

April 15, 2025

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## Adjusting our guidance and forecasts

Uncertainty has roiled capital markets in recent weeks. Topping the list, President Trump announced new tariffs that took effect on April 3, covering imports from roughly 50 trading partner countries and including some of the largest sources of U.S. imports. The levies establish a 10% base tariff with additional amounts on a country-by-country basis. In response to the administration's tariff announcement, the S&P 500 Index and Nasdaq Composite Index experienced their worst selloffs since 2020. This market setback followed a tumultuous March that left the U.S. stock-market benchmark down by 5.6% for the month, significantly lagging the gains of many overseas indices. On April 9, President Trump placed a 90-day pause of the previously announced reciprocal tariffs for most countries but increased the tariff to 125% on Chinese imports, effectively immediately.

Alongside equity market fragility, the U.S. dollar has weakened, leaving investors questioning if the pullback in U.S. asset prices heralds the onset of a longer-term trend downward. Investors worried about the economic outlook snapped up U.S. Treasury bonds, driving the yield on the benchmark 10-year note down to around 4.2% at the end of March, from nearly 4.6% at the end of last year. Meanwhile, the spot price of gold, traditionally viewed a haven in times of uncertainty, rallied 19% year to date (through March), notching its biggest three-month gain since 2011, and it is currently trading at record highs and volumes.

### Economic impact of investor uncertainty

Unlike previous equity-market corrections and sharp declines in risk assets, which have been mostly attributed to rising inflation and interest rates or recession, we believe the latest market pullback has been largely driven by investor uncertainty. Specifically, investors do not quite know the room for negotiation of President Trump's tariff policy, the extent of retaliation, and how the administration might react to adverse consequences such as a bear market or a significant drop in approval ratings.

Not knowing the size and scope of the tariffs has driven global uncertainty indexes — including the U.S. Policy Uncertainty, NFIB Small Business Uncertainty, and the Bloomberg Global Trade Uncertainty Indexes — to record highs this year, a trend that has historically been associated with slower economic growth. The spike in uncertainty over tariffs has led to a plunge in consumer confidence and a rise in inflation expectations, which, in turn, is dampening economic activity.

Yet, we believe other strengths should help buoy the economy, and recession is not our base case. The U.S. economy has yet to exhibit concrete data suggesting a significant slowdown is on the horizon. The March U.S. employment report showed another solid gain in non-farm payrolls as well as real (inflation-adjusted) incomes continuing to strengthen, and low borrowing rates are starting to make a positive impact on the housing sector. Even so, the escalating trade war poses a risk to the reacceleration of inflation and slower economic and earnings growth. To that end, we have made adjustments to our guidance and forecasts.

### Guidance and forecast revisions

Based on the uncertainties related to tariffs and other market factors, our forecasts and targets now broadly anticipate downshifting U.S. economic growth and somewhat stronger inflation in 2025. We recently revised our guidance and forecasts.<sup>1</sup> Our investment guidance accounts for rising tariffs but foresees opportunities for select areas of equities and commodities, and it also includes a more selective approach to fixed income. Specifically, our changes were as follows:

*Global economy:* We reduced our 2025 U.S. and developed-market gross domestic product (GDP) growth targets and raised our U.S. consumer price inflation target to account for the weak start to the year and aggressive tariff increases.

1. See Institute Alert, "Adjusting 2025 targets and equity-sector guidance," Wells Fargo Investment Institute, April 4, 2025.

(Continued on the next page.)

## Adjusting our guidance and forecasts (continued)

**Currency exchange rates:** Our reduced U.S. GDP growth forecast and lower yield targets temper but do not eliminate the advantage we expect for the U.S. dollar over the euro and the Japanese yen. We adjusted exchange-rate targets for continued but more modest dollar strength.

**Fixed Income:** We have lowered all three of our yield targets — the federal funds policy rate and the 10- and 30-year U.S. Treasury yields — by 50 basis points (0.50%) each.

**Equities:** Slower economic growth and impaired sentiment have combined to lower our forecast for earnings and prices for most equity asset classes.

**Real Assets:** The slower U.S. economy and our expectation for adequate global oil supply has led us to lower our 2025 year-end crude oil price target range. We also raised our 2025 year-end target range for gold amid geopolitical uncertainties and stronger demand for perceived safe havens.

Along with the forecast revisions, we have made a few adjustments to our equity-sector guidance. We upgraded the Information Technology sector to favorable from neutral and downgraded the Industrials sector to neutral from favorable.

### Investor implications

Our outlook remains consistent with the potential reallocation opportunities we highlighted in March.<sup>2</sup> Specifically, our expectation for positive growth implies an opportunity to reallocate from U.S. Intermediate Term Taxable Fixed Income to U.S. Mid Cap Equities, and overweighting equities over fixed income as a result. We continue to focus on quality, with overweights to U.S. Large Cap and Mid Cap Equities. But policy uncertainty is likely to create volatility in fixed income, and so we reiterate our preference to shorten maturities from U.S. Long Term Taxable to U.S. Short Term Taxable Fixed Income.

Equity markets may continue to experience bouts of tumult in the near term. Rather than react to headlines or tariff-related volatility, investors may be better suited to a focus on broader market implications. Tariff uncertainty is likely to continue, and actual tariffs will have costs. We expect to see more clarity on the current tariff situation in the coming months, and its future impact on the global economy and corporate earnings should also become more evident as negotiated changes are enacted and investors, consumers, and businesses adapt.

In this environment, we recommend that long-term investors use equity-market pullbacks as an opportunity to rebalance portfolios back to designated allocation targets and consider dollar-cost averaging. We also encourage investors to reach out to their investment professional with questions or concerns about their portfolios.

## Our authors

Darrell Cronk, CFA®,  
*President, Wells Fargo Investment Institute and  
CIO, Wealth & Investment Management*

### Global asset allocation team

Tracie McMillion, CFA®,  
*Head of Global Asset Allocation*

Douglas Beath,  
*Global Investment Strategist*

Michael Taylor, CFA®,  
*Investment Strategy Analyst*

Veronica Willis,  
*Global Investment Strategist*

Michelle Wan, CFA®,  
*Global Investment Strategist*

### Global market strategy

Paul Christopher, CFA®,  
*Head of Global Investment Strategy*

Scott Wren,  
*Senior Global Market Strategist*

Gary Schlossberg,  
*Global Strategist*

Jennifer Timmerman,  
*Investment Strategy Analyst*

### Global fixed income

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

Luis Alvarado,  
*Global Investment Strategist*

Anthony Miano, CFA®,  
*Investment Strategy Analyst*

Sam Lombardo,  
*Investment Strategy Analyst*

### Global equities and real assets

Sameer Samana, CFA®,  
*Head of Global Equity and Real Asset Strategy*

Chris Haverland, CFA®,  
*Global Equity Strategist*

Austin Pickle, CFA®,  
*Investment Strategy Analyst*

Mason Mendez,  
*Investment Strategy Analyst*

Edward Lee,  
*Investment Strategy Analyst*

### Global alternative investments

Mark Steffen, CFA®, CAIA,  
*Global Alternative Investment Strategist*

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

### Global securities research

Ian Mikkelsen, CFA®,  
*Equity Sector Analyst, Energy*

John Sheehan, CFA®,  
*Equity Sector Analyst, Real Estate (REITs)*

2. See Institute Alert, “Adjusting fixed-income and equity positions,” Wells Fargo Investment Institute, March 11, 2025.

## Global economic summary

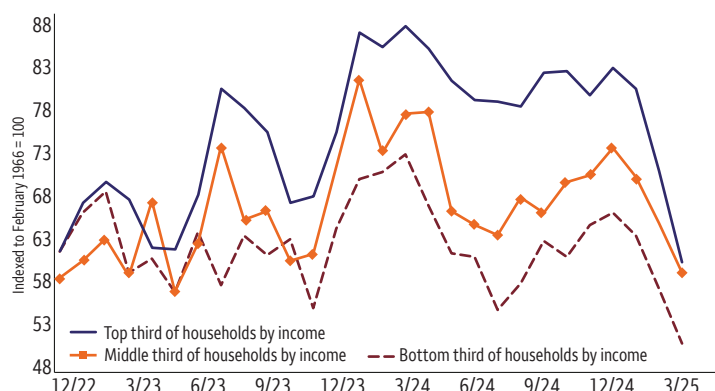
### United States

U.S. economic growth slowed grudgingly through March. Elevated policy uncertainties, ahead of a shift toward more aggressive tariffs, seemingly tipped the balance toward a further loss of momentum last month despite pockets of resilience. Slumping consumer and business confidence included a sharp drop in sentiment for the top one-third of household income earners — the segment that has been the main driver of consumer spending owing to last year's windfall gains in stocks and other financial assets. Two purchasing managers' surveys and last month's jobs report showed manufacturing activity virtually flatlined. Moderate growth in the dominant service sector was apparent both from purchasing-manager surveys and from job growth making up the bulk of a healthy 228,000 increase in March non-farm payrolls.

