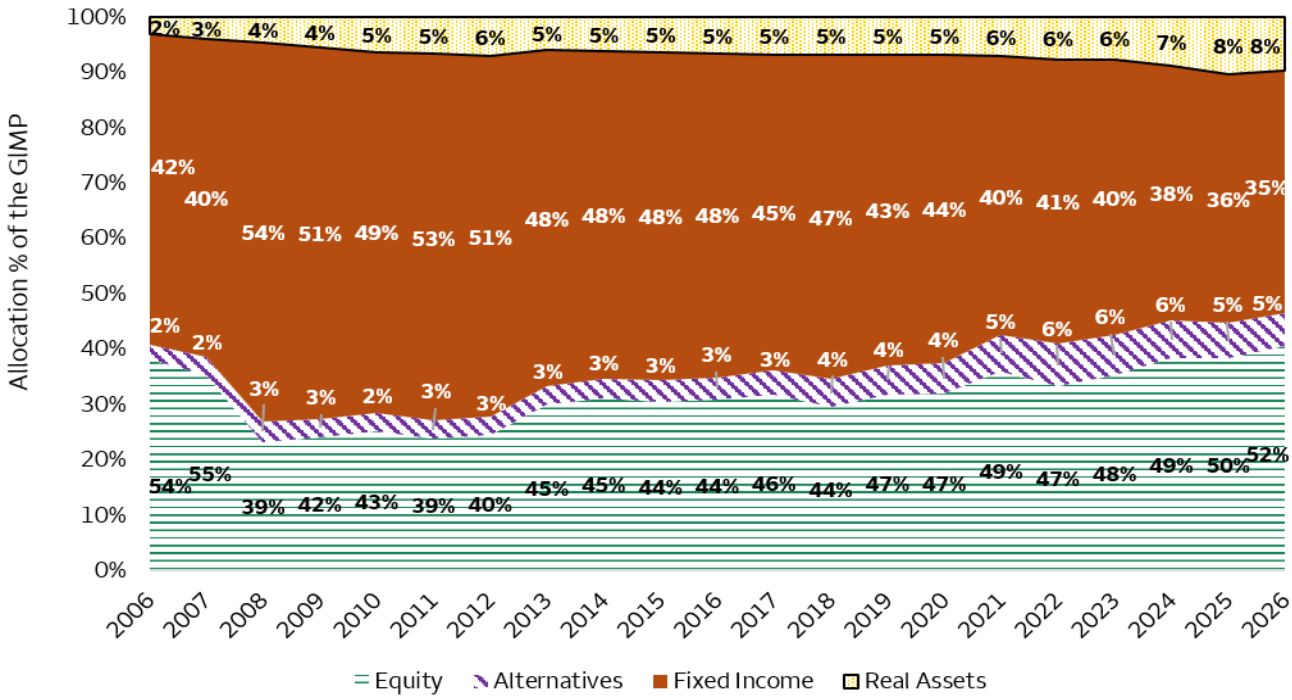
Diversification matters as markets shift

The global market portfolio changed over the past two decades

The concept of a Global Market Portfolio (GMP) is a hypothetical portfolio that combines globally investable assets. Chart 1 shows a proxy, based on the market capitalization of various global asset-class benchmark indices. Based on these indices, we estimate this hypothetical portfolio at a value of $276 trillion as of 10/30/2026, nearly four times its value on 12/31/2006. The GMP has also become broader over time, and history shows that the value of that breadth becomes most evident when market leadership changes during periods of stress.

Chart 1 illustrates the path of GMP value accumulation, and from 2022 to 2026 equities grew from 47% to 52% of the GMP, while fixed income declined from 41% to 35%. Meanwhile, real assets expanded from 6% to 8% share, and alternatives stayed around 5% to 6%. Although their shares remained relatively steady, real assets and alternatives grew in absolute value as the GMP expanded. This growth broadened the opportunities available to investors for diversification across a wider range of asset classes during this period, and we expect those opportunities broadly to continue.

