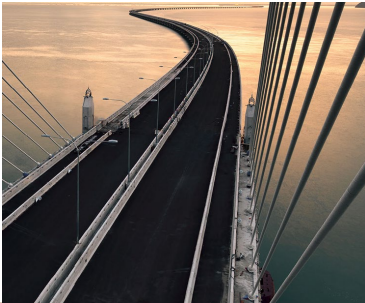


Investment Strategy



Weekly guidance from our Investment Strategy Committee

August 24, 2026

Real Assets Spotlight: Gaining exposure to AI monetization through Real Estate2

- Not all artificial-intelligence (AI)-driven data-center demand is the same. As inference workloads grow rapidly and account for an increasing share of total data-center demand, we believe interconnection-oriented infrastructure should become increasingly important.
- We are favorable on the Data Center REITs (Real Estate Investment Trusts) sub-sector, and we view network-dense colocation assets as differentiated platforms with leverage to the monetization of AI through enterprise adoption.

Equities: Data center moratoriums: Pausing growth to enable growth.....4

- Data center moratoriums are generally temporary pauses designed to establish frameworks for siting, power, water use, cost allocation, and community impacts, not permanent barriers to development.
- We view moratoriums as supportive of long-term data center growth because clearer rules can reduce uncertainty, improve stakeholder alignment, and facilitate future infrastructure investment.

Fixed Income: Why are 10-year U.S. Treasury yields rising?.....5

- The 10-year Treasury yield has surged to 19-month highs, but inflation expectations alone do not explain the recent rise in yields.
- With upward pressure on long-term interest rates likely to persist, we continue to favor shorter-maturity bonds over long-term fixed income exposure.

Alternatives: In private markets, who you invest with matters6

- Individual private capital fund performance often varies widely within each category, making the selection of top-tier managers essential for pursuing above-average performance over time.
- Recognize that choosing the right manager can be just as important as choosing the right asset class. Leverage our manager research capabilities in an attempt to improve the likelihood of achieving successful investment outcomes.

Current tactical guidance7

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

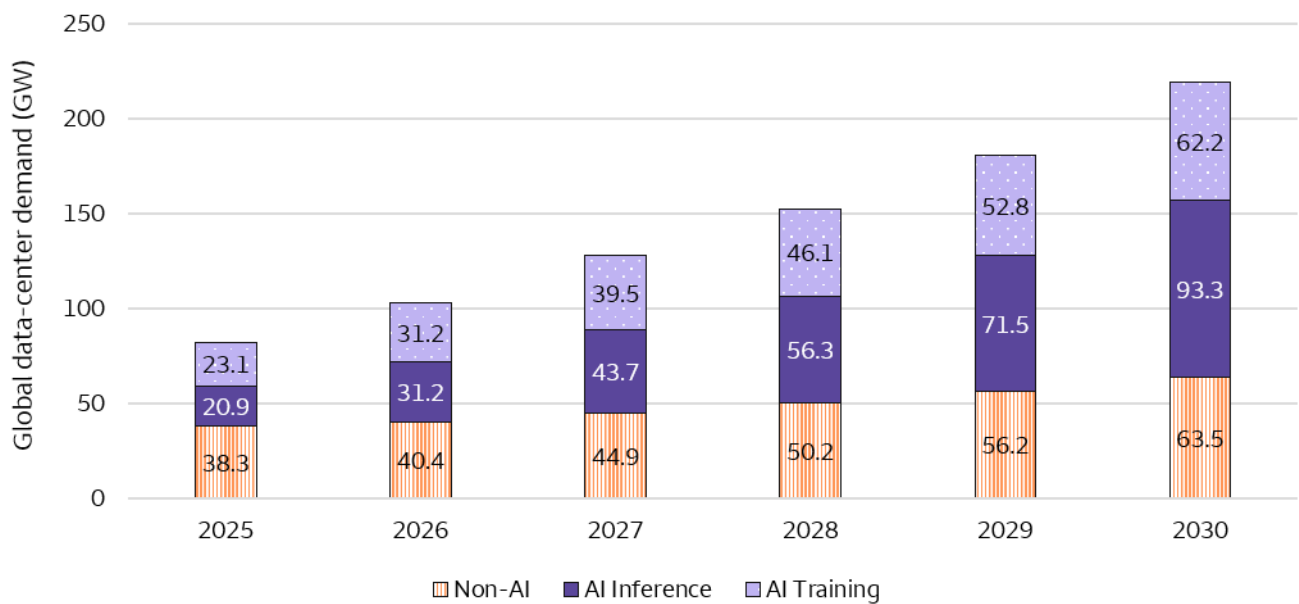
Real Assets Spotlight

Amanda Martinez
Equity Sector Analyst, Real Estate (REITs)