Excluding the effect of a bulge in gold imports, the Atlanta Federal Reserve's (Fed's) first-quarter U.S. GDP estimate was -0.3% as of April 9, which would mark the first negative quarter since the start of 2022. While we think a negative first-quarter growth print may overstate the economy's weakness, aggressive tariff increases (even accounting for a 90-day reciprocal tariff suspension for most countries, announced on April 9) pose a strong headwind, likely stalling a near-term economic rebound.

Headline Consumer Price Index (CPI) inflation did ease in March to 2.4% year-over-year, contributing to an accelerated rise in consumer purchasing power before tariffs put upward pressure on core goods (excluding food and energy) this spring. It is notable that real (inflation-adjusted) disposable incomes have steadily accelerated since last fall. Combined with reasonably solid job growth, that should support household purchasing power as the slowdown unfolds in the coming months.

### Elevated policy uncertainties dampen consumer sentiment early in 2025



Sources: Wells Fargo Investment Institute and University of Michigan consumer sentiment survey. Data as of March 28, 2025.

### Europe

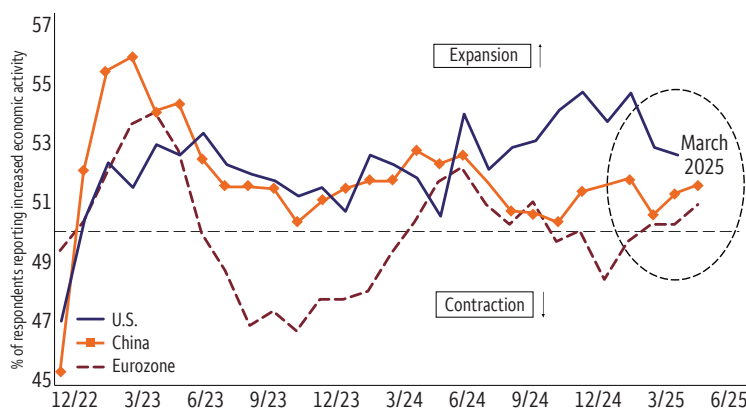
Europe's modest economic growth recovery extended into March, ahead of recently announced U.S. tariffs on the region that included auto-specific levies atop reciprocal duties. S&P Global's composite purchasing managers' index of manufacturing and service-sector activity rose to the highest level since August, though it remained in only slight growth territory. Announced infrastructure and defense spending from Germany sparked improvement in the country's manufacturing sector. Easing inflation has recently provided a cushion to consumer purchasing power, with headline CPI slipping to 2.2% in March, the lowest in six months and within striking distance of the European Central Bank's (ECB) 2% target. Sticky services inflation — a key focus for policymakers — further eased in March, helping justify the ECB's sixth interest-rate cut since June. Still, the looming fallout from U.S. tariffs will restrain eurozone growth

prospects, in our view, especially as structural weaknesses continue to hinder the region's economy.

### Asia

China and the rest of Asia are, perhaps, the region hardest hit by the increases in U.S. tariffs, because of the size of the tariffs, the region's dependence on foreign trade as a growth engine, and the importance of the U.S. market for Asian foreign sales. Asia, as a group, was grappling with slowing growth at the end of the first quarter, despite a tariff-related lift to exports. March purchasing-manager surveys signaled the first contraction in Japan's overall economic activity since October, manufacturing declines in South Korea and Taiwan, and flat manufacturing output for Southeast Asia. Services industries paced improvement in China's economic growth, but to a still-modest pace. Looking ahead, the region faces headwinds to growth from sizable tariff increases announced by the U.S., barring efforts to negotiate those tariffs lower.

### U.S. economic growth leads international peers in early 2025\*



Sources: Wells Fargo Investment Institute, S&P Global, Inc., the Institute for Supply Management, China's Federation of Logistics and Purchasing, and Caixin Global. Data as of April 3, 2025.

\*Based on the average of purchasing managers' composite activity indexes.

### Key economic statistics

Global growth rates <sup>1</sup>	4Q24	3Q24	2Q24
U.S. real economic growth (%)	2.4	3.1	3.0
Eurozone real economic growth (%)	0.8	1.6	0.8
Japanese real economic growth (%)	2.2	1.4	3.2
Chinese real economic growth (%)	6.6	5.3	3.6

U.S. economic data	3/25	2/25	3/24
Unemployment rate (%)	4.2	4.1	3.9
ISM Manufacturing PMI	49.0	50.3	49.8
ISM Services PMI	50.8	53.5	51.3
Retail sales (%)	–	0.2	0.4
Consumer confidence (1985 = 100)	92.9	100.1	103.1
Housing starts (millions; annualized)	–	1.50	1.30
U.S. Dollar Index <sup>2</sup>	104.2	107.6	104.5
U.S. Consumer Price Index (CPI) (%)	2.4	2.8	3.5
U.S. core CPI (%)	2.8	3.1	3.8
Personal consumption expenditures (PCE) deflator (%)	–	2.5	2.8

Sources: Bloomberg, Wells Fargo Investment Institute, April 10, 2025. <sup>1</sup>Annualized gross domestic product quarter-to-quarter percent change. <sup>2</sup>End of period. An index is unmanaged and not available for direct investment. 2Q = second quarter. 3Q = third quarter. 4Q = fourth quarter.

**Past performance is no guarantee of future results.** See pages 27-32 for important definitions and disclosures.

## Wells Fargo Investment Institute forecasts

**Gross domestic product (GDP) growth:** We think the economy's recovery from first-quarter slippage will be largely delayed by policy uncertainties, capped by a historic rise in U.S. tariffs that leaves the average rate at 20% – 25% — its highest since the early 1900s.<sup>3</sup> We believe the combined effect of these headwinds could produce a decline in second-quarter GDP, leaving the economy perilously close to a recession. However, we still see economic growth regaining momentum during the second half of the year, though more moderately than we had anticipated earlier. For 2025 as a whole, however, our latest GDP growth target of 1.0% is just a fraction of the previous 2.5% projection.

Our view is that support in the second half of the year will come from an unusual, late-cycle combination of satisfactory growth of inflation-adjusted incomes, falling long-term interest rates, and the low level of financial stress due partly to recent interest-rate declines. We also continue to view policy as becoming more growth friendly heading toward the closing months of 2025 as we expect deregulation to work its way through the economy and as businesses and consumers anticipate tax cuts at the start of 2026. Additionally, the stock market likely will play a more important role in shaping the outlook for consumer spending — especially as, over the past few years, windfall gains in household wealth and in upper-income spending have accounted for a disproportionate share of the strength in consumer demand.

**CPI inflation:** We believe that higher tariffs will lift our 2025 year-end inflation target to 3.5%, above the 2.9% year-end 2024 rate. Slower economic growth and, perhaps, further oil-price declines could provide a window of further disinflation if the economy weakens as we expect in response to higher tariffs, before inflation likely rises again with our expectation for the economy's growth recovery during the latter part of the year. Additionally, we still see wage pressures in construction and low-wage industries responding to tighter immigration controls during the second half of the year atop sector-specific pressure on insurance, medical costs, and rents. More generally, we believe trade restrictions and tighter immigration controls risk creating structural hurdles to sustained disinflation in a move toward stagflation similar to, but considerably milder than, that experienced in the 1970s and early 1980s.

**Labor market conditions:** Our 4.8% target for this year's fourth-quarter unemployment rate would leave it at a level not seen since early in the post-coronavirus recovery period during August 2021. Our view is that the increase, from 4.2% in March, will be restrained by the economy's ability to skirt a recession; a lingering reluctance to fire workers in a shallow economic cycle; and by the growth of the labor supply, which we expect to be limited by tighter immigration controls and the large number of retiring workers in an aging workforce. Still, we believe recent signs of labor-market softening foreshadow noticeable increases in the unemployment rate if, as expected, the economy slows in coming months. First, a broader unemployment measure than the more visible official number — including part-time workers unable to find full-time work and discouraged workers, who have given up looking for a job — remained elevated by recent standards in March. And the labor-force participation rate — those employed or actively looking for work as a percent of the working-age population — still is below its pre-coronavirus level.

### Global economy

	Latest (%) <sup>1</sup>	2025 target (%) <sup>1</sup>
U.S. GDP growth	2.8 (Q4)	▼ 1.0
U.S. inflation <sup>2</sup>	2.4 (Mar.)	▲ 3.5 (Dec.)
U.S. unemployment rate <sup>3</sup>	4.1 (Mar.)	4.8 (Dec.)
Global GDP growth <sup>4</sup>	3.4 (Q4)	▼ 2.1
Global inflation <sup>4</sup>	5.7 (Q4)	▲ 3.5
Developed-market GDP growth <sup>5</sup>	1.8 (Q4)	▼ 0.9
Developed-market inflation <sup>5</sup>	3.9 (Q4)	▲ 2.8
Emerging market GDP growth	4.6 (Q3)	▼ 3.0
Emerging market inflation	7.0 (Q4)	▲ 4.1
Eurozone GDP growth	0.8 (Q4)	▼ 0.9
Eurozone inflation <sup>2</sup>	2.2 (Mar.)	▲ 2.7 (Dec.)