Chart 1. GMP growth has extended beyond equities and to a rising allocation across other asset classes



Sources: Wells Fargo Investment Institute, Bloomberg, Preqin, GlassNode, and World Gold Council. Data as of November 9, 2026. Excludes non-securitized investment assets like private business and private property. Investable gold is used as a proxy for commodities. Hedge funds and Liquid Alternatives were excluded due to the risk of double counting. GMP = global market portfolio. Please see disclosures on page 10 for indexes used in calculations. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

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Diversification matters when markets shift

Even beyond the portfolio's growth, however, we want to note that market stress events can increase uncertainty and trigger a flight to safety, resulting in meaningful shifts in asset-class allocations. Four major stress events occurred in the past two decades, and in each case, equities lost proportional value in the GMP while others gained share:

- Amid the 2008 Global Financial Crisis, investors shifted away from risk assets toward more defensive positions. The GMP reflected this shift, as equities relative portfolio weight declined from 55% to 39% between 2007 and 2008, while fixed income securities increased from 40% to 54%.
- In 2011, markets faced another period of heightened global volatility as European sovereign-debt concerns intensified alongside weaker global growth expectations. Heightened risk aversion favored defensive assets as equity's relative portfolio weight fell from 43% to 39% between 2010 and 2011 while fixed income increased from 49% to 53%. Real assets and alternatives remained relatively steady rather than contracting substantially.
- In 2018, Federal Reserve (Fed) rate hikes and slowing global growth tightened financial conditions and pressured equities. As equities relative portfolio weight declined, fixed income grew from 45% to 47% between 2017 and 2018, while real assets held steady and alternatives grew from 3% to 4%. This shift extended beyond the traditional rotation into fixed income, as alternatives also gained share as the overall portfolio expanded.
- Towards the end of the COVID-19 global pandemic in 2022, a slowing economy and tighter monetary policy as a response to rising inflation pressured both equity and fixed income. Equities' relative portfolio weight fell from 49% to 47% between 2021 to 2022, while rising yields limited the diversification benefit from bonds, whose relative weight increased from 40% to 41%. Meanwhile, real assets held steady and alternatives rose from 5% to 6%. This shift highlighted the diversification value of other asset classes as inflation and rising rates challenged a traditional portfolio made primarily of stocks and bonds.

Investor implications

Our analysis here illustrates that no single asset class has provided the same diversification benefit in every period of market stress. Maintaining strategic exposure across fixed income, real assets, and alternatives alongside equities can provide multiple potential sources of diversification as market leadership changes. Our historical analysis illustrates that different asset classes gained or lost relative portfolio share during periods of market stress, supporting the potential value of maintaining diversified exposures as market leadership changes. This tendency has been a key objective of strategic asset allocation. Investors today have greater exposure to asset groups like real assets and alternatives that have gained portfolio share over the past 20 years.

We do not know when the next event may cause equity prices to fall sharply, but we do believe that diversification allows strength in some areas to at least partially offset weakness in other areas of global markets. Just as important, our analysis implies that moving money out of global markets altogether — into cash or cash alternatives, for example — may miss the gains in other asset groups during the period of risk aversion, and may then miss the opportunity to gain from equity exposure, once risk appetite returns.[1]

1. Wells Fargo Investment Institute, "Special Report: The perils of trying to time volatile markets," November 5, 2026.

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Equities

Thomas Christopher
Equity Sector Analyst

Election results could moderate, but extend, AI buildout

Recent election results could reinforce a more measured approach to AI infrastructure development. Power availability, grid interconnection, infrastructure costs, permitting, and community requirements increasingly determine when, where, and at what cost capacity can be delivered. We believe these constraints are more likely to change the pace and economics of the buildout than its long-term direction. We believe funded and permitted projects may be better positioned, while later-dated projects requiring power or approvals may face longer timelines. Google's acquisition of Crusoe's pre-developed Wyoming site illustrates the value of de-risked, power-secured capacity and the flexibility to directly control development.