Gaining exposure to AI monetization through Real Estate

Amid the massive waves of investments to fund data-center development in support of AI, one growing corner of the REIT¹ world has benefited and, in our view, occupies an increasingly important niche as enterprise adoption expands. Data-center demand generally falls into three categories: non-AI demand, which supports cloud computing, software applications, and digital communications; AI training, which involves developing and improving AI models; and AI inference, which involves running deployed AI applications and generating responses for end users. As enterprises increasingly incorporate AI into their operations, much of the resulting demand is expected to come from inference workloads, which are projected to grow at the fastest pace in coming years and represent 43% of total data-center demand in 2030 (see Chart 1).

Chart 1. AI inference workloads expected to grow at 35% CAGR between 2025 and 2030



Source: McKinsey & Company. Estimates as of December 17, 2025, and include all provider types. CAGR = compound annual growth rate. GW = gigawatt. AI = artificial intelligence.

Importantly, AI training and AI inference workloads carry distinct infrastructure requirements that have contributed to a degree of bifurcation within the data-center landscape. Training workloads are more power-, compute-, and cooling-intensive, and they tend to be housed in hyperscale data centers. A hyperscale data center is designed to provide large amounts of computing capacity for major cloud providers. Meanwhile, inference workloads have greater sensitivity to location, latency, and resilience, and they tend to be housed in colocation data centers. A colocation data center is a facility where multiple customers lease space, power, and cooling for their information technology (IT) equipment, and network-dense variations are further differentiated by the concentration of customers, cloud providers, and networks that can directly interconnect within the facility. In our

1. REITs, or real estate investment trusts, make up the vast majority of the Real Estate sector. REITs provide investors with exposure to income-producing real-estate assets by owning, operating, or financing properties.

view, these network-dense colocation data centers are increasingly important for enterprise AI adoption because they can facilitate fast and reliable access to users, applications, and data.

Companies in the Real Estate sector have exposure to both hyperscale and network-dense colocation data centers, and we think their development and ownership strategies have been instructive — especially as the capital-constrained nature of REITs makes the economic tradeoffs of the different approaches more salient. For example, one data-center REIT has increasingly utilized private capital to support hyperscale data-center development while keeping its colocation business largely on its balance sheet, thereby maintaining a greater degree of economic exposure. Meanwhile, a large industrial REIT has utilized its existing private-capital platform to develop hyperscale data centers with the intent of monetizing assets following stabilization and reinvesting the proceeds into its core business. In contrast, one net-lease REIT² has expanded into ownership of single-tenant hyperscale data centers with long lease durations and views the asset class as a component of its broader portfolio. These three approaches carry tradeoffs in terms of growth potential, capital intensity, and operating intensity, as detailed below.

1. **Network-dense data centers as a potential longer-term growth engine:** Network-dense data centers may carry significant earnings-growth potential given their leverage to enterprise AI adoption, but they are generally concentrated in key metros and come with greater operating intensity than hyperscale data centers given the need for a diverse ecosystem of customers to support interconnection. Their capital intensity, however, is lower than that of hyperscale data centers as they typically require less IT capacity, physical space, power, and cooling.
2. **Hyperscale data centers as a means of capital recycling:** Hyperscale data centers offer attractive development yields but with high upfront capital intensity, which has likely played into several REITs' decisions to share the cost with partners. The single-tenant, build-to-suit nature of many developments helps mitigate operating intensity and lease-up risk. The strategy of selling these assets upon stabilization reflects a perceived opportunity to generate growth through development, with capital often recycled into additional developments or core assets.
3. **Hyperscale data centers as a potential source of long-term, stable rental income:** Hyperscale data centers that are held within a portfolio under long-duration, triple-net leases carry low post-development capital intensity and operating intensity as the tenant is responsible for operational property expenses while the owner has minimal management responsibilities. Generally speaking, the expectation for more predictable, longer-term cash flows comes with the tradeoff of more limited growth potential compared to strategies focused on development, capital recycling, or connectivity-driven revenue streams.

Implications for investors

In our view, network-dense data centers provide exposure to the monetization of AI as growing enterprise utilization of AI models should drive demand for these data centers. We think provider neutrality, which allows customers to choose among competing clouds, networks, and technology providers, is central to their value proposition as it gives customers the flexibility to connect with multiple clouds, networks, and technology providers within a single facility. Meanwhile, direct interconnection (or private connections between customers within the same data center) enables high security and low latency, which is key for AI workloads. In our view, the resulting ecosystem of connected customers, cloud providers, and networks creates network effects that strengthen the platform's competitive position. Over time, we think the growth of agentic AI could represent an incremental demand driver given the potential need for agents to communicate across multiple networks and data sources with low latency. More broadly, we remain favorable on the Data Center REITs sub-sector within the Real Estate equity sector and believe investors should understand the differing infrastructure requirements, related business models, and potential risk and return characteristics of different types of data centers.

2. Net-lease REITs own properties subject to long-term leases under which tenants are responsible for most or all property operating expenses, including taxes, insurance, maintenance, and utilities.

Equities

Joe Buffa

Equity Sector Analyst, Utilities

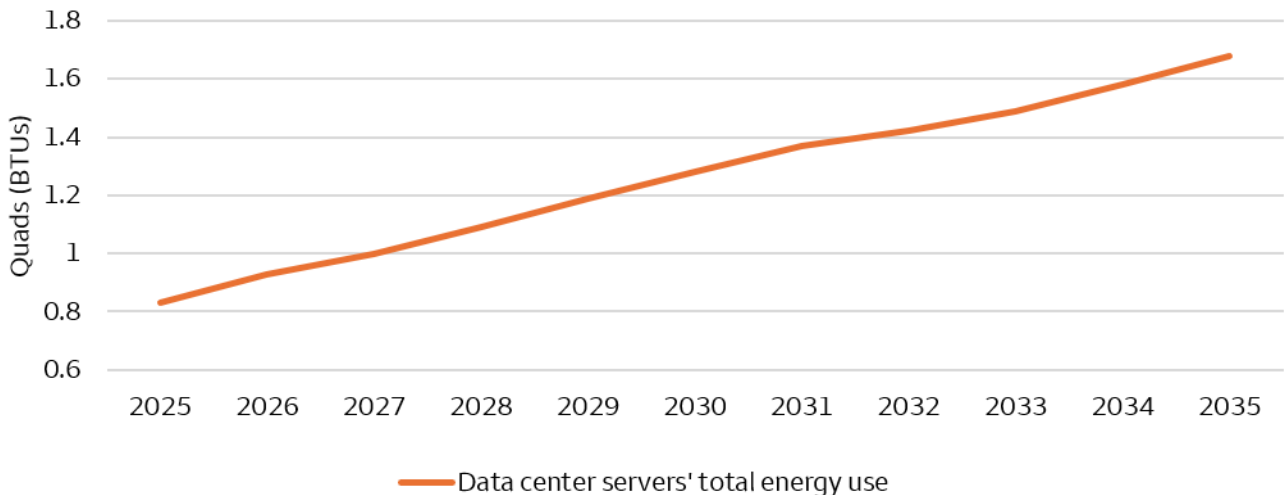
Data center moratoriums: Pausing growth to enable growth

Data center moratoriums have emerged as a growing consideration for utilities, developers, and policymakers, as communities evaluate the implications of large-scale digital infrastructure development. While most moratoriums have been implemented at the local level, some states, including Texas and New York, have also put temporary pauses in place. These actions are best viewed as pauses rather than prohibitions on development. Their primary purpose is to provide time for policymakers, utilities, developers, and local stakeholders to establish frameworks governing issues such as siting, noise, water consumption, electric power requirements, cost allocation, and community benefits. Given the unprecedented scale of many proposed projects and the infrastructure investments required to support them, we believe it is reasonable for stakeholders to seek alignment before development accelerates further.

From our perspective, moratoriums may ultimately support long-term data center growth by creating clearer and more durable development frameworks. Establishing standards upfront can reduce uncertainty, improve stakeholder engagement, and help ensure that the costs and benefits associated with large-load customers are appropriately allocated. Clear guidelines around utility planning, grid reliability, environmental impacts, and community benefits may also help avoid conflicts later in the development process. While moratoriums could delay some projects in the near term, we do not view them as a meaningful threat to long-term data center demand. Instead, they represent part of the industry's maturation process, helping ensure future growth occurs in a manner that is understood and broadly supported by developers, utilities, regulators, and local communities.

The importance of planning and coordination is highlighted by U.S. Energy Information Administration projections showing data center server energy consumption increasing materially through 2035.³ The amount of generation needed to support that incremental demand is roughly comparable to the output of the entire U.S. nuclear fleet in 2024, underscoring the scale of power infrastructure required and the importance of establishing clear development frameworks today.

Chart 2. Data center servers' total energy use



Sources: U.S. Energy Information Administration and Wells Fargo Investment Institute, data as of August 12, 2026. A quad is 1 quadrillion (10¹⁵) British thermal units (BTU).

3. U.S. Energy Information Administration, "Annual Energy Outlook 2026 - U.S. Energy Information Administration (EIA)," April 8, 2026.

Fixed Income

Tony Miano, CFA, CAIA

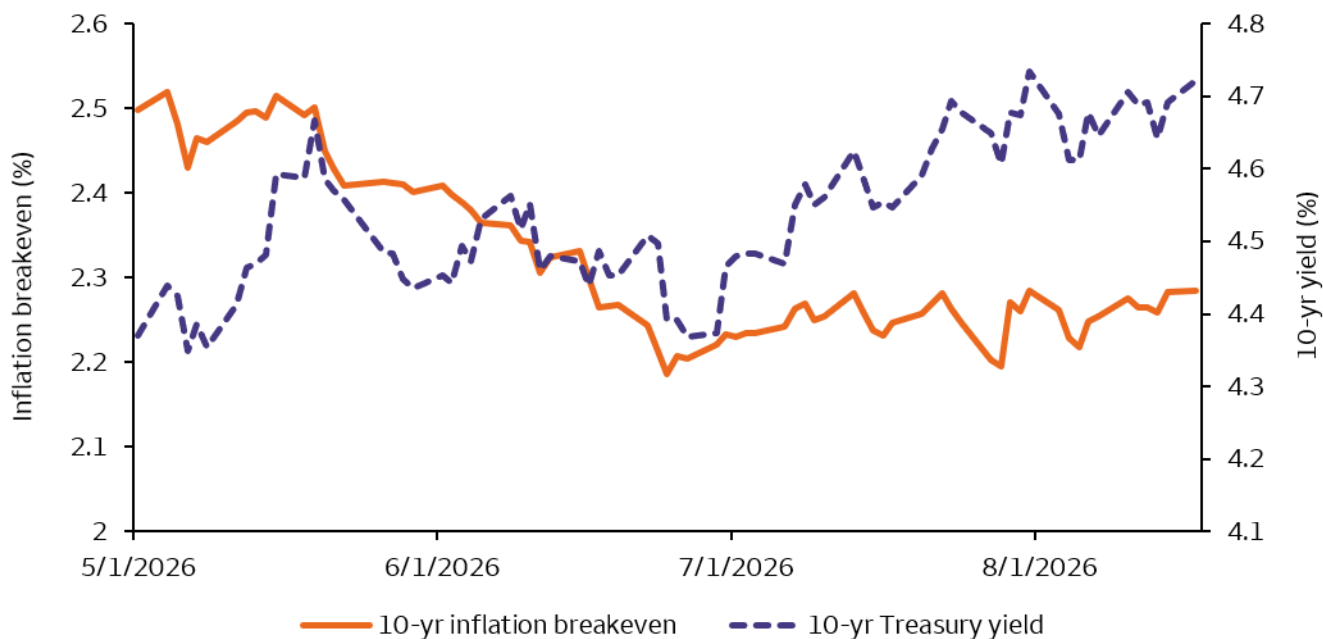
Global Fixed Income Analyst

Why are 10-year U.S. Treasury yields rising?

The rise in 10-year U.S. Treasury yields over the past two months has drawn investors' attention. Inflation is the obvious suspect, especially with oil prices elevated. Higher inflation can make bonds less attractive, pushing prices lower and yields higher. However, long-term inflation expectations have not moved much and remain below levels from last May (see Chart 3).

That points to a different explanation. We believe two other components of yield have driven much of the recent increase: real interest rates, meaning rates adjusted for inflation, and the term premium, meaning the extra compensation investors demand to own longer-term bonds. In our view, inflation itself has had a minor impact.

Chart 3. Inflation expectations versus the 10-year yield



Source: Bloomberg, data as of August 17, 2026. 10-year inflation breakeven is an implied inflation rate for the term of the stated maturity.

Real rates can rise when investors believe the Federal Reserve (Fed) policy may need to become less accommodative to slow business and household borrowing, especially while the economy is strong and further borrowing might spark more inflation. At the same time, the term premium appears to reflect greater uncertainty around federal deficits, Treasury issuance, and the size of government debt relative to the economy.

Our view is that these pressures are unlikely to fade soon. Inflation shocks could add further upward pressure, but even without a major rise in long-term inflation expectations, higher real rates and term premium can keep long-term yields elevated. We remain unfavorable on U.S. Long Term Taxable Fixed Income and prefer shorter maturities, which are less sensitive to rising long-term rates.

Alternatives

Mark Steffen, CFA, CAIA
Global Alternative Investment Strategist

In private markets, who you invest with matters

Unlike public markets, returns in private markets often vary significantly from one fund to another. As a result, selecting the right investment manager can be one of the most important factors in achieving strong long-term results. Managers with deep experience, strong sourcing networks, and the ability to identify attractive investment opportunities may be better positioned to generate above-average returns over time.

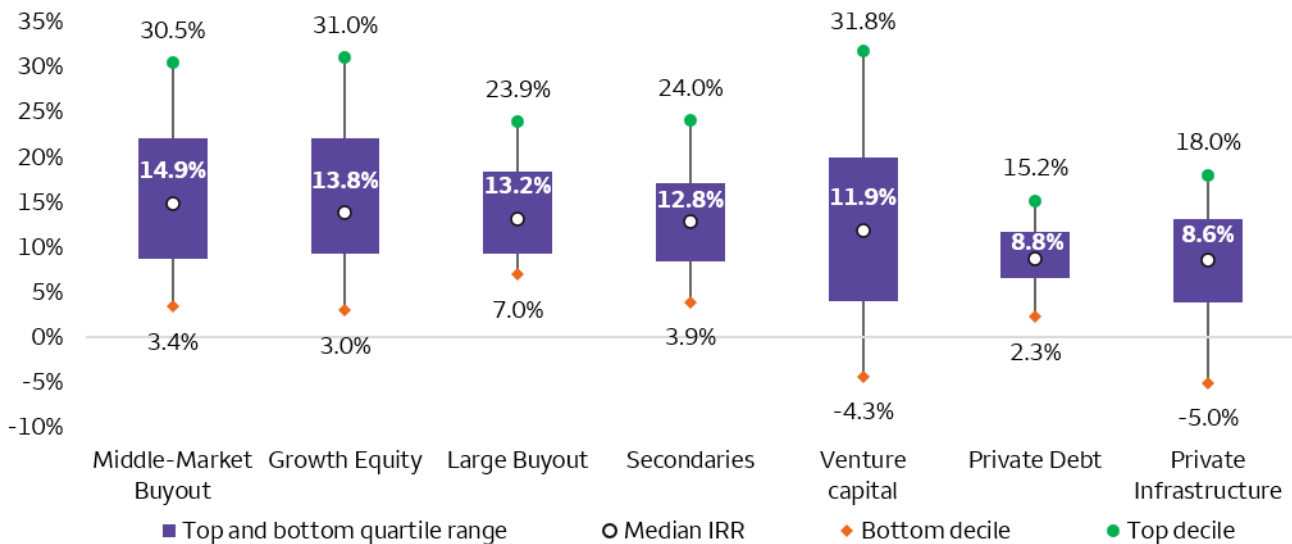
Top-tier managers often have competitive advantages that help them access high-quality investment opportunities before others. These advantages may include extensive industry relationships, specialized expertise in a particular market segment, and a disciplined approach to evaluating and pricing investments across different market environments.

Performance differences between the best- and worst-performing funds can be substantial (see Chart 4). For example, in venture capital, the top 10% of funds generated an internal rate of return (IRR) of 31.8%, while the bottom 10% reported an IRR of -4.3%. This more than 36-percentage-point gap highlights the significant impact manager selection can have on investment outcomes in private markets.

This pattern is not limited to higher-risk, higher-return areas such as venture capital. It is also evident in income-oriented strategies like private infrastructure, where top-decile funds generated returns of 18.0%, while bottom-decile funds returned -5.0%, a gap of 23-percentage-points performance that underscores the importance of manager selection.

We conduct extensive research and due diligence on investment managers across the private markets landscape. The goal is to identify experienced, high-quality managers with the potential to deliver competitive performance over time and to provide investors with access to many leading managers across the private capital spectrum.

Chart 4. Private fund net IRR dispersion by strategy (2002 to 2019 vintages)⁴



Sources: PitchBook. U.S. only data as of December 31, 2025. IRR = internal rate of return.

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.

4. A fund’s vintage year is generally the year the fund was formed or began investing capital.

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, August 24, 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. 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. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

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. 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.

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.

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.

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