Sources: Bloomberg, Wells Fargo Investment Institute (WFII). All latest numbers from Bloomberg as of April 10, 2025. Targets are based on forecasts by Wells Fargo Investment Institute as of April 15, 2025 and provide a forecast direction over a tactical horizon. The closer the current date is to the year-end, the more WFII guidance focuses on the following year's target. Q3 = third quarter. Q4 = fourth quarter. ▲/▼: recent change.

<sup>1</sup>Average percent change in the latest four quarters from the same year-ago period, unless otherwise noted. <sup>2</sup>Latest month percent change from a year ago. <sup>3</sup>Three-month average as of the date indicated, percent of labor force. <sup>4</sup>Weighted average of developed country and emerging-market forecasts. <sup>5</sup>Weighted average of U.S. and other developed-country forecasts.

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



## Wells Fargo Investment Institute forecasts (continued)

**Interest rates:** The Fed is a dual-mandate central bank focused on both price stability (inflation) and full employment. March's employment data as well as recent months' releases have bolstered its confidence that the U.S. labor market is still in good shape. However, inflation's progress toward the Fed's stated goal of 2% appeared to show mixed signals in March, giving the Fed room to exercise patience in regard to future rate cuts.

We recently changed our year-end 2025 federal funds target rate given ongoing concerns of an economic growth slowdown aggravated by tariffs, particularly in the first half of the year. We now see three 25-basis-point (0.25%) rate cuts before the end of 2025; therefore, our target now stands between 3.50% and 3.75%. In addition, we believe that the near-term path of long-term interest rates is highly dependent on the state of the economy, and our expectations for a recovery in economic growth and the potential for higher inflation in the second half of 2025 makes us anticipate higher longer-term interest rates, but with less intensity than previously expected. We also reduced our long-term interest rate targets by 50 basis points. For year-end 2025, our 10-year U.S. Treasury yield target now stands between 4.00% and 4.50%, and our 30-year U.S. Treasury yield target now stands between 4.25% and 4.75%.

**Equities:** Uncertainties over tariffs as well as worries of consumer exhaustion, increased costs, and a lowered economic growth outlook will likely drag on sales, margins, profits, sentiment, and price multiples more than we had originally anticipated this year, and as a result, we have reduced our 2025 year-end earnings and price targets nearly across the board. Each of our new earnings target is lower than Bloomberg consensus estimates. We expect the analyst community to adjust to the worsening outlook over time and begin to cut estimates in the coming months as companies report updated forecasts to account for tariff impacts. Lower-quality companies with less flexible supply chains and balance sheets will likely have the toughest time navigating this environment. As such, we lowered our earnings per share (EPS) targets for U.S. Small Cap Equities and Emerging Markets (EM) Equities by the greatest percentage. Despite the worsened earnings outlook, the new EPS forecasts still show either flat or modest earnings growth relative to 2024 numbers driven by low, but still positive, economic growth for the year. The table to the right details our earnings and price target changes in their entirety.

We continue to favor U.S. Large Cap (favorable) and Mid Cap Equities (favorable) over U.S. Small Cap Equities (neutral) as well as Developed Market ex.-U.S. (neutral) over Emerging Market Equities (unfavorable).

**Commodities:** Commodities outperformed U.S. equities and U.S. bonds last month as the Bloomberg Commodity Total Return Index (BCOMTR) ended March with a 3.9% total return. We expect positive global economic growth and a reacceleration of U.S. economic conditions in the second half of the year to be tailwinds for modest Commodities performance over the tactical horizon, which supports our 2025 year-end BCOMTR target of 250–270. For crude oil, we recently reduced our 2025 year-end targets to \$65–\$75 per barrel for West Texas Intermediate (WTI) and \$70–\$80 per barrel for Brent crude as we expect the unwinding of OPEC+<sup>4</sup> production cuts to result in a more-than-adequate oil surplus this year. We also raised our 2025 year-end gold target to \$3,000–\$3,200 per troy ounce as we expect geopolitical uncertainties and central-bank purchases to be strong tailwinds for price performance.

Global fixed income (%)	Latest	2025 YE target
10-year U.S. Treasury yield	4.21	▼ 4.00–4.50
30-year U.S. Treasury yield	4.57	▼ 4.25–4.75
Fed funds rate	4.25–4.50	▼ 3.50–3.75

Currencies	Latest	2025 YE target
Dollar/euro exchange rate	\$1.08	▲ \$1.02–\$1.06
Yen/dollar exchange rate	¥150	▼ ¥152–¥156
ICE U.S. Dollar Index	104	▼ 105–109

The Intercontinental Exchange (ICE) U.S. Dollar Index is a weighted average of the value of the U.S. dollar relative to a basket of U.S. trade partner currencies, comprised of the euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc. A higher index value indicates dollar appreciation. Additional sources and as-of dates provided under Global real assets table. ▲/▼: recent change.

Global equities	Latest	2025 YE target
S&P 500 Index	5612	▼ 5900–6100
S&P 500 earnings per share	\$243	▼ \$260
Russell Midcap Index	3399	▼ 3600–3800
Russell Midcap earnings per share	\$170	▼ \$190
Russell 2000 Index	2012	▼ 2000–2200
Russell 2000 earnings per share	\$67	▼ \$70
MSCI EAFE Index	2401	2400–2600
MSCI EAFE earnings per share	\$156	▼ \$160
MSCI Emerging Markets (EM) Index	1101	▼ 1000–1200
MSCI EM earnings per share	\$80	▼ \$75

Latest EPS (earnings per share) figures are Bloomberg consensus estimates for full-year 2024 EPS as of April 3, 2025. Additional sources and as-of dates provided under Global real assets table. ▲/▼: recent change.

Global real assets	Latest	2025 YE target
WTI crude oil price (\$ per barrel)	\$71	▼ \$65–\$75
Brent crude oil price (\$ per barrel)	\$75	▼ \$70–\$80
Gold price (\$ per troy ounce)	\$3,124	▲ \$3,000–\$3,200
Commodities	\$260	250–270

Sources: Bloomberg, Wells Fargo Investment Institute, as of March 31, 2025. Targets are Wells Fargo Investment Institute forecasts, as of April 15, 2025 and provide a forecast direction over a tactical horizon. The closer the current date is to the year-end, the more WFII guidance focuses on the following year's target. YE = year end. An index is unmanaged and not available for direct investment. See pages 27–32 for important definitions and disclosures. WTI is a grade of crude oil used as a benchmark in oil pricing. ▲/▼: recent change.

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

## Fixed income

### Market observations

Fixed-income asset classes posted mixed returns in March, driven by declines in U.S. Treasury yields for shorter maturities and increases in yields for longer-maturity bonds. Performance generally diminished in sync with duration (a measure of interest-rate sensitivity) — U.S. Short Term Taxable Fixed Income and Treasury bills, for example, saw returns of 0.5% and 0.3%, respectively, while U.S. Long Term Taxable Fixed Income suffered the most (-1.1%). Internationally, Emerging Market (EM) and Developed Market (DM) Fixed Income saw mixed returns. Treasury Inflation-Protected securities (TIPS) performed best during the first quarter (+4.2%).

The Fed met in March and left policy interest rates unchanged. Market expectations for rate cuts in 2025 ended the month around a total of 75 basis points (100 basis points equals 1%) of cuts by year end, above the Fed's projections of 50 basis points. Also, Fed officials revealed a slowdown to quantitative tightening (balance-sheet reduction) amid debt-ceiling debates given the potential for significant swings in reserves over coming months.

**U.S. fixed income:** U.S. Treasury yield-curve moves were mixed in March. Notable drivers included economic uncertainty related to tariffs, a higher-than-expected Personal Consumption Expenditures (PCE) report indicating sticky inflation, and a somewhat contradictory uptick in market expectations for rate cuts in 2025.

Investor appetite for credit exposure declined in March, with credit spreads widening for both U.S. Investment Grade (IG) Corporate Fixed Income and High Yield (HY) Taxable Fixed Income. U.S. IG Corporate Fixed Income (-0.3%) outperformed HY Taxable Fixed Income (-1.0%) as investors sought out relatively lower-risk securities amid an uncertain economic backdrop. In our view, current yields above 5% for both classes can provide portfolios with attractive income potential. We maintain a favorable view on IG Corporate Securities and neutral guidance on HY Taxable Fixed Income.

Municipal bond performance was negative in March (-1.7%) as municipal bond yields rose across the curve on political concerns relating to their tax-exempt status. We remain neutral on U.S. Municipal Bonds given attractive yield opportunities in other fixed-income sectors, but we believe municipal credit fundamentals remain favorable. For investors in higher effective tax brackets, we believe municipal securities still play an important role in fixed-income positioning. We also remain neutral on HY Municipal Bonds.

**Developed markets (DM):** Unhedged DM bond returns (1.1%) were positive in March and outperformed hedged DM bonds (-1.1%), with unhedged bonds boosted considerably by the U.S. dollar's depreciation relative to DM currencies. Bonds from Sweden and Italy performed best in U.S.-dollar terms, while Australian bonds performed best in local-currency terms. Japanese bonds in U.S.-dollar terms slowed from their February recovery as the yen saw limited appreciation against the dollar over the month.