For Communication Services, Software, and the broader Information Technology sector, we continue to believe AI adoption and monetization, earnings growth, competitive positioning, and valuation remain the primary long-term drivers. Slower capacity deployment does not necessarily imply weaker demand. If demand and returns remain attractive, a more measured buildout could extend the capital spending cycle while increasing the strategic value of operating and power-secured capacity. Delays could also defer cloud revenue and development costs. For software, we would continue to judge AI investment primarily on adoption, monetization, and customer returns.

Within AI infrastructure, we continue to favor established hyperscalers. In our view, their access to capital and power, geographic flexibility, enterprise relationships, and integrated cloud platforms should become increasingly valuable as incremental capacity becomes harder to deliver. We believe hyperscalers are well positioned to navigate constraints, shift investments across markets, and monetize AI capacity through broader cloud and enterprise platforms. Our preference therefore remains with companies that can fund, deliver, and monetize AI infrastructure rather than simply pursue the largest buildouts. We would become less constructive if monetization slows, project delays become cancellations, or sustained capital spending fails to generate adequate returns and free cash flow.

Chart 2. Select U.S. AI campuses: Operating and under-construction buildout



Sources: Wells Fargo Investment Institute; Vantage Data Centers; Amazon/AWS; Microsoft; OpenAI; Meta Platforms; Epoch AI. Capacity is presented on a critical or estimated IT-load basis. Company disclosures are marked [C]; third-party estimates are marked [E]. Project dates and capacity estimates are subject to change. Data as of November 10, 2026. AWS = Amazon Web Services. GW = gigawatt. IT = information technology. Q1 = first quarter. Q2 = second quarter. Q4 = fourth quarter. Est. = estimated.

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Fixed Income

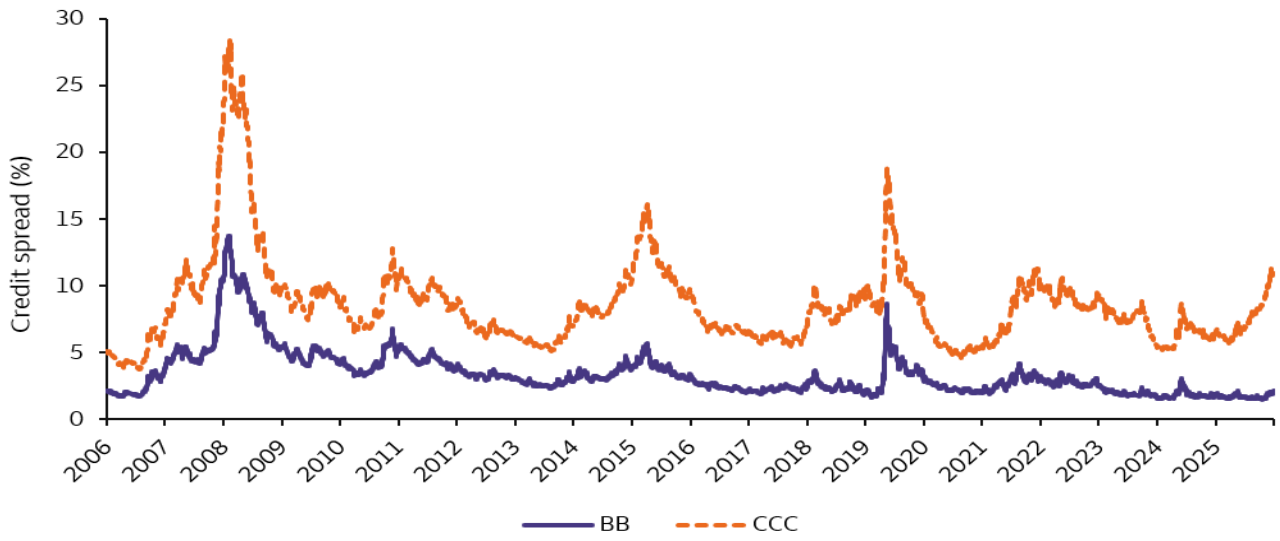
Tony Miano, CFA, CAIA
Global Fixed Income Analyst

High-yield stress shows why quality matters

Many investors know high-yield bonds as "junk bonds," but the name can be misleading. It suggests every borrower is equally risky, when in reality, high-yield companies vary widely in their financial strength. That difference is the key to understanding recent market stress, and why bond quality matters.

