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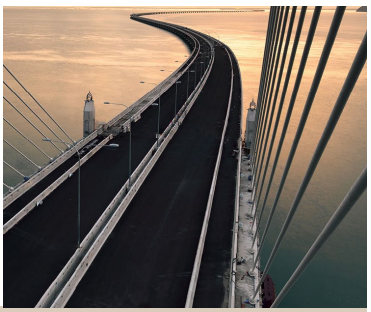
Investment Strategy



Weekly guidance from our Investment Strategy Committee **November 23, 2026**

Real Assets Spotlight: Gold — Inflation-adjusted yields matter again 2

- Gold's historical sensitivity to inflation-adjusted yields has reasserted itself after weakening since 2022.
- We remain favorable on Precious Metals, though elevated inflation-adjusted yields and a strong U.S. dollar could lead to further weakness before performance improves.

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- Investors appear to be rotating into defensive sectors rather than retreating from equity markets. We believe the bull market has room to run, but investors should expect more volatility and selectivity ahead.
- We continue to favor high-quality U.S. Large Cap Equities, combined with dollar-cost averaging and regular rebalancing.

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- Over the last three weeks, the U.S. Treasury market has once again reminded us that yields can move quickly and that markets do not always wait for the Federal Reserve (Fed) to act.
- We believe attractive yields can create opportunities, but investors should distinguish between yield opportunities across maturities.

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- Over recent decades, the growth in major sports franchise valuations has outpaced the return of the S&P 500 Index, supported by loyal fanbases, scarce supply, and recurring revenue streams.
- We believe the expanding sports opportunity set may enhance portfolio diversification while providing recurring income and long-term growth potential.

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Real Assets Spotlight

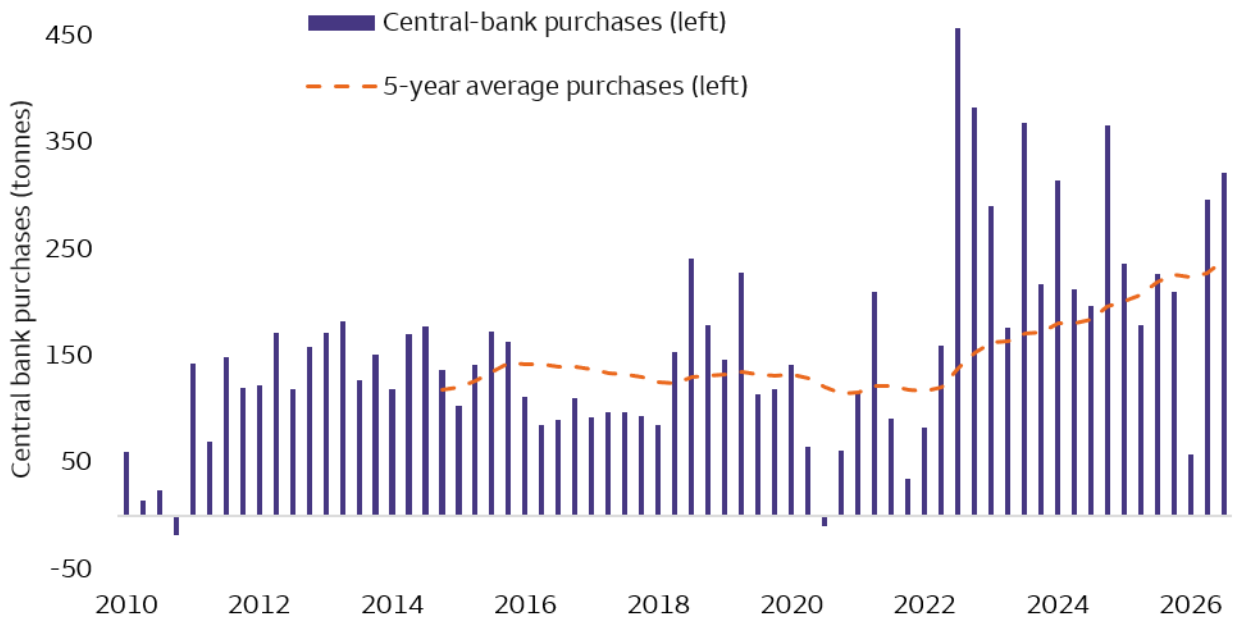
Mason Mendez
Global Real Assets Analyst

Gold — Inflation-adjusted yields matter again

Traditional macroeconomic headwinds are once again playing a large role in gold prices. Strong central-bank demand remains supportive, yet elevated inflation-adjusted yields (larger real yields), a strong U.S. dollar, and tighter Fed policy have reasserted their influence. We believe gold's underlying demand trends remain firm, although monetary policy and interest-rate headwinds will likely contribute to a bumpier path higher.