**Emerging markets (EM):** Dollar-denominated EM bonds (-0.5%) underperformed local-currency EM bonds (1.5%) in March as the U.S. dollar fell, with currency translation being a key performance contributor. Year to date, dollar-denominated returns have fallen behind local-currency EM bonds. Performance was mixed for the month as U.S.-dollar EM bonds from Indonesia and Turkey were a significant drag on performance while bonds from the UAE and Brazil were additive.

### Wells Fargo Investment Institute perspective

We believe the U.S. central bank will continue to tread cautiously, maintaining its intent to rein in inflation and to support economic growth. Interest-rate volatility due to policy uncertainty is set to

### Fixed income index total returns (%)

	MTD	QTD	YTD	1 year	3 year	5 year
U.S. Taxable Inv Grade Fixed Income	0.0	2.8	2.8	4.9	0.5	-0.4
U.S. Short Term Taxable	0.5	1.6	1.6	5.6	3.1	1.5
U.S. Intermediate Term Taxable	0.4	3.1	3.1	5.5	1.4	0.3
U.S. Long Term Taxable	-1.1	3.4	3.4	1.6	-4.8	-3.9
U.S. Treasury Bills	0.3	1.0	1.0	5.0	4.3	2.6
U.S. Inv Grade Corporate	-0.3	2.3	2.3	4.9	1.1	1.5
U.S. Municipal Bonds	-1.7	-0.2	-0.2	1.2	1.5	1.1
High Yield Taxable Fixed Income	-1.0	1.0	1.0	7.7	5.0	7.3
DM Ex.-U.S. Fixed Income (Unhedged)	1.1	2.9	2.9	-0.7	-6.0	-4.8
DM Ex.-U.S. Fixed Income (Hedged)	-1.1	-0.7	-0.7	1.6	0.1	-0.7
EM Fixed Income (U.S. dollar)	-0.5	2.3	2.3	6.7	3.2	3.4
EM Fixed Income (Local currency) <sup>1</sup>	1.5	4.3	4.3	4.0	2.7	2.3

Sources: Bloomberg, J.P. Morgan, Wells Fargo Investment Institute, March 31, 2025. MTD = month to date. QTD = quarter to date. YTD = year to date. Inv Grade indicates Investment Grade; DM indicates Developed Market; EM indicates Emerging Market. Returns over one year are annualized. <sup>1</sup>Returns are converted to dollars for U.S. investors. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See pages 27-32 for important definitions and disclosures.

remain elevated in the upcoming quarters; however, we expect a reversal of the decline in yields in the second half, influenced mostly by rising inflation. We remain unfavorable on U.S. Long Term and Short Term Taxable Fixed Income and neutral on U.S. Intermediate Term Taxable Fixed Income. We believe that capturing the additional yield available in intermediate-term bonds is preferable to over-allocating to short-term fixed income positions, especially given the potential for further rate cuts in the upcoming months.

We expect economic struggles and fiscal-policy challenges to persist across Europe, along with interest-rate differentials with the U.S., which may continue to impact fixed-income returns. Japanese yields should remain relatively low despite the recent change in policy from the Bank of Japan. Furthermore, we expect the U.S. dollar will continue to strengthen throughout the year and reverse some of the recent decline. With yields generally below those available in the U.S. and currency returns seen as negative, we continue to have no strategic or tactical allocations to DM ex-U.S. Fixed Income.

We reiterate our view that EM sovereign bonds, both U.S.-dollar and local-currency denominated, should continue to display positive performance in 2025. However, it is important to point out that most of the support may come on the back of additional interest-rate cuts by the Fed. Still, we believe the attractive yield differential of EM bonds can provide currency resilience and a cushion against capital losses in the event that interest rates climb once again, or credit spreads widen.

### Fixed income tactical guidance\*

	Guidance
Cash Alternatives	Neutral
U.S. Short Term Taxable	Unfavorable
U.S. Intermediate Term Taxable	Neutral
U.S. Long Term Taxable	Unfavorable
High Yield Taxable Fixed Income	Neutral
DM Ex.-U.S. Fixed Income	Neutral
EM Fixed Income	Neutral

Source: Wells Fargo Investment Institute, April 15, 2025.

\*Tactical horizon is 6-18 months.

## Fixed income

### Sector strategy: U.S. investment-grade securities

#### Sector tactical guidance\* and total returns (%)

Sector	Guidance	1 month	Year to date
<b>Duration</b>	Neutral	–	–
U.S. Government	Neutral	0.2	2.9
Treasury Securities	Neutral	0.2	2.9
Agencies	Neutral	0.3	2.1
Inflation-Linked Fixed Income	Neutral	0.6	4.2
<b>Credit</b>	Favorable	-0.2	2.4
Corporate Securities	Favorable	-0.3	2.3
Preferred Securities	Neutral	-1.6	0.1
<b>Leveraged Loans</b>	Unfavorable	-0.3	0.5
Securitized	Favorable	0.0	3.0
Residential MBS	Favorable	0.0	3.1
Commercial MBS	Neutral	0.3	2.6
Asset Backed Securities	Favorable	0.2	1.5
<b>U.S. Municipal Bonds</b>	Neutral	-1.7	-0.2
Taxable Municipal	Neutral	-0.3	3.0
State and Local General Obligation	Favorable	-1.7	-0.3
Essential Service Revenue	Favorable	-1.7	-0.2
Pre-refunded	Neutral	-0.2	0.9
High Yield Municipal	Neutral	-1.2	0.8

Sources: Total returns: Bloomberg as of March 31, 2025. Guidance: Wells Fargo Investment Institute, as of April 15, 2025. \*Tactical horizon is 6-18 months. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** MBS = mortgage-backed securities. Duration is a measure of a bond's interest rate sensitivity. See pages 27-32 for important definitions and disclosures.

**Duration (Neutral):** We are now neutral on Duration, a product of our preference for intermediate-term maturities over short- and long-term maturities. We continue to see the intermediate portion of the curve as striking the greatest balance for investors between yield generation and price volatility amid potential fluctuations in yields related to economic and fiscal policies.

**U.S. Government (Neutral):** We remain neutral on the U.S. Government sector. We view holdings of Treasury securities as a high-credit-quality hedge during volatile economic environments, and while concerns about tariff-related inflation fears and growth concerns have sparked volatility, we believe these worries are transient. We still expect that investor appetite for credit risk will tend to flourish, which may cause securities perceived as safe havens, like U.S. Treasuries, to lag.

**Investment-Grade Credit (Favorable):** We have a favorable view of the IG Credit sector (and IG Corporate Securities). High-quality IG credit may allow portfolios to generate excess yield (also known as carry) through spread premium that is meant to compensate investors for perceived issuer credit risk. Although IG credit spreads widened in March, they still remain below long-term averages. We believe that further widening may be moderate and would reverse in the event of our expected second half recovery in 2025. Still, the

higher yields available in these sectors relative to many other IG fixed-income options support our favorable guidance. We reiterate our bias toward selectivity.

**Preferred Stock (Neutral):** We maintain a neutral position on the Preferred Securities sub-sector. Income-oriented investors with a longer-term perspective could continue to accumulate preferred securities. The current market highlights that the Preferred Securities sub-sector comes with heightened risks relative to high-quality, traditional fixed-income sectors. More specifically, given that preferred securities have an innate long-dated (perpetual) nature, issues with low coupons can experience greater losses than those with higher coupons during a relatively high interest-rate environment. Investors participating in this income-oriented sub-sector should understand the risks and complexities inherent in many preferred securities.

**Investment-Grade Securitized (Favorable):** We are favorable on the Securitized sector given that a large portion of the sector is in the Residential Mortgage-Backed Securities (RMBS) sub-sector, on which we are also favorable. We believe that the Securitized sector may be positioned to offer value relative to other fixed-income sectors while still providing favorable credit quality and liquidity. Furthermore, we believe the advantage of RMBS over IG corporates remains visible in credit-spread differentials, although it is not as attractive as it was several months ago. We remain neutral on Commercial Mortgage-Backed Securities (CMBS). Although there is still distress in CMBS, we believe it should be less severe than previously feared. Still, we favor staying in the highest credit qualities that may potentially provide more reliable cash flows. We are also favorable on Asset-Backed Securities (ABS). Demand for ABS remains strong, and although credit spreads have widened in the past few months, we still believe they have room to tighten once we move past this period of uncertainty.

**U.S. Municipal Bonds (Neutral):** We have a neutral view of U.S. Municipal Bonds, especially with other fixed-income sectors displaying more attractive yield opportunities. Within the sector, we still favor both the Essential Service Revenue and State and Local General Obligation sub-sectors. Municipal markets saw negative performance in March as yields increased across the curve. In late March, municipal-to-Treasury yield ratios (MTYR) stood near 76% for 10-year issues and at 93% for 30-year bonds, rising considerably from the previous month. From a historical valuation perspective using MTYR, both 10-year and 30-year municipal bonds still appear to be somewhat rich as they are both below long-term averages.

We currently favor the 5- to 18-year maturity range, where investors can potentially pick up incremental yield, with a slight bias toward implementing a barbell approach by investing in the shorter and longer ends of this range. However, the belly of the municipal yield curve (intermediate term) has become more attractive as the curve continues to steepen. We favor a premium coupon structure and find value in the additional spread pickup offered in 4% coupons over 5% coupons. Bonds with lower coupon structures will have longer duration, and the yield-spread pickup is reflective of that. Municipal credit spreads are trading near the upper range of the past 12 months but are still historically tight. We believe that an emphasis on quality and selectivity remains essential. Municipal investors should also undertake meticulous credit research or access professional management.

## Equities

### Market observations

**U.S. equities:** The equity market selloff that began in February accelerated in March with U.S. Small Caps (-6.8%) leading the decline, followed by U.S. Large Caps (-5.6%) and Mid Caps (-4.6%). Economic and inflation concerns as well as uncertainty about the scope and implementation of the administration's tariffs also largely drove the decline.

Nine of the 11 S&P 500 Index sectors posted negative returns in March with the Communication Services (-8.3%), Information Technology (-8.8%), and Consumer Discretionary (-8.9%) sectors leading the decline. Steep drops in the prices of some mega-cap heavyweights weighed on these sectors. Only two S&P 500 Index sectors posted positive returns. Utilities (+0.3%) benefited from the risk-off environment while Energy (+3.9%) was driven higher by oil and natural gas prices increasing.

The Consumer Discretionary and Technology sectors were also the biggest laggards in the Russell Midcap and Russell 2000 Indexes last month, posting losses of -7.8% and -9.4% in the mid-cap benchmark and -9.5% and -10.7% in the small-cap benchmark, respectively. The Consumer Staples, Utilities, and Energy sectors outperformed in both the mid-cap (+1.2%, +1.3%, and +2.3%, respectively) and small-cap indexes (-1.1%, +0.4%, and -3.4%, respectively).

**International equities:** U.S. dollar-denominated EM Equities (+0.7%) outperformed DM Equities (-0.3%) last month. The currency conversion into U.S. dollars served as a tailwind for both DM and EM Equities as the dollar broadly weakened.

Within DM Equities, the Europe region (-0.2%) modestly outperformed the Pacific region (-0.4%) in March. In the Europe region, Spain (+3.4%) and Norway (+11.0%) were notable outperformers while Denmark (-14.9%) was a notable underperformer. In the Pacific region, Japan (+0.3%) and Singapore (+1.9%) outperformed while New Zealand (-0.7%) and Australia (-3.3%) posted negative returns.

Regarding EM Equities, the Latin America (+4.9%) region outperformed the Europe, Middle East, and Africa (+2.8%) region, which, in turn, outperformed the Asia (-0.02%) region. Within the Latin America region, Brazil (+6.5%), Peru (+4.9%), and Chile (+4.6%) outperformed while Mexico (+1.4%) underperformed. In the Europe, Middle East, and Africa region, South Africa (+7.6%), Greece (+10.0%), and the Czech Republic (+14.6%) were notable outperformers while Qatar (-1.3%), the UAE (-1.4%), and Turkey (-6.0%) underperformed. In the Asia region, the Philippines (+6.5%), Indonesia (+6.8%), and India (+9.4%) outperformed while Taiwan (-11.5%) was a significant underperformer.

### Wells Fargo Investment Institute perspective

The combined effect of slower economic growth and impaired sentiment led us to lower our earnings and price forecasts nearly across the board. As year end approaches, we expect investor attention to refocus on the expected market-friendly policies of deregulation and tax-cut extensions. As this focus shifts and the economy stages a moderate second-half recovery, prices should move higher as well. However, meaningfully surpassing recent highs by year-end 2025 may now prove difficult.

We prefer U.S. Large Cap (favorable) and Mid Cap (favorable) Equities over U.S. Small Cap Equities (neutral). We continue to view U.S. Large Cap Equities as the highest-quality major equity class, with strong company balance sheets compared to other equity classes, durable pricing power, and resilient growth potential. The recent

selloff improved the risk-return balance for U.S. Mid Cap Equities, and we upgraded the asset class from neutral to favorable as a result. We believe mid caps offer higher quality than smaller companies and only a modest step lower in quality versus their larger peers. Our preference for quality extends to our view of international equities, where we prefer DM ex-U.S. (neutral) over EM Equities (unfavorable).

#### Equity index total returns (%)

	MTD	QTD	YTD	1 year	3 year	5 year
U.S. Large Cap Equities	-5.6	-4.3	-4.3	8.3	9.1	18.6
U.S. Large Cap (Growth)	-8.4	-10.0	-10.0	7.8	10.1	20.1
U.S. Large Cap (Value)	-2.8	2.1	2.1	7.2	6.6	16.1
U.S. Mid Cap Equities	-4.6	-3.4	-3.4	2.6	4.6	16.3
U.S. Mid Cap (Growth)	-7.4	-7.1	-7.1	3.6	6.2	14.9
U.S. Mid Cap (Value)	-3.7	-2.1	-2.1	2.3	3.8	16.7
U.S. Small Cap Equities	-6.8	-9.5	-9.5	-4.0	0.5	13.3
U.S. Small Cap (Growth)	-7.6	-11.1	-11.1	-4.9	0.8	10.8
U.S. Small Cap (Value)	-6.0	-7.7	-7.7	-3.1	0.0	15.3
DM Equities Ex-U.S. (USD)	-0.3	7.0	7.0	5.4	6.6	12.3
DM Equities Ex-U.S. (Local) <sup>1</sup>	-2.7	3.0	3.0	4.7	9.3	13.8
EM Equities (USD)	0.7	3.0	3.0	8.6	1.9	8.4
EM Equities (Local) <sup>1</sup>	0.3	2.7	2.7	11.7	5.2	10.1

Sources: Bloomberg, Standard & Poor's, Russell Indexes, MSCI Inc., Wells Fargo Investment Institute, March 31, 2025. MTD = month to date. QTD = quarter to date. YTD = year to date. DM indicates Developed Market; EM indicates Emerging Market; USD indicates U.S. dollar. Returns over one year are annualized.<sup>1</sup> Returns are in local currencies as experienced by local investors. U.S. investors would experience gains or losses on currency conversion. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See pages 27-32 for important definitions and disclosures.

#### Equity tactical guidance\*

	Guidance
U.S. Large Cap Equities	Favorable
U.S. Mid Cap Equities	Favorable
U.S. Small Cap Equities	Neutral
DM Equities Ex-U.S.	Neutral
EM Equities	Unfavorable

Source: Wells Fargo Investment Institute, April 15, 2025.

\*Tactical horizon is 6-18 months.

#### International equity tactical guidance\* by region

Region	Benchmark weight (%)**	Guidance
DM Equities Ex.-U.S.		Neutral
Europe	68	Neutral
Pacific	32	Favorable
EM Equities		Unfavorable
Asia	80	Neutral
Europe, Middle East, and Africa	13	Most unfavorable
Latin America	7	Neutral

Sources: Bloomberg, Wells Fargo Investment Institute (WFII). \*Tactical horizon is 6-18 months. Weightings are as of March 31, 2025. WFII guidance is as of April 15, 2025.

\*\*Benchmarks are MSCI EAFE Index for DM and MSCI Emerging Markets Index for EM.

Weightings may not add to 100% due to rounding. An index is unmanaged and not available for direct investment.

Please see the end of the report for the definitions of the representative indexes.



## Equities

### U.S. equity sector strategy

#### S&P 500 Index sector tactical guidance\* and total returns (%)

Sector	S&P 500 Index weight (%)**	Guidance***	MTD	QTD	YTD	1 year	3 year	5 year
Communication Services	9.2	Favorable	-8.3	-6.2	-6.2	13.6	11.8	17.4
Consumer Discretionary	10.3	Neutral	-8.9	-13.8	-13.8	6.9	3.4	15.6
Consumer Staples	6.1	Unfavorable	-2.4	5.2	5.2	12.4	6.8	12.7
Energy	3.7	Most Favorable	3.9	10.2	10.2	2.5	11.1	31.6
Financials	14.7	Favorable	-4.2	3.5	3.5	20.2	11.2	21.5
Health Care	11.2	Neutral	-1.7	6.5	6.5	0.4	3.9	12.4
Industrials	8.5	▼ Neutral	-3.6	-0.2	-0.2	5.6	10.3	19.3
Information Technology	29.6	▲ Favorable	-8.8	-12.7	-12.7	5.9	13.9	24.3
Materials	2.0	Neutral	-2.6	2.8	2.8	-5.7	1.3	16.1
Real Estate	2.3	Neutral	-2.4	3.6	3.6	9.6	-1.2	9.9
Utilities	2.5	Unfavorable	0.3	4.9	4.9	23.9	5.3	10.8
<b>Total</b>	<b>100.0</b>							

Sources: S&P 500 Index weight and total returns: Bloomberg, as of March 31, 2025. Guidance: Wells Fargo Investment Institute, as of April 15, 2025. \*Tactical horizon is 6-18 months. MTD = month to date. QTD = quarter to date. YTD = year to date. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** ▲/▼: recent change.

\*\*Sector weightings may not add to 100% due to rounding.

\*\*\*To reposition allocations for consistency with our guidance, add two percentage points of exposure to market weight for favorables, subtract two for unfavorables, and hold market weight for neutrals.

**Communication Services (Favorable):** We believe the Communication Services sector has multiple secular earnings drivers: search, social media, delivery of live and at-home content, and most recently, the development of artificial intelligence (AI).

**Consumer Discretionary (Neutral):** The Consumer Discretionary sector may struggle as tariffs ratchet higher and economic growth slows. Yet, we expect a resilient consumer and still-growing economy to be modest tailwinds to investor sentiment and returns by year end. We believe a neutral rating is appropriate given the risk-reward balance.

**Consumer Staples (Unfavorable):** This defensive and rate-sensitive sector is likely to benefit if the recent risk off environment continues but should struggle as the economy stages a modest rebound and sentiment improves, as we expect. Stubborn input-cost inflation and a lack of pricing power are headwinds.

**Energy (Most Favorable):** The fundamental investment case for Energy is still attractive in our view because the sector offers cheap valuations while capital discipline and shareholder returns remain top corporate priorities. The potential upside we see remaining to our new, albeit lowered, oil price targets influences our decision to keep the S&P 500 Index Energy sector at most favorable.

**Financials (Favorable):** Tailwinds include the Fed easing cycle and the economic upturn we expect, which should coincide with improved confidence, loan growth, and activity. Increased efficiencies and a potentially more favorable than feared regulatory environment should also benefit the sector.

**Health Care (Neutral):** This typically defensive sector is likely to underperform should the economy stage a modest rebound. On the other hand, the sector may participate in cyclical and secular tailwinds such as the increased use and effectiveness of weight-loss drugs and an aging population that could generate investor interest, especially during a slowdown.

**Industrials (Neutral, was Favorable):** Industrials enjoys tailwinds from increased demand from ongoing stimulus programs, attempts

to reshore manufacturing, and data-center expansion, although the downshift in economic-growth expectations and increased tariff concerns are headwinds to this typically cyclical sector.

**Information Technology (Favorable, was Neutral):** We believe that the sector's quality characteristics will serve investors well while the AI tailwind likely has legs to continue to drive above-market sales and earnings growth for years. In our view, the recent sharp selloff provided a potentially fleeting opportunity to add exposure to a sector with an attractive secular demand theme.

**Materials (Neutral):** Our bullish commodity outlook could be a mixed bag for the sector as higher natural gas prices increase costs for the chemicals industry while higher metals prices benefit metals and mining companies. Our ranking framework has deteriorated for the sector, yet a cyclical reacceleration would likely be a tailwind. Considering the balance of factors, we believe a neutral rating is appropriate.

**Real Estate (Neutral):** While we do not envision sustained outperformance over a tactical timeframe from the typically defensive sector as the economy stages a modest rebound, we also see little catalyst for significant underperformance as Real Estate sentiment seemingly has passed its nadir.

**Utilities (Unfavorable):** The Utilities rally is likely to prove fleeting in our view. Further, our expectation for elevated interest rates likely poses multiple headwinds, including heightened competition for yield flows from fixed-income investments as well as elevated interest costs for the highly levered sector.

**Growth versus Value (Balanced):** In our view, the value and growth descriptors are too blunt and broad, and instead we prefer to pick sectors in an effort to enhance equity returns. There is not a straightforward way to sort sector preferences into growth or value styles, but our current sector preferences lean toward growth (we hold a most favorable rating on the Energy sector, a favorable rating on the Financials, Information Technology, and Communication Services sectors, and an unfavorable rating on the Consumer Staples and Utilities sectors).

## Equities

### Equity sector and sub-sector preferences

Sector	Sector tactical guidance*	Favorable sub-sectors	Unfavorable sub-sectors
Energy	<b>Most Favorable</b>	Integrated Oil; Midstream Energy	Refining
Communication Services	<b>Favorable</b>	Interactive Home Entertainment; Interactive Media & Services	Alternative Carriers; Publishing
Financials		Capital Markets; Diversified Banks; Insurance Broker; Multi-Sector Holdings; Property & Casualty Insurance; Transaction & Payment Processing Services	Business Development Companies; Life & Health Insurance; Mortgage Real Estate Investment Trusts (REITs); Regional Banks
Information Technology		Semiconductors; Semiconductor Materials & Equipment; Software	Communications Equipment
Consumer Discretionary	<b>Neutral</b>	Broadline Retail; Hotels, Restaurants & Leisure; Specialty Retail	Leisure Products
Health Care		Life Sciences Tools & Services; Managed Health Care; Health Care Equipment & Supplies	Health Care Services
Industrials		Aerospace & Defense; Commercial & Professional Services; Trading Companies & Distributors	Cargo Ground Transportation; Passenger Airlines
Materials		Construction Materials; Industrial Gases; Specialty Chemicals	Containers & Packaging
Real Estate		Data Center REITs; Industrial REITs; Self-Storage REITs; Telecommunications REITs	Diversified REITs; Lodging/Resort REITs; Office REITs; Specialty REITs; Timberland REITs
Consumer Staples	<b>Unfavorable</b>	Beverages; Consumer Staples Merchandise Retail; Household Products	Tobacco
Utilities		Electric Utilities; Independent Power & Renewable Electricity Producers; Multi-Utilities	Water Utilities

Source: Wells Fargo Investment Institute; favored sub-sectors by Global Securities Research (GSR) group and favored sectors by Global Investment Strategy. As of April 15, 2025.  
REITs = real estate investment trusts.

\*Tactical horizon is 6-18 months.

**For more information, please request our most recent *Equity Recommendations* report.**

## Real assets

### Master limited partnerships (MLPs)

#### Market observations

MLPs outperformed the broader market in March, with an 0.1% total return (as measured by the Alerian MLP Index) versus a decline of 5.6% for the S&P 500 Index. WTI crude oil prices ended the month 2.5% higher. We note that MLPs typically have low direct business exposure to energy commodity prices as business models are primarily fee based.

We believe investor sentiment toward MLPs has generally improved due to resilient domestic oil demand and visible future demand growth for natural gas, driven by electrification needs and growing export volumes. Additionally, MLPs potentially stand to benefit from deregulatory ambitions of the Trump administration, although the path and extent of these initiatives remain unclear. MLPs have generally become more disciplined on capital expenditures, and many high-quality MLPs now have stronger balance sheets and the potential for sustainable payouts, in our view.

#### Wells Fargo Investment Institute perspective

We prefer high-quality midstream energy companies that have had stable operating results and solid distribution coverage. These companies tend to be relatively large and well diversified. We also believe that midstream C-corporations typically have stronger corporate governance and a wider institutional investor base relative to midstream companies structured as MLPs.

### Commodities

#### Market observations

**Energy:** The Bloomberg Commodity Energy Subindex's performance was up by 4.0% in March, slightly outperforming the BCOMTR. Performance was driven by a 7.4% rise in natural gas prices while WTI and Brent crude prices rose by 2.5% and 2.1%, respectively.

We expect an improving economic outlook in the latter half of the year to drive stronger sector performance. However, we believe the unwinding of OPEC+'s production cuts beginning in April will be a headwind and result in an adequate oil surplus by year end. Therefore, we reduced our 2025 year-end targets for WTI and Brent crude to \$65 – \$75 per barrel and \$70 – \$80 per barrel, respectively. Our new targets still provide upside from current prices, and we expect the improving macro conditions in tandem to higher seasonal demand during the summer to drive modest price increases.

**Metals:** Precious Metals outperformed the BCOMTR with a 10.0% return in March. Strong demand growth among global central banks and consumers will likely continue to be strong tailwinds for gold's performance. As a result, we raised our 2025 year-end target range for gold to \$3,000 – \$3,200 per troy ounce. That said, we do have concerns that sentiment has become overly optimistic, which could lead to near-term pullbacks. We would view these pullbacks as opportunities to rotate exposure to Precious Metals given our constructive outlook for gold prices.

Industrial Metals outperformed the BCOMTR with a 4.2% return in March, driven by a 11.5% return in copper prices and strong demand ahead of potential tariffs. We remain neutral due to ongoing concerns around China's property sector. However, we do see strengths in an improving U.S. economic outlook later this year, which could be a potent tailwind for sector performance.

**Agriculture:** Agricultural commodity prices declined by 0.4% in March, underperforming the BCOMTR. Looking ahead, we expect demand growth to be on pace with supply growth, resulting in moderately lower inventories across major grains by year end. Select agricultural commodities, such as coffee, could outperform as a result

#### Real assets index total returns (%)

	MTD	QTD	YTD	1 year	3 year	5 year
Public Real Estate	-2.1	1.9	1.9	5.0	-3.3	7.2
U.S. REITs	-2.4	2.8	2.8	9.2	-1.7	9.5
International REITs	0.6	3.5	3.5	-2.8	-7.0	1.8
Master Limited Partnerships	0.1	12.6	12.6	23.0	25.0	40.2
Global Infrastructure	2.1	4.6	4.6	18.8	6.1	13.8
Commodities (BCOMTR)	3.9	8.9	8.9	12.3	-0.8	14.5
Agriculture	-0.4	2.0	2.0	1.0	-3.4	12.1
Energy	4.0	11.0	11.0	7.1	-6.8	16.4
Industrial Metals	4.2	8.6	8.6	13.2	-6.7	13.1
Precious Metals	10.0	18.3	18.3	39.0	15.0	14.2
Commodities (S&P GSCI)	2.9	4.9	4.9	3.8	1.3	20.7
Commodities (RICI)	2.7	5.3	5.3	6.5	0.3	19.7

Sources: Bloomberg, Wells Fargo Investment Institute, March 31, 2025. MTD = month to date. QTD = quarter to date. YTD = year to date. REITs = real estate investment trusts. Returns over one year are annualized. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See pages 27-32 for important definitions and disclosures.

of ongoing supply constraints, but generally we expect the sector to perform in-line with the broader BCOMTR.

#### Wells Fargo Investment Institute perspective

Overall, Commodities performance (measured by the BCOMTR) was up with a 3.9% total return in March. Looking ahead, we expect the re-acceleration of economic conditions later in the year to be the primary driver of modestly stronger Commodities performance. We also see value in Commodities as a portfolio hedge against heightened geopolitical risks stemming from tariffs and sanctions. Therefore, we view weakness as an opportunity and have a 2025 year-end price target of 250 – 270 for the BCOMTR.

**Private Real Estate:** While headwinds remain for Private Real Estate, a broad economic recovery expected in late 2025 or early 2026 has provided hope that the recovery will extend to real-estate markets. However, higher interest rates continue to pose challenges as credit conditions remain tight across many property types. While the multi-family sector continues to digest new construction coming online, particularly across the Sun Belt region, the demand for apartments remains strong as homeownership affordability continues to register lows. The Office market remains challenged as companies continue to reassess their future needs while the return-to-office movement stalls. The NCREIF Office Property Index fell by another 0.6% during the fourth quarter of 2024. Although longer-term trends in the Industrials sector remain positive given the shift to online retail and the accompanying need for warehouse space, higher valuations and weak demand for new leases have tempered our outlook in the near term.

#### Real asset tactical guidance\*

##### Guidance

Commodities	Favorable	Private Real Estate	Neutral
Energy	Favorable	Core	Neutral
Precious Metals	Favorable	Value-Add	Neutral
Agriculture	Neutral	Opportunistic	Neutral
Industrial Metals	Neutral		

Source: Wells Fargo Investment Institute, April 15, 2025.

\*Tactical horizon is 6-18 months.

## Alternative investments\*

### Market observations

Trade policy concerns and weak U.S. economic data continued to weigh on stock prices and the U.S. dollar in March. Among global equity markets, U.S. Equities, and especially the Information Technology, Communication Services, and Consumer Discretionary sectors led the way down. Nevertheless, Emerging Market Equities as well as the Energy and Utilities sectors recorded low single-digit gains. Fixed income posted flat to slightly negative returns on the back of flat interest rates and widening credit spreads. In Commodities, the BCOMTR registered a solid 3.9% gain in March, underpinned by accretive returns from precious metals, copper, and natural gas.

**Relative Value** strategies registered a flat return for the month, driven by mixed contributions from Arbitrage, Structured Credit and Long/Short Credit sub-strategies. As compared to many other Hedge Fund strategies, Relative Value strategies recorded more modest returns owing to their defensive characteristics.

**Macro** strategies posted a modest return of 0.2% in March. Systematic sub-strategies saw a flat return for the month, primarily driven by equity, currency, and commodity positions. The long U.S. dollar positions weighed on strategies' performance as the currency depreciated during the month against other major currencies. Long holdings in global equity indexes also led to performance detractions owing to market pullbacks on tariff concerns. However, rising gold prices underpinned gains in strategies' long positions. During March, the strategies scaled back long holdings across equities, agricultural commodities, and the U.S. dollar. The strategies maintained short fixed-income positions and long holdings in energy and metals. For the month, Discretionary strategies posted a gain of 2.0%.

**Event Driven** recorded a loss of 2.4% for the month. Equity market pullbacks significantly weighed on Activist sub-strategies. However, Merger Arbitrage sub-strategies saw modest gains, driven by successful deal completions and the prospect of a more supportive regulatory environment. For Distressed Credit, we continue to expect elevated levels of distressed situations as businesses with overleveraged balance sheets become increasingly stressed under the weight of higher debt-service levels and slower growth.

**Equity Hedge** strategies posted a 2.0% loss in March but outperformed the MSCI All Country World Index. The negative return was primarily driven by broad equity-market exposure. For the month, the strategies pared back exposures globally, especially in the U.S. Additionally, Equity Hedge strategies rebalanced into defensive sectors from other sectors. Equity Market Neutral sub-strategies also registered a loss of 0.6% for the month. As dispersion among stocks stays elevated, we expect the environment for stock selection to remain constructive.

### Wells Fargo Investment Institute perspective

**Relative Value (Neutral):** We favor Long/Short Credit sub-strategies that have the potential to capitalize on market volatility and improving credits in a gradual economic recovery. Given Arbitrage sub-strategies' more defensive, absolute-return oriented positioning, we prefer other sub-strategies that may have the potential to benefit from an improving economic landscape.

**Macro (Favorable):** We continue to favor Macro Discretionary sub-strategies given their ability to benefit from geopolitical uncertainty and market trends driven by macroeconomics and policy shifts. Yet, we are neutral on Macro Systematic sub-strategies as these

### Alternative investments index/strategy total returns (%)

	MTD	QTD	YTD	1 year	3 year	5 year
Global Hedge Funds	-1.1	-0.4	-0.4	4.7	4.6	9.6
Relative Value	0.0	1.7	1.7	7.8	5.3	7.8
Arbitrage	-0.2	1.2	1.2	6.0	4.0	6.8
Long/Short Credit	0.0	1.8	1.8	8.4	5.4	8.3
Struct. Credit/Asset-Backed	0.2	2.2	2.2	9.5	6.1	8.0
Macro	0.2	0.1	0.1	-0.7	2.4	5.8
Systematic	0.0	-1.0	-1.0	-3.8	1.4	4.8
Discretionary	2.0	5.2	5.2	9.9	5.9	7.5
Event Driven	-2.4	-1.6	-1.6	5.5	4.8	10.4
Activist	-6.5	-6.0	-6.0	-3.6	1.8	12.1
Distressed Credit	-2.8	-2.4	-2.4	4.6	4.9	10.7
Merger Arbitrage	0.4	1.2	1.2	6.6	4.5	8.6
Equity Hedge	-2.0	-1.3	-1.3	5.1	4.9	11.2
Directional Equity	-2.1	-1.5	-1.5	4.8	4.8	11.8
Equity Market Neutral	-0.6	1.2	1.2	7.2	6.4	5.8

Source: Hedge Fund Research, Inc. (HFR), March 31, 2025. (Preliminary numbers released by HFR on April 7, 2025.) MTD = month to date. QTD = quarter to date. YTD = year to date. Returns over one year are annualized. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See pages 27-32 for important definitions and disclosures.

diversifying strategies may underperform Directional sub-strategies in a market-recovery scenario.

**Event Driven (Favorable):** We maintain our favorable guidance for Event Driven given our neutral-to-favorable views across sub-strategies. We continue to favor the Distressed Credit sub-strategy. As elevated interest rates flow through the economy, we believe higher debt-service levels and slower growth will meaningfully impact many small- and mid-sized businesses.

**Equity Hedge (Neutral):** We favor Equity Hedge Directional sub-strategies that can benefit from an improving environment for equities as the strategies generally have the flexibility to increase their market sensitivity in rising markets. For Equity Market Neutral, the low-return, low-volatility sub-strategy may underperform in a rising equity market and during a gradual economic recovery.

**Private Equity (Neutral):** While we are neutral on Private Equity, we have high conviction in certain sub-strategies and geographies where we believe valuations are more attractive and capital-market funding is less of a headwind. We believe that opportunities do exist — especially in secondaries, middle market, growth-equity, and infrastructure investments.

**Private Debt (Neutral):** We maintain a favorable view on Distressed/Special Situations. The number of distressed opportunities is expected to remain elevated as the effects of elevated interest rates, slower economic growth, and tight lending standards continue to weigh on small- and middle-market businesses. We maintain our neutral rating on Direct Lending sub-strategies as the growing promise of an economic recovery is offset by many lower-quality borrowers that continue to face higher debt-service costs and elevated inflationary pressures.

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## Alternative investments\*

### Private placements

#### Alternative investment strategies outlook\*

Private placements	Tactical guidance**
Relative Value	Neutral
Arbitrage	Unfavorable
Long/Short Credit	Favorable
Structured Credit/Asset-Backed	Neutral
Macro	Favorable
Systematic	Neutral
Discretionary	Favorable
Event Driven	Favorable
Activist	Neutral
Distressed Credit	Favorable
Merger Arbitrage	Neutral
Equity Hedge	Neutral
Directional	Favorable
Equity Market Neutral	Unfavorable
Private Equity	Neutral
Large Cap Buyout	Neutral
Small / Mid Cap Buyout	Favorable
Growth Equity	Favorable
Venture	Neutral
Private Debt	Neutral
Direct Lending	Neutral
Distressed / Special Situations	Favorable

Sources: Wells Fargo Investment Institute, April 15, 2025.

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\*\*Tactical horizon is 6-18 months.

#### Notes on alternative investment structures

The core differences between our guidance for private placements versus liquid alternative mutual funds centers on the expected illiquidity premium and the expected complexity premium often associated with private placements. The illiquidity premium refers to the potential for incremental return or yield generated by owning securities that cannot be sold quickly without affecting the price. Certain securities may be illiquid for one month, quarter, several years or longer. This illiquidity may provide investment managers enhanced flexibility which may result in higher long-term returns. Illiquidity may be experienced in public and private credit securities that can include loans, securitized credit, and stressed and distressed corporate credit. However, equity strategies may also be illiquid for periods of time, especially after a corporate restructuring when debt is converted to equity or within strategies that require significant equity ownership such as Activism. A complexity premium may also be associated with illiquid securities as they often require specialized origination, underwriting and investing strategies. Because private placements do not offer daily liquidity to their investors, they potentially provide greater flexibility to invest in securities that may offer an illiquidity premium. Furthermore, private placements can have a larger concentration in illiquid securities.

The complexity premium potentially offered with private placements results from several structural limitations associated with mutual funds, including provisions of the Investment Company Act of 1940, as amended (1940 Act), that apply at the fund level and not the individual strategy level. The 1940 Act requires, among others, the following:

- Regular liquidity — Redemptions must be paid within seven calendar days
- Regular transparency
- Limits on leverage — 300% asset coverage limits leverage to 33%; making loans; or investing in real estate or commodities
- Limits on concentration — 75% of the value of its total assets cannot be invested more than 5% in any one issuer, 25% in one industry or 10% of the outstanding voting securities of the issuer
- Limits on illiquidity — No more than 15% can be invested in illiquid assets

In addition, under the Investment Advisers Act of 1940, performance-based fees must be symmetric.

As a result of the illiquidity and complexity premiums, performance returns and characteristics are expected to vary between liquid alternative mutual funds and private placements.

In our view, when implementing liquid alternatives in a diversified portfolio, they should not be considered a one-to-one substitute for traditional hedge funds. Our new guidance will reflect these differences in product types.

It is important to remember that only “accredited investors” or “qualified purchasers” within the meaning of U.S. securities laws can invest in private placements. This means investors must have a minimum level of income, assets, or net worth to be eligible. They may also need to meet other qualification requirements. Like all mutual funds, liquid alternative funds are regulated under the 1940 Act, and are open to all investors. As such, they are regulated in their use of leverage and have required levels of liquidity and diversification. Mutual funds must value their portfolios and price their securities daily using fair value guidelines. Hedge funds, on the other hand, face less regulation and are not required to provide investors with periodic pricing or valuation. This allows them a great deal of flexibility but may increase the risks for investors.

**Because of the illiquid and complex nature of private placement hedge funds, Wells Fargo Investment Institute will no longer provide tactical percentage guidance for these asset classes. We will instead provide guidance that may be incorporated into portfolios over a longer period of time.**

## Currency guidance

### **The U.S. dollar versus developed market currencies**

#### **Market observations and outlook**

The U.S. dollar continued its downward trend throughout March. The U.S. Dollar Index (DXY) peaked at 109.9 on January 13, its highest level in two years; however, the index declined during the second half of January and continued to fall in February and March, finishing at 104.2. U.S. Treasury yields were volatile throughout the month due to economic concerns, which also affected the dollar's strength. Market expectations of additional Fed rate cuts in 2025 also increased as incoming data showed more evidence of a decline in economic activity. Fed policy actions (more so than those from other major central banks) over the next few months coupled with potential political and trade risks both in the U.S. and abroad will likely remain key factors for the dollar's near-term levels. Overall, DM currencies gained ground against the U.S. dollar in March. The yen ended roughly flat (+0.45%) but was volatile given market expectations that the Bank of Japan will continue to raise policy interest rates, and overall Japanese government bond yields have also increased. The euro gained ground given U.S. economic concerns, ending the month higher by 4.25%. The pound also ended the month higher, increasing by 2.7%.

We expect the dollar to regain much of its strength by year end, supported by still-elevated U.S. interest rates and potential international impacts of U.S. tariffs. Current U.S. dollar valuations have come down notably but still remain moderately high compared to longer-term historical averages. The dollar may experience renewed support as we anticipate only three rate cuts from the Fed, which would keep notable interest-rate differentials between the Fed and ECB in place. We expect this trend of dollar strength to reaccelerate into the later part of 2025. At year end, we see ranges of \$1.02–\$1.06 per euro and 152–156 yen per dollar.

#### **Year-end currency targets**

	Latest	YE25 targets
Dollars per euro	\$1.08	▲ \$1.02–\$1.06
Yen per dollar	¥150	▼ ¥152–¥156
ICE U.S. Dollar Index	104	▼ 105–109

Source: Bloomberg, as of March 31, 2025. Targets are Wells Fargo Investment Institute forecasts, as of April 15, 2025 and provide a forecast direction over a tactical horizon. The closer the current date is to the year-end, the more WFII guidance focuses on the following year's target. YE = year end. ▲/▼: recent change.

The ICE U.S. Dollar Index is a weighted average of the value of the U.S. dollar relative to a basket of U.S. trade partner currencies, comprised of the euro, Japanese yen, pound sterling, Canadian dollar, Swedish krona, and Swiss franc. A higher index value indicates dollar appreciation.

**Forecasts are based on certain assumptions and on our views of market and economic conditions, which are subject to change.** See pages 27–32 for important definitions and disclosures.

### **The U.S. dollar versus emerging market currencies**

#### **Market observations and outlook**

The U.S. dollar's weakness in March was mixed for EM currencies, with the MSCI Emerging Markets Currency Index (an index of currencies mirroring the weighting of the more manufacturing-based MSCI Emerging Markets Index, heavily weighted toward

Asia) ending the month flat (+0.01%). Emerging European currencies benefited the most, with the Czech koruna (+4.70%) and Polish zloty (4.34%) leading on the back of negotiations in the Russia-Ukraine conflict. However, Asian EM currencies were mixed against the dollar. The Taiwanese dollar (-1.12%) struggled while the Indian rupee (2.4%) and Philippine peso (1.33%) rose. The Chinese yuan (+0.38%) rebounded from March; however, more pressure on the yuan is expected on potential tariff escalations. At the moment we have observed a period of positive performance in EM currencies as the U.S. dollar has weakened due to tariff concerns; however, we are still forecasting dollar strength toward year end, which would imply a reversal of recent EM currency gains.

### **Currency hedging**

Based on our views on the direction of the U.S. dollar, we provide our currency-hedging guidance in the matrix below. We have revised our view on DM ex-U.S. Fixed Income from unfavorable to neutral, but because we no longer recommend strategic allocations to DM fixed income in local currency, we still do not favor taking tactical positions at this time. For investors with exposure to these bonds, we have revised our hedging guidance from “hedge” to “no hedge”; because we see limited dollar upside from current levels through year end, we do not expect large currency losses to be a long-term drag on returns. For EM fixed income, the strategic benchmark consists exclusively of dollar-denominated sovereign EM bonds, so we currently believe hedging is unnecessary.

#### **Hedging matrix**

Asset class	Strategic benchmark	Currency advice
Developed Market Ex-U.S. Fixed Income	Local currency*	No hedge
Developed Market Ex-U.S. Equities	Local currency	No hedge
Emerging Market Fixed Income	U.S. dollar	N/A
Emerging Market Equities	Local currency	No hedge

Source: Wells Fargo Investment Institute, April 15, 2025. The table above provides guidance for investors who want and are able to hedge against currency losses, or to take advantage of the dollar's move in either direction. Please note that implementation may vary according to the hedging instruments available to investors.

\*We no longer recommend strategic allocations and do not favor tactical allocations at this time to Developed Market Ex-U.S. Fixed Income. Hedging guidance applies to those who wish to hold these assets.

We do not favor hedging currency risk for equities at this time. We think the hurdle to hedging currency risk is higher for equities than for bonds because in equity markets, currency movements have had a smaller influence on total return than for fixed income. Further, the cost and complexity of currency hedging for equities may be greater. It is important to consider that many actively managed mutual funds already may incorporate an element of currency hedging. In addition, the cost of hedging against losses from EM currencies is far higher than for those of DMs, and the availability of efficient hedging instruments is limited.

## Tactical guidance

### Recommended tactical guidance

#### **No changes this month.**

The strategic (neutral) asset allocations are based on long-term strategies. However, capital markets tend to move in cycles, and there may be short-term opportunities to enhance the risk/return relationship within a portfolio by temporarily adjusting the strategic allocations. The tactical asset allocation adjustments are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio. The minimum position of any asset class is zero, meaning that no short selling is permitted. The maximum position of all asset classes together is 100%, meaning that no leverage is permitted. The actual extent of the recommended tactical adjustments is a judgment call. It should be enough to make a difference without crowding out other assets or creating a vacuum. Also, all the tactical recommