

# Investment Strategy

Weekly guidance from our Investment Strategy Committee

January 4, 2021

## Portfolio implementation spotlight: Top 5 portfolio ideas for 2021.....2

- Our expectation for improving economic data and bullish investor sentiment should support equities as the recovery continues into 2021.
- In periods of high volatility, we suggest taking action thoughtfully and not reacting emotionally to market conditions.

## Equities: Improving economic and earnings growth should support further equity market gains .....4

- We expect corporate earnings to rebound in 2021, within all major markets, with the exception of the developed market ex-U.S., surpassing pre-recession levels.
- Higher-quality U.S. equity classes and sectors should continue to outperform in our opinion, but emerging markets and select cyclical sectors could perform well if the recovery takes hold as we anticipate.

### Fixed Income:

## Fiscal and monetary policy should remain accommodative.....5

- Our expectation for an extended low-rate environment will likely add to already high demand for yield-oriented product.
- Tax-exempt income is likely to be in high demand. We believe investors should consider opportunities to add municipal bond allocations in taxable accounts.

## Real Assets: 2021 outlook – Real Assets edition.....6

- We look for a rebound in economic growth to support commodity demand in 2021, while lingering real estate impacts should weigh on real estate investment trusts (REITs) overall.
- We expect commodities to perform well in 2021. REIT investors should be selective.

## Alternatives: Post-pandemic may provide opportunities.....7

- Micro cycles across sectors and increased dispersion could provide a conducive environment for Relative Value and Equity Hedge strategies.
- We believe the pandemic-driven dislocation should prove favorable prospects for private capital strategies focused on nuanced opportunities.

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

# Portfolio implementation spotlight

Asset Allocation  
Strategy Team

## Top 5 portfolio ideas for 2021

### 1. Hold the right amount of cash

In our view, investors should hold enough cash to meet short-term liquidity needs to avoid selling assets at inopportune times. Investors may be over-allocated to cash, as money market balances remain near all-time highs. Investors holding high levels of cash likely are missing out on the market recovery and could be impeding long-term performance. Our research has also found that missing the 10 best days in the market over the past 10 years resulted in a decrease in annualized return by over 50% of the S&P 500 Index—from 11.4% to 5.0%.<sup>1</sup> For investors with high levels of cash, we suggest investing the cash thoughtfully. One potential strategy is dollar-cost averaging—investing cash over time in an effort to take advantage of market fluctuations.<sup>2</sup>

### 2. Selectively increase risk

As we enter a new bull market, we expect risk assets like equities to outperform. But within the equity asset group, we suggest that investors be selective in how they increase risk. We generally favor U.S. equities over international equities because we believe that growth prospects in the U.S. are stronger than those for international economies. Within U.S. equity asset classes, we prefer large-cap and mid-cap equities over small-cap equities because larger companies typically have higher cash balances, lower leverage, and better earnings growth than their smaller counterparts. We also suggest considering gold as part of a tactical commodities allocation in an effort to hedge risk and provide a level of diversification. Within fixed income, we favor taking credit risk and keeping duration (interest-rate sensitivity) neutral.

### 3. Consider exposure to higher-quality, growth-oriented sectors

Quality remains a key theme, but cyclical could play a bigger role. We favor cyclical sectors that should demonstrate more consistent performance as the U.S. economic recovery advances. Our favored sectors include Information Technology, Health Care, Communication Services, and Consumer Discretionary. Also, we favor the Materials sector and upgraded Industrials to neutral in order to seek opportunities as economic improvement broadens around the globe and on the prospect of increased infrastructure spending.

---

<sup>1</sup> Bloomberg and Wells Fargo Investment Institute, as of December 24, 2020. The market is represented by the S&P 500 Index. Analysis based on price return for the S&P 500 Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

<sup>2</sup> 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.

#### 4. Diversify income sources

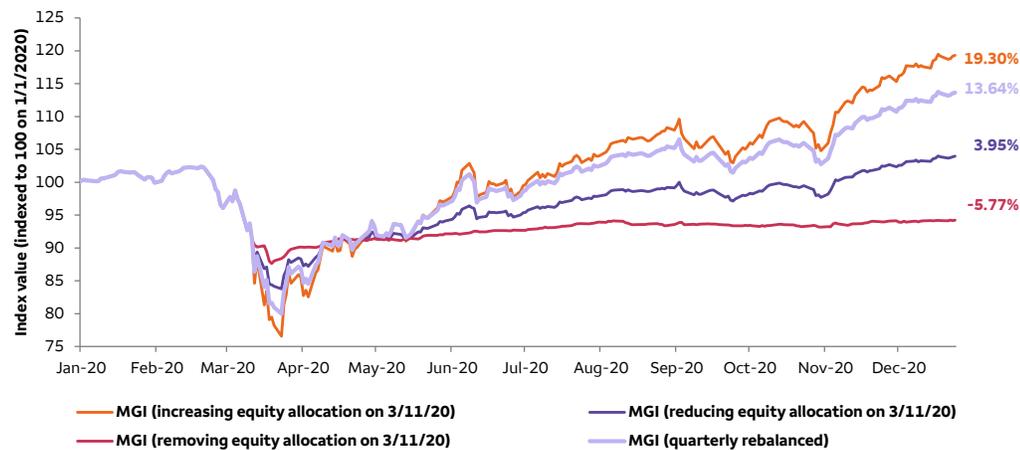
Low interest rates may rise only slightly in 2021, but we suggest diversifying to seek yield in fixed-income investments beyond traditional bond holdings. We favor adding to credit exposure, but selectivity remains key as the risk of pandemic-related bankruptcies rises. We favor U.S. investments over developed international investments due to the greater uncertainties in economic growth prospects overseas. Within fixed-income sectors, we favor municipal bonds and investment-grade and high-yield corporates, as we believe those sectors are well positioned to offer yield. Emerging market bonds, dividend-paying stocks, and preferred securities also may offer attractive streams of portfolio income.

#### 5. Be proactive not reactive

Investors tend to exhibit certain cognitive and emotional behavioral biases that can lead to unwise decisions. In periods of high volatility, we suggest taking action thoughtfully and not reacting emotionally. The chart below compares four hypothetical reactions after the bear market was officially announced on March 11, 2020. The first scenario increased equity exposure (added 30% more to equities, taken from investment-grade fixed income). The second one maintained strategic allocations through rebalancing. The third one decreased equities (half of the equity exposure redistributed to cash and investment-grade fixed income). The fourth scenario completely exited equities. In this example, the portfolios with increased equity exposure outperformed, while those that decreased equity holdings underperformed.

#### An emotional reaction to negative news can be costly

Increased allocations to equities or rebalancing quarterly outperformed hypothetical portfolios which removed or reduced allocation to equities.



Sources: ©2020 - Morningstar Direct1 and Wells Fargo Investment Institute, as of December 24, 2020. MGI = Moderate Growth & Income. Performance results for the portfolios are hypothetical and are presented for illustrative purposes only. Hypothetical results do not represent actual trading. An index is unmanaged and not available for direct investment. **Hypothetical and past performance do not guarantee future results.** Please see end of report for the portfolio compositions, risks associated with the representative asset classes and index definitions.

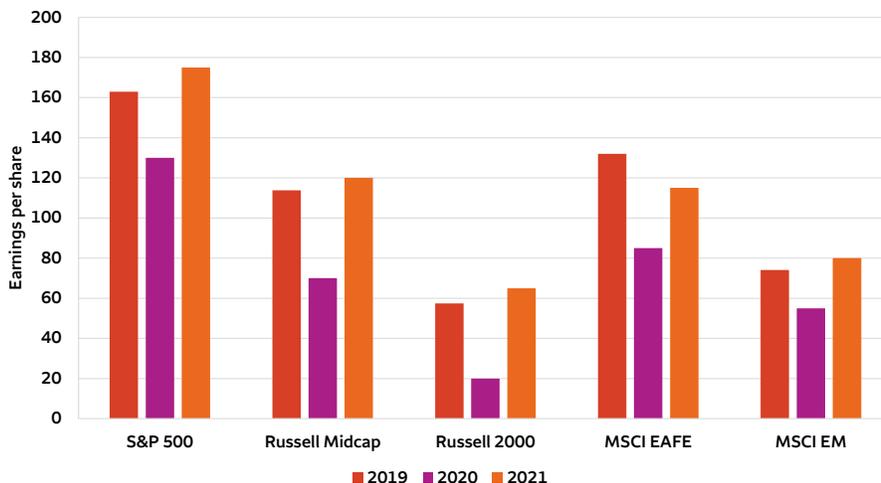
# Equities

## Improving economic and earnings growth should support further equity market gains

We believe economic conditions will improve and likely lead to greater business and consumer confidence, which should drive corporate earnings growth in 2021. We look for strong profit growth and expectations for continued relative advantage of equity earnings yields (earnings/price) to U.S. Treasury yields will be a tailwind for equities. If economic and earnings recovery strengthens in 2021 as we expect, we foresee potential opportunities in some traditional cyclical sectors, especially those with higher-quality characteristics. The quality theme (i.e. stable profitability and low financial leverage) is expressed by our preference for U.S. equities over international equities and large- and mid-cap stocks over small-cap stocks. We also see high-quality characteristics in the Communication Services, Consumer Discretionary, and Information Technology sectors, which we favor. We've upgraded Materials to favorable and Industrials to neutral, reflecting a weaker U.S. dollar, improving fundamentals, and the likelihood of increased infrastructure spending.

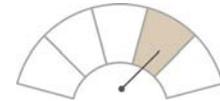
We believe developed market ex-U.S. equities performance will be restrained by a moderate recovery in Japan, Brexit unknowns, and a continuation of trade concerns. We expect emerging market companies, especially in Asia, to continue their earnings recovery in 2021. In particular, China (largest weighting in the MSCI Emerging Markets Index) should be supported by robust business spending, the potential for better consumer spending, and improved trade relations.

### We expect earnings per share to surpass pre-recession highs



Sources: Bloomberg, Wells Fargo Investment Institute, as of December 7, 2020. EM = Emerging Markets  
 2019 earnings per share (EPS) actual. 2020 and 2021 EPS based on Wells Fargo Investment Institute forecasts. Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Please see end of report for Index definitions.

Ken Johnson, CFA  
 Investment Strategy Analyst



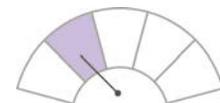
**Favorable**  
 U.S. Large Cap Equities



**Favorable**  
 U.S. Mid Cap Equities



**Neutral**  
 U.S. Small Cap Equities



**Unfavorable**  
 Developed Market  
 Ex-U.S. Equities



**Neutral**  
 Emerging Market Equities

# Fixed Income

## Fiscal and monetary policy should remain accommodative

Record fixed-income supply, historic monetary policies, and additional government deficit spending are likely to continue through at least the first half of 2021 in our opinion. The impact of these unprecedented actions will reverberate in fixed-income markets throughout the year and beyond. While we expect volatility to remain elevated, we anticipate that policymakers will ensure that ample liquidity remains accessible to help markets weather this unique environment.

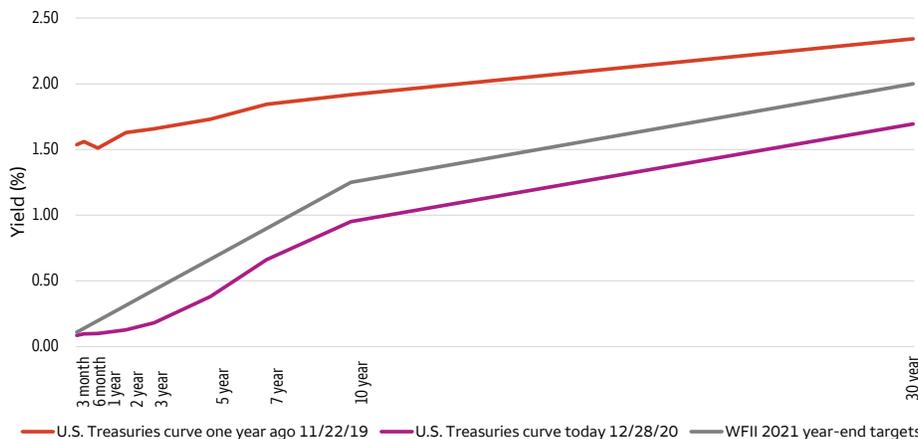
We see no Federal Reserve (Fed) rate hikes through year-end 2021; our federal funds rate target is unchanged from the current level of 0.00% – 0.25%. We see only modestly higher rates in longer maturities as Fed buying and global demand should help keep longer-term rates contained. Our year-end 2021 target for the 10-year Treasury is 1.00% to 1.50% while our 30-year target is 1.75% to 2.25% — modest increases from today’s levels.

## Consider yield-oriented investments

With a low-yield environment expected to persist well into the economic recovery, we believe that investors should favor higher-yielding fixed-income asset classes and sectors. Corporate bonds should continue to pay a premium over Treasury securities, while high-yield and preferred securities are other yield-oriented fixed-income sectors that we currently view favorably. We believe investors should also consider an allocation to emerging market bonds.

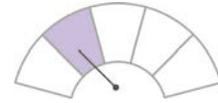
We remain favorable on municipals; for investors in higher effective tax brackets, municipal securities remain attractive and can be an important part of fixed-income positioning. We would take care to diversify positions, and we favor A-rated or better general obligation and essential-service revenue issues.

## We expect yields across the curve to stay low



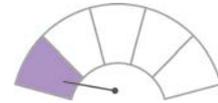
Sources: Bloomberg and Wells Fargo Investment Institute (WFII). Weekly data as of December 28, 2020. Forecasts and targets are based on certain assumptions and on our current views of market and economic conditions, which are subject to change. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

**Brian Rehling, CFA**  
Head of Global Fixed Income Strategy



**Unfavorable**

U.S. Taxable Investment Grade Fixed Income



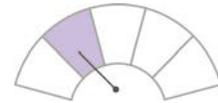
**Most unfavorable**

U.S. Short Term Taxable Fixed Income



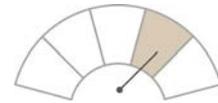
**Neutral**

U.S. Intermediate Term Taxable Fixed Income



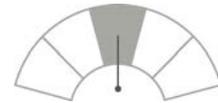
**Unfavorable**

U.S. Long Term Taxable Fixed Income



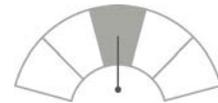
**Favorable**

High Yield Taxable Fixed Income



**Neutral**

Developed Market Ex.-U.S. Fixed Income



**Neutral**

Emerging Market Fixed Income

# Real Assets

*“Hope smiles from the threshold of the year to come, whispering ‘it will be happier’...” — Alfred Lord Tennyson*

## 2021 outlook – Real Assets edition

Our forecast for continued economic improvement should support robust commodity demand. Yet, the supply response may be slow to come back online. This lagged supply effect and rebounding demand should support higher commodity prices in 2021. We remain favorable.

We expect further upside to gold prices in 2021. Sizable monetary and fiscal support and a weaker U.S. dollar should be supportive. Yet, modestly higher real interest rates may be a headwind (see chart). Our forecast is for the price of gold to end 2021 between \$2,100 and \$2,200.

Excessive inventories and substantial spare capacity should keep oil price moves in check during the first half of 2021. As we progress to the second half of the year, demand, inventories, and spare capacity should return to more “normal” levels while the supply response remains impaired. This environment may support higher oil prices than consensus expects. Our 2021 year-end oil targets for West Texas Intermediate (WTI) and Brent are \$45 to \$55 and \$50 to \$60, respectively.

The lingering pandemic impacts have led us to an unfavorable outlook on REITs as a whole, but we see divergent paths among the subsectors. From retailers struggling to pay rent to shrinking office space to would-be travelers staying home, the future for some real estate subsectors does not look so rosy, even post-pandemic. Be selective.

We see better opportunities outside of the energy complex. Yet, we expect large, well-capitalized, and broadly diversified Midstream companies to hold up well relative to some of their energy company peers in 2021.

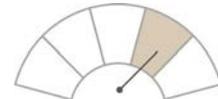
### Gold versus 10-year TIPs



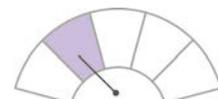
Sources: Bloomberg, Wells Fargo Investment Institute. Weekly data: January 1, 2016 – December 18, 2020. Midstream includes those companies that store and transport hydrocarbons. Midstream is the link between Upstream and Downstream energy companies. **Past performance is no guarantee of future results.**

**John LaForge**  
Head of Real Asset Strategy

**Austin Pickle, CFA**  
Investment Strategy Analyst



**Favorable**  
Commodities



**Unfavorable**  
Private Real Estate

# Alternatives

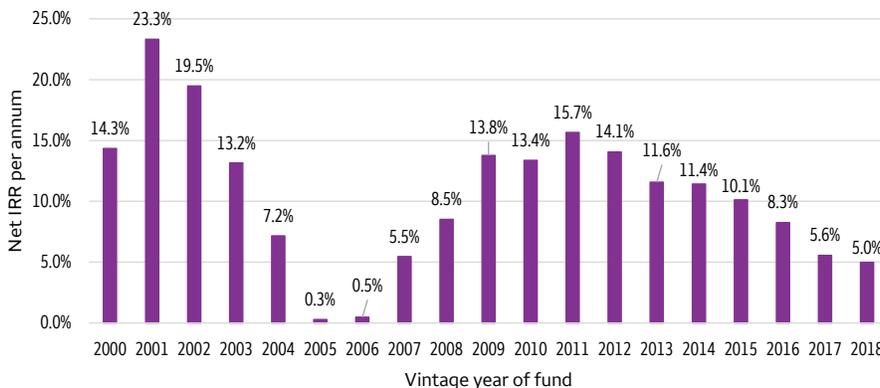
## Post-pandemic may provide opportunities

Entering 2021, we believe the global economy will transition to an early cycle phase, where we expect profit growth to accelerate and interest rates to remain low.

Whereas last year we were focused on strategies that offered reduced downside participation late in the cycle, we are now balancing that view with strategies that seek to capitalize on modest economic recovery, increased corporate deal activity, and asset reflation. We continue to expect a favorable backdrop for Equity Hedge but also anticipate a better environment for Relative Value and Event Driven strategies as well. Within Relative Value, continued strength in the U.S. housing market and yield-starved investors provide tailwinds for the structured credit strategy focused on residential mortgage-backed securities. Long/short managers should continue to benefit from increased dispersion, particularly within sectors most affected by COVID-19.

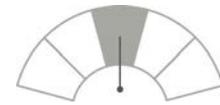
As we shift to the early stages of economic growth, we are constructive on private equity strategies focused on small- to mid-size companies and strategies such as Venture Capital or Growth Equity that invest in the earlier stages of a company’s life. Within private debt, we favor strategies that can extend opportunistic credit to stressed firms or employ “distress for control” to acquire equity of restructured companies on favorable terms for qualified investors. Finally, we are more constructive on “value-add” and “opportunistic” private real estate strategies. Historically, such funds have performed favorably coming out of economic downturns as they typically acquired assets from forced sellers or owners seeking liquidity at discounted values (see chart).

### Performance of value-add and opportunistic North American private real estate funds



Sources: Burgiss, National Bureau of Economic Research, and Wells Fargo Investment Institute. Annual data: January 2000 – December 2018. IRR is internal rate of return, which is the average annual return that investors realized over time from an investment of a particular vintage. Funds are pooled IRRs calculated with 460 funds categorized as value-add or opportunistic. **Past performance is not a guarantee of future results.** Vintage year refers to the milestone year in which the first influx of investment capital is delivered to a project or company. This marks the moment when capital is committed by private capital fund.

**James Sweetman**  
Senior Global Alternative  
Investment Strategist



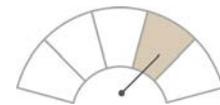
**Neutral**  
Private Equity



**Neutral**  
Hedge Funds – Macro



**Neutral**  
Hedge Funds – Event Driven



**Favorable**  
Private Debt



**Favorable**  
Hedge Funds – Equity Hedge



**Neutral**  
Hedge Funds – Relative Value

Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not suitable for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.

## Risk Considerations

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

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.

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. There is no guarantee dividend-paying stocks will return more than the overall market. Dividends are not guaranteed and are subject to change or elimination. **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. **Municipal bonds** offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal securities are also subject to legislative and regulatory risk which is the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income. 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. Investments in **gold** and gold-related investments tend to be more volatile than investments in traditional equity or debt securities. Such investments increase their vulnerability to international economic, monetary and political developments. There are special risks associated with investing in **preferred** securities. Preferred securities are subject to interest rate and credit risks. Interest rate risk is the risk that preferred securities will decline in value because of changes in interest rates. Credit risk is the risk that an issuer will default on payments of interest and principal. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, the issue may be callable which may negatively impact the return of the security. **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 suitable 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.

## Sector Risks

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. **Communication** services companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by rapid technology changes; pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players; reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. Risks associated with the **Technology** sector include

increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market.

#### Hypothetical portfolio compositions

**Moderate Growth and Income:** 3% Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, 32% Bloomberg Barclays U.S. Aggregate Bond Index, 6% Bloomberg Barclays U.S. Corporate High Yield Bond Index, 5% JPM EMBI Global Index, 21% S&P 500 Index, 12% Russell Midcap Index, 8% Russell 2000 Index, 6% MSCI EAFE Index, 7% MSCI Emerging Markets Index.

**Moderate Growth and Income (increasing equity allocation):** 2% Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, 16.8% Bloomberg Barclays U.S. Aggregate Bond Index, 6% Bloomberg Barclays U.S. Corporate High Yield Bond Index, 5% JPM EMBI Global Index, 27.3% S&P 500 Index, 15.6% Russell Midcap Index, 10.4% Russell 2000 Index, 7.8% MSCI EAFE Index, 9.1% MSCI Emerging Markets Index.

**Moderate Growth and Income (reducing equity allocation):** 16.5% Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, 45.5% Bloomberg Barclays U.S. Aggregate Bond Index, 6% Bloomberg Barclays U.S. Corporate High Yield Bond Index, 5% JPM EMBI Global Index, 10.5% S&P 500 Index, 6% Russell Midcap Index, 4% Russell 2000 Index, 3% MSCI EAFE Index, 3.5% MSCI Emerging Markets Index.

**Moderate Growth and Income (removing equity allocation):** 30% Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, 59% Bloomberg Barclays U.S. Aggregate Bond Index, 6% Bloomberg Barclays U.S. Corporate High Yield Bond Index, 5% JPM EMBI Global Index.

#### Definitions

An index is unmanaged and not available for direct investment.

**Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index** is representative of money markets.

**Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

**Bloomberg Barclays U.S. Corporate High Yield Bond Index** covers the universe of fixed-rate, noninvestment-grade debt.

**JPM EMBI Global Index** covers 27 emerging market countries. Included in the EMBI Global are U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

**The MSCI EAFE Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

**The MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure equity market performance of emerging markets.

**The Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index.

**The Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

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

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Bond rating firms, such as Moody's and Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

#### General Disclosures

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

The information in this report was prepared by Global Investment Strategy. Opinions represent GIS' opinion as of the date of this report and are for general information purposes only and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally.

GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

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

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. CAR 1220-03846