A credit spread is the additional yield investors receive for owning a corporate bond instead of a comparable U.S. Treasury. When spreads rise, investors generally demand more compensation for the risk that a borrower may not repay its debt. Recently, spreads have risen sharply for CCC-rated bonds, one of the lowest-quality areas of high yield (see Chart 3).

Chart 3. CCC spreads spike, but BB remains contained



Source: Bloomberg, data as of November 9, 2026. Credit spread represents the difference in yields between a bond and a similarly dated Treasury. BB is represented by the Bloomberg Ba US High Yield Average OAS Index and CCC by the Bloomberg Caa US High Yield Average OAS Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** OAS = options-adjusted spread.

So far, however, the strain appears contained. Spreads on BB-rated bonds, the highest-quality segment of high yield, have not increased significantly. That matters because BB-rated bonds make up more than half of the Bloomberg U.S. Corporate High Yield Bond Index. Many BB-rated issuers are also financially stronger than the "junk bond" label might suggest. During broader periods of market stress, CCC and BB spreads typically rise together. That has not happened this time. For now, the warning signs remain concentrated among the weakest borrowers.

For investors, the lesson is to focus on quality. When risks rise, quality can provide a stronger first line of defense. Weaker borrowers tend to feel market swings and earnings worry first, even when the broader economy looks healthy. High yield includes some sturdier companies than the "junk bond" name implies, but it still carries exposure to the weakest borrowers. We therefore remain neutral on high yield and prefer taking credit risks in higher-quality areas of the bond market, including investment-grade corporate and securitized bonds.

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Real Assets

Mason Mendez
Global Real Assets Analyst

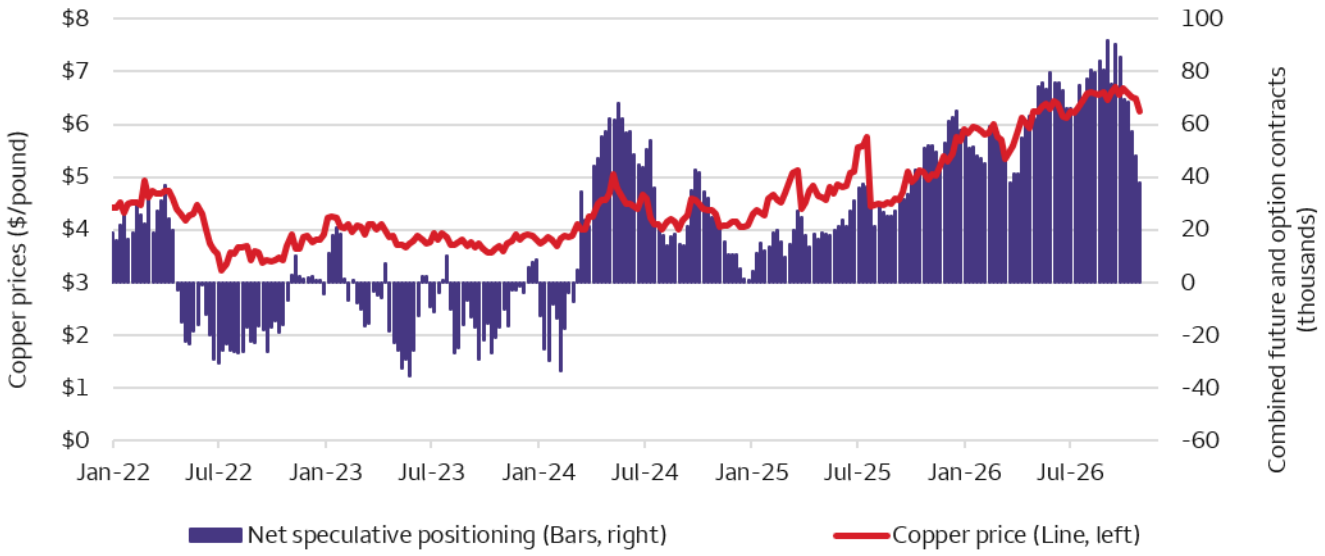
Industrial Metals — An uneven path ahead

Industrial Metals could face a more challenging backdrop in 2027, as the sector becomes increasingly caught between competing forces — supportive long-term fundamentals and growing near-term risks.

The long-term fundamentals remain constructive. Demand continues to grow from the AI buildout, electrification, and growing power generation needs. Meanwhile, the supply of mined copper continues to lag demand, creating a structural imbalance. Given the average mine takes roughly 17 years from exploration to production, these shortages cannot be fixed overnight, supporting the case for higher copper prices over time.[2]

Investor enthusiasm has grown alongside this strong backdrop (see Chart 4). Speculative positioning[3] more than doubled between March 2024 to its peak in September 2026. This persistent optimism, however, could leave copper more susceptible to disappointment if the outlook becomes less supportive.

Chart 4. Copper positioning shows signs of cooling



Sources: Bloomberg and Wells Fargo Investment Institute. Weekly data is from January 7, 2022. through November 3, 2026. Net speculative positioning represents speculative longs minus speculative shorts. Bars above zero represent when positioning is net long, while bars below zero represent when positioning is net short.

Several factors could challenge bullish expectations. We expect higher interest rates and elevated energy costs, which could eventually slow the global economy and reduce demand for industrial metals. Meanwhile, growing uncertainties around the pace of AI infrastructure spending could temper an increasingly important source of global demand. The recent roll over in speculative positioning from its peak on September 4, 2026 through October 30, 2026 suggests some of this optimism may already be fading as investors account for a more balanced outlook in 2027.

We remain favorable on Industrial Metals, as long-term demand trends pulling on limited supply growth should support higher copper prices over time. However, with speculative positioning elevated and much of the "good news" potentially already reflected, the path forward could become more uneven if economic conditions weaken or the pace of the AI buildout moderates.

2. S&P Global, "Copper by the numbers: Exploration, development, and operations," December 13, 2022.
3. Speculative copper investors are non-commercial traders holding COMEX copper futures positions primarily for investment or trading rather than commercial hedging.

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Alternatives

Mark Steffen, CFA, CAIA
Global Alternative Investment Strategist

Higher-for-longer rates may expose vulnerabilities

The battle to tame inflation may prove more difficult than many policymakers have expected. After peaking near 9% in mid-2022, inflation, as measured by the Consumer Price Index (CPI), declined sharply over the following year, helped in part by the Fed's aggressive interest-rate hikes from near zero to roughly 5%. Inflation initially appeared to be on a steady path toward the Fed's 2% target. However, the final stretch has proven more challenging, with inflation remaining stubbornly above the Fed's goal.

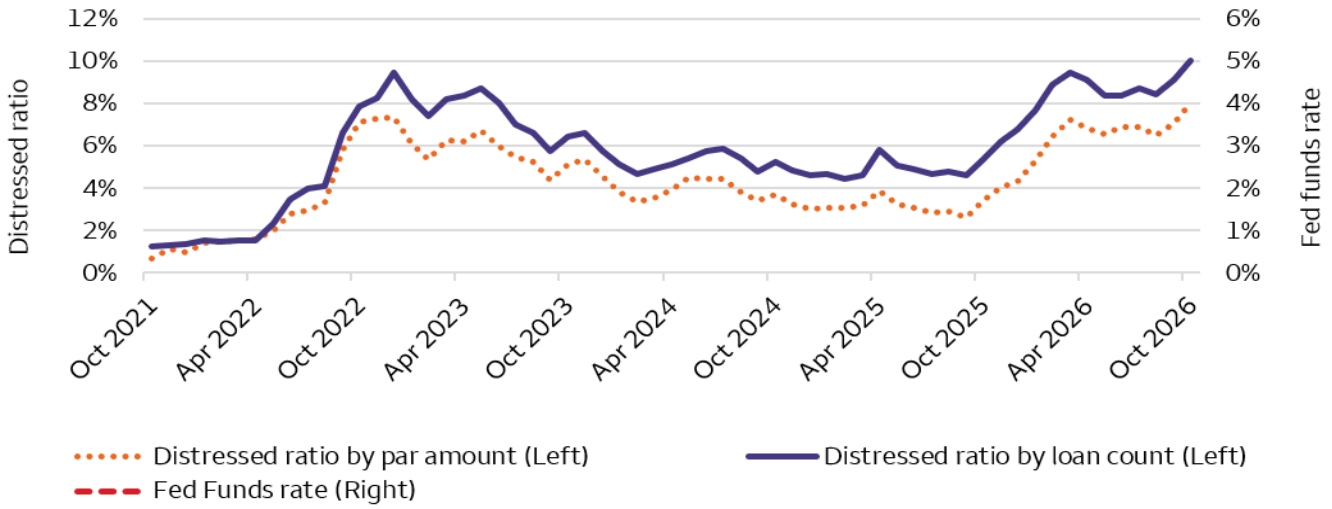
Persistent inflation has also changed the outlook for interest rates. With Fed Chair Warsh reiterating the central bank's commitment to price stability, investor expectations have shifted from lower rates toward the possibility that rates may remain elevated or move higher. For many small- and mid-sized businesses, the borrowing-cost relief they had anticipated may not materialize anytime soon, in our view.

At the same time, many businesses continue to face higher operating and input costs, putting additional pressure on profit margins just as elevated interest rates make existing debt more expensive to service. These pressures have already contributed to elevated levels of financial stress among more highly leveraged companies and could intensify if borrowing costs remain higher for longer.

Chart 5 shows that financial stress is already elevated. The distressed ratio, which measures the percentage of loans trading below 80% of par value, has been rising since mid-to-late 2025. If interest rates remain elevated or move higher, we believe financial stress could broaden as a growing number of vulnerable businesses struggle to absorb higher financing costs and weaker margins.

Given these dynamics, we remain favorable on Distressed Credit, as greater financial stress may create compelling opportunities for investors to provide capital and help challenged businesses establish more sustainable paths forward.

Chart 5. Distress ratios trend higher amid expectations for elevated rates



Sources: Pitchbook and Bloomberg. Data as of October 31, 2026. Pitchbook | Leveraged Commentary and Data (LCD) and Morningstar (Morningstar LSTA U.S. Leveraged Loan Index). Data as of October 31, 2026. Distress ratios represent the percentage of performing loans priced below 80% of par, a level typically associated with borrower stress. 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.

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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, November 16, 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.

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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.

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.

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.

Private infrastructure investments are speculative, illiquid, and intended for long-term investment. They are subject to risks including construction and development delays, cost overruns, leverage, changes in interest rates, regulatory or political developments, operational failures, changes in demand, and limited exit opportunities. Valuations may be uncertain, and investors could lose some or all of their investment.

Cryptocurrency and other digital assets often involve significant risks and can be highly volatile. Their value may fluctuate substantially, and investors could lose all or a significant portion of their investment. Digital assets may be subject to market, liquidity, regulatory, and operational risks and may be subject to heightened risks of fraud, cyber incidents, and market manipulation. Digital assets may not provide the same regulatory protections as traditional investment products and often are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any government agency. Investors should carefully consider their investment objectives, risk tolerance, and financial circumstances before investing in cryptocurrency or other digital assets.

Definitions

Equity was calculated using the MSCI All Country World Index and MSCI All Country World Small Cap Index.

Fixed Income was calculated using the Bloomberg Municipal High Yield Index, Bloomberg U.S. Municipal Index, Bloomberg U.S. Floating Rate Notes Index, Bloomberg U.S. Short Treasury Index, Bloomberg Multiverse Index, Bloomberg Global Inflation-Linked Index, and the FTSE Qualified Global Convertible index.

Alternatives were calculated using private equity and private debt data sourced from Preqin.

Real Assets were calculated using the FTSE EPRA/NAREIT Global Index, private real assets data sourced from Preqin, Bitcoin and Ether market capitalization data, and gold data from the World Gold Council.

The **Bloomberg Ba U.S. High Yield Index** measures the performance of U.S.-dollar-denominated, fixed-rate, high-yield corporate bonds rated from Ba1 through Ba3 under Bloomberg's index-rating methodology. It is a rating-specific subset of the Bloomberg U.S. Corporate High Yield Bond Index

The **Bloomberg Caa U.S. High Yield Index** measures the performance of U.S.-dollar-denominated, fixed-rate, high-yield corporate bonds with an index rating in the Caa category under Bloomberg's index-rating methodology. It is a rating-specific subset of the Bloomberg U.S. Corporate High Yield Bond Index.

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The **Bloomberg U.S. Corporate High Yield Bond Index** measures the performance of the U.S.-dollar-denominated, fixed-rate, high-yield corporate bond market. Securities are classified as high yield when the middle rating assigned by Moody's, S&P, and Fitch is Ba1/BB+/BB+ or below. Bonds from issuers classified as having an emerging-markets country of risk are excluded.

High Yield Municipal Bonds. **The Bloomberg Municipal High Yield Bond Index** measures the performance of U.S.-dollar-denominated, tax-exempt, non-investment-grade and certain nonrated municipal bonds.

Investment Grade Municipal Bonds. **The Bloomberg U.S. Municipal Bond Index** measures the performance of the U.S.-dollar-denominated, investment-grade, tax-exempt municipal bond market.

Floating-Rate Notes. **The Bloomberg U.S. Floating Rate Note Index** measures the performance of U.S.-dollar-denominated, investment-grade floating-rate notes across government-related and corporate sectors. Interest payments periodically reset based on a reference rate.

Short-Term U.S. Treasury Securities. **The Bloomberg U.S. Short Treasury Index** measures the performance of U.S. Treasury bills, notes, and bonds with less than one year remaining to maturity.

Global Fixed Income. **The Bloomberg Multiverse Index** is a broad measure of the global fixed-income market, including investment-grade and high-yield bonds across eligible currencies and markets.

Inflation-Linked Bonds. **The Bloomberg Global Inflation-Linked Index** measures the performance of investment-grade, government-issued inflation-linked bonds across developed markets.

Convertible Securities. **The FTSE Qualified Global Convertible Index** measures the performance of the investable global convertible bond market. Convertible bonds generally combine characteristics of corporate bonds and equities and may be converted into a specified number of the issuer's common shares.

Real Estate. **The FTSE EPRA/NAREIT Global Index** measures the performance of publicly traded real estate securities globally, including equity REITs and listed property companies.

World Mid and Large Cap Equities. **The MSCI ACWI Index** is a free-float-adjusted market-capitalization-weighted equity index that measures the performance of large- and mid-cap equities across developed and emerging markets.

World Small Cap Equities. **The MSCI ACWI Small Cap Index** is a free-float-adjusted market-capitalization index designed to measure the performance of small-cap equities across developed and emerging markets.

The 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 index serves as the market standard for the US leveraged loan asset class and tracks the performance of more than 1,400 USD denominated loans. Key features of the index include: underpinned by PitchBook LCD data sourced from both public and proprietary sources, comprehensive and precise coverage using 20+ years of live index history, and weekly rebalancing to reflect current loan market activity.

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

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 November 10, 2026.

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