Historically, gold prices have been heavily influenced by inflation-adjusted yields and the U.S. dollar. Since 2022, however, another force has become increasingly important – demand from global central banks. Chart 1 highlights that shift, with purchases accelerating following Russia's invasion of Ukraine, as the freezing of Russian foreign reserves focused attention on geopolitical risks and reserve management. Annual purchases averaged roughly 1,000 tonnes from 2022 through 2025, roughly double the average of the prior decade. That demand remained strong in 2026, with central banks purchasing another 675 tonnes year-to-date through the third quarter.

Chart 1. Central-bank purchases on track for another strong year



Sources: World Gold Council and Wells Fargo Investment Institute. Quarterly data is from March 31, 2010, to September 30, 2026.

Why have central banks grown purchases so significantly? Motivations vary, but commonly include diversification, liquidity, inflation protection, gold's performance during crisis, and protection against geopolitical risks. Because gold is not tied to the credit worthiness or policies of any single government, it can serve as a potential store of value when geopolitical risks or crisis arise. Individual central banks, such as Poland, may slow purchases after reaching their specific policy goals, but we view the broader motivations behind central-bank demand as durable trends. The World Gold Council's 2026 Central Bank Gold Reserves Survey reinforces that view, with 89% of respondents expecting global central-bank gold reserves to increase over the next year.

That shift in demand helps explain the changing relationship in Chart 2. Historically, gold has moved inversely with inflation-adjusted yields, meaning gold prices tend to fall as inflation-adjusted yields rise, and vice versa. Because

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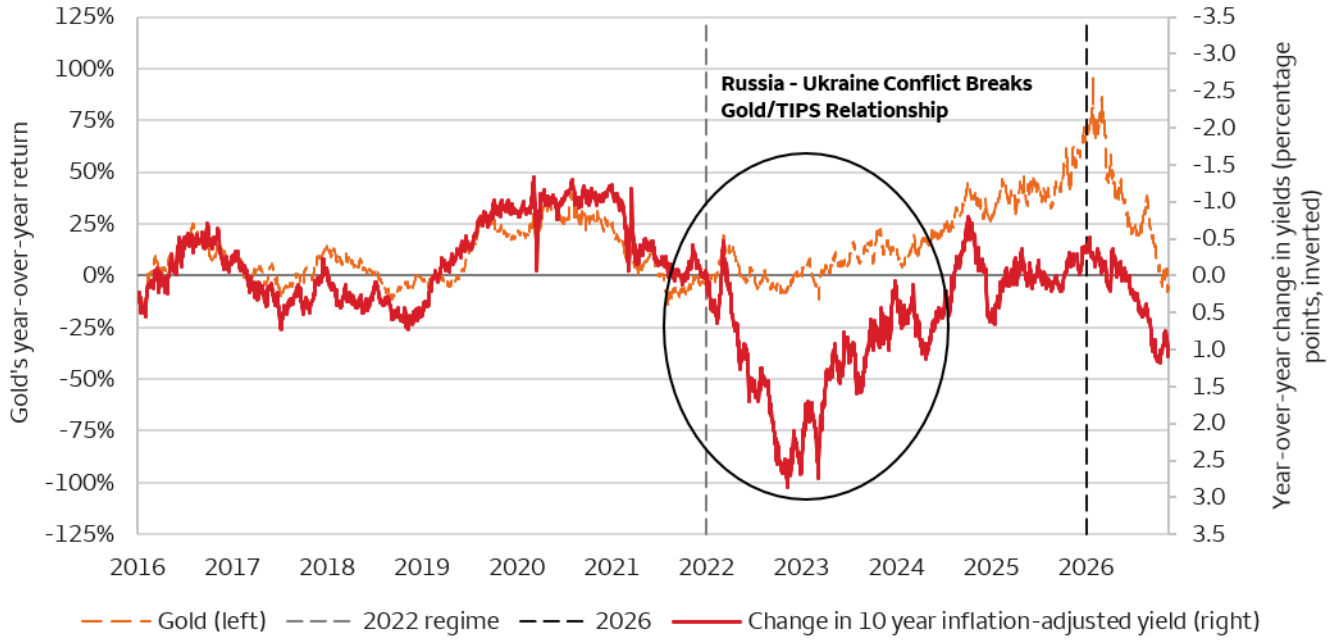
gold pays no interest, higher inflation-adjusted yields increase the opportunity cost of holding gold, making it less attractive.

Chart 2. Gold's relationship with inflation-adjusted yields is re-emerging



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from January 1, 2016, to November 16, 2026. TIPS = Treasury Inflation-Protected Securities.
Past performance does not guarantee future results.

Chart 2 shows that relationship directly by comparing changes in gold prices with changes in inflation-adjusted yields, with the inflation-adjusted-yield axis inverted. Before 2022, the two lines generally moved together, illustrating the strong inverse relationship. However, that relationship broke down beginning in 2022. Inflation-adjusted yields rose substantially as the Fed tightened monetary policy, which historically would have been a significant headwind. Yet, gold proved considerably more resilient.

The timing of that break is important. It coincided with Russia's invasion of Ukraine, heightened geopolitical uncertainty, and the acceleration in central-bank gold purchases, as shown in Chart 1. We believe that additional demand drivers helped offset some of the pressure from rising inflation-adjusted yields, allowing gold to perform better than its traditional macroeconomic relationship alone would have suggested.

More recently, however, the relationship appears to be reasserting itself. In 2026, gold and inflation-adjusted yields have become more closely aligned, suggesting inflation-adjusted yields are once again playing a larger role. That has been particularly evident recently, as hotter-than-expected inflation data, firm economic growth, and hawkish Fed commentary fueled expectations for additional Fed rate hikes, pushing inflation-adjusted yields higher and gold prices to an intraday low of $3,835 per troy ounce as of November 16. Importantly, however, we do not believe the central-bank demand story has disappeared.

That leaves us favorable on precious metals as we enter 2027, but with expectations for continued volatility. Elevated inflation-adjusted yields and a stronger dollar could create periodic setbacks, but we believe durable central-bank demand, geopolitical uncertainty, and diversification benefits should continue to support prices. Should inflation or Fed policy expectations become less hawkish or inflation-adjusted yields retreat from their recent highs in 2027, the easing rate pressure could provide a catalyst for higher prices. With gold prices already adjusting to a more challenging macro backdrop, we continue to see attractive longer-term risk-reward as prices work toward our 2027 target.

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Equities

Awsaf Tamjid Arko
Global Equity Strategy Associate

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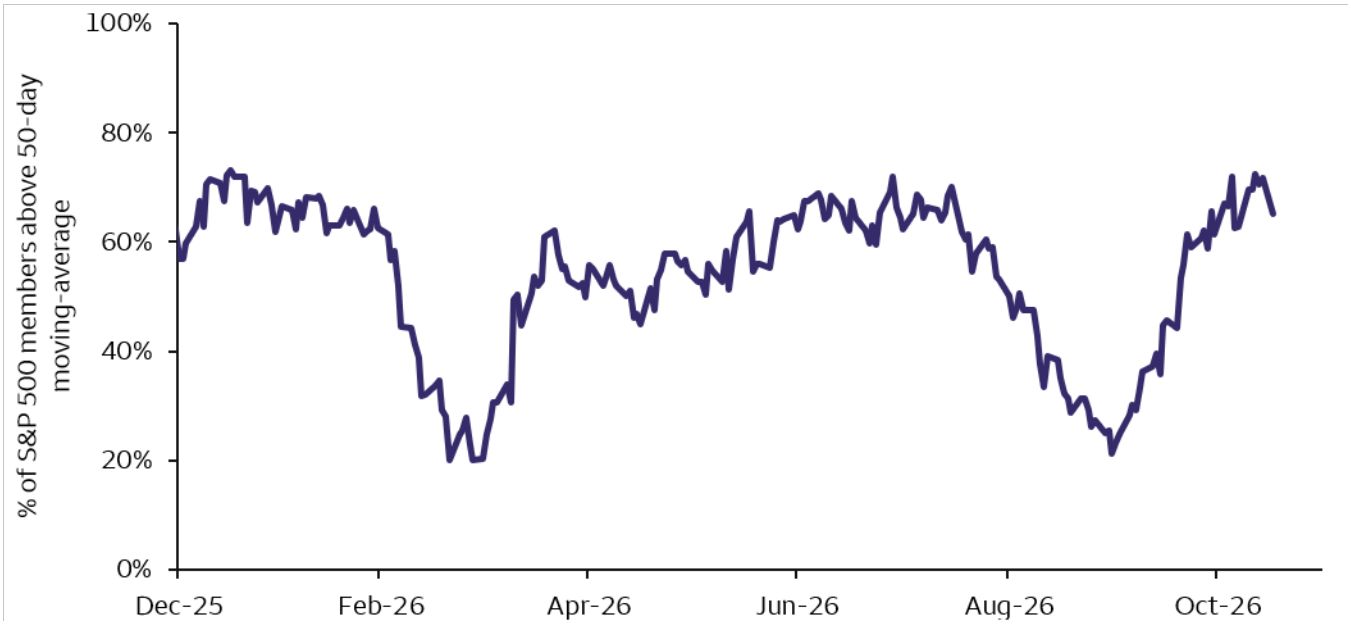
Global Equity Strategist

A bumpier road for an aging bull

November has intensified a pattern that began following the S&P 500 Index's peak on October 6, with sharp swings, technology-led selling, and a rotation into defensive sectors. Technology's slide reflects doubts about the payoff from heavy artificial intelligence (AI) spending, tighter chip export rules, and new policy uncertainty. This month through November 17, the CBOE Volatility Index (VIX), a gauge of expected S&P 500 Index volatility, ranged from a calm 17 to an elevated 28. Yet the S&P 500 Index sits about 6% below its record, and the S&P 500 Equal Weight Index rallied to an all-time high on November 4. Breadth has improved, with roughly 65% of the S&P 500 Index members trading above their 50-day moving average as of November 16, up from under 30% in early October (see Chart 3). This suggests a rotation, not a broad retreat.

The bull market has entered its fifth year, and some late-cycle behavior is emerging. Defensive sectors are taking more of the lead, and volatility is arriving in more frequent bursts. Earnings remain solid, with third-quarter earnings growth estimated at 30% as of November 17. That strength supports our view that the cycle has room to run, though investors are growing more selective.

Chart 3. Broader participation beneath a volatile index



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data as of November 16, 2026. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.**

So far, investors have rotated into defensive sectors rather than retreating from equities. However, persistent macroeconomic and policy headwinds, alongside elevated volatility, could broaden the pullback. Market corrections tend to develop when several known risks intensify at once, rather than from an unexpected shock. Even so, we do not believe a market correction would end the bull market and recommend maintaining equity exposure while taking risks selectively.

We continue to favor U.S. Large Cap Equities over mid- and small-cap equities. Large-cap companies generally offer stronger earnings, more manageable debt levels, more diversified revenue sources, and better access to financing, which can help them better withstand volatility. Rather than trying to time a market low, we prefer dollar-cost averaging and regular rebalancing.

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Fixed Income

Luis Alvarado
Co-Head of Global Fixed Income Strategy

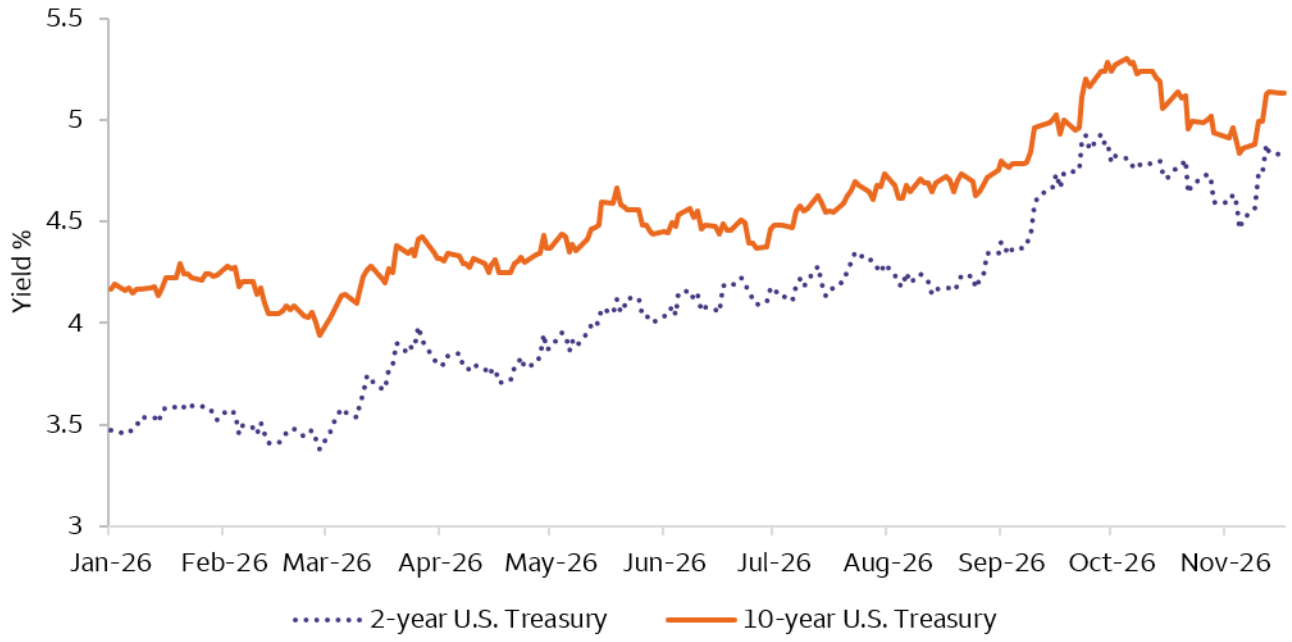
A bond market that is not waiting for the Fed

Over the last three weeks, the U.S. Treasury market has once again reminded us that yields can move quickly and that markets do not always wait for the Fed to act. The most recent upward move in the 10-year Treasury yield has been influenced by higher real (inflation-adjusted) rates and a higher term premium (additional compensation for owning longer-term bonds), while longer-term inflation expectations have declined.

In our view, investors have resumed repricing the Fed's hiking path, the real cost of capital, and the large amount of bond issuance we anticipate through year-end 2027. In effect, fixed-income markets are already doing some of the Fed's work by raising borrowing costs and tightening financial conditions. However, until the Fed follows through with additional hikes and near-term inflation shows clear signs of cooling, we believe longer-term yields are likely to stay elevated for longer.

We believe attractive yields can create opportunities, but investors should distinguish between yield opportunities across maturities. The ultimate level of where long-term rates will peak remains uncertain, but our year-end 2027 10-year U.S. Treasury yield target of 5.25%-5.75% implies that longer-term bonds carry more risk as yields keep rising from current levels. That is why we continue to favor capturing income in short- and intermediate-term bonds. For taxable investors with losses in long-term bonds, we believe the recent selloff may also be an opportunity to harvest losses and reposition into bonds that offer attractive yields with less interest rate risk.

Chart 4. Short- and long-term Treasury yields have both risen sharply in recent weeks



Sources: Bloomberg and Wells Fargo Investment Institute, as of November 16, 2026. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above.

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Alternatives

Chao Ma, PhD, CFA, FRM
Global Portfolio and Investment Strategist

Game on: The growing opportunity in sports

Sports investing provides equity and debt financing to sports teams, leagues, and related businesses, aiming to offer investors the potential for portfolio diversification, resilient income, and long-term capital appreciation.

Between 1998 and 2026, average franchise valuations across major U.S. sports leagues have increased 10- to 30-fold (see Chart 5), outpacing the total return of the S&P 500 Index. We believe three structural drivers have helped support this growth:

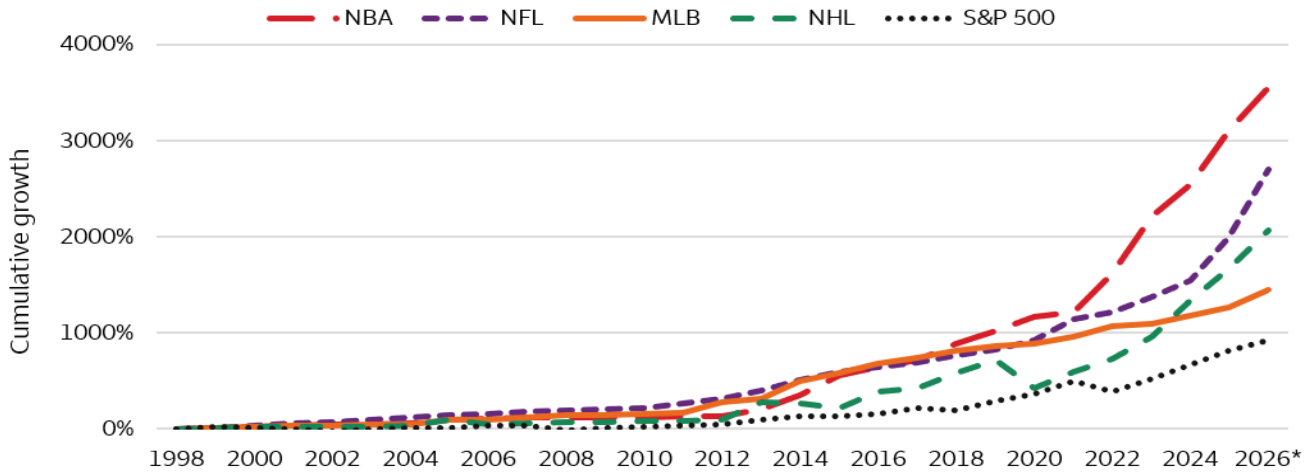
- **Durable demand:** Loyal and increasingly global fanbases provided steady engagement and demand across market and economic cycles.
- **Limited supply:** Major sports franchises represent a finite set of assets, as established leagues generally maintain a limited number of teams. We believe this structural scarcity may support franchise values over time.
- **Recurring cash flows:** Long-term media agreements, sponsorships, ticket sales, concessions, and other revenue streams can provide financial visibility and relatively resilient cash flows.

We believe the investment opportunity also extends beyond team ownership. Media rights, merchandising, venues and hospitality, technology and data, youth sports, emerging leagues, and fan engagement are potentially creating a broader ecosystem for private capital investments.

Qualified investors should also consider the risks. Sports investments may involve long holding periods, limited liquidity, and uncertain exit opportunities. Returns may also be affected by team performance, contract negotiations, changing consumer preferences, and league economics. Meanwhile, elevated valuations could limit future return potential.

We believe sports investing represents a differentiated and expanding opportunity for qualified investors. Thoughtful exposure in sports may enhance diversification while providing recurring income and long-term appreciation.

Chart 5. Franchise valuations across major U.S. sports leagues increased significantly between 1998 and 2026



Sources: Forbes, Pitchbook, Bloomberg, and Wells Fargo Investment Institute. Data as of September 30, 2026. *2026 data through September 30, 2026. The chart tracks the growth in average team valuation for major sports leagues and the total return of the S&P 500 Index. 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.

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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. Intermediate Term Taxable Fixed Income U.S. Long Term Taxable Fixed Income	Cash Alternatives Emerging Market Fixed Income High Yield 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 23, 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. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. 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, silver** or other **precious metals** involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry. Real estate has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

A periodic investment plan such as dollar cost averaging does not assure a profit or protect against a loss in declining markets. Since such a strategy involves continuous investment, the investor should consider his or her ability to continue purchases through periods of low price levels.

Forecasts, estimates, and projections are not guaranteed and are based on certain assumptions and views of market and economic conditions which are subject to change.

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

CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

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.

S&P 500 Equal Weight Index (EWI) is the equal-weight version of the widely-used S&P 500 Index. The index includes the same constituents as the capitalization weighted S&P 500 Index, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

An index is unmanaged and not available for direct investment.

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 17, 2026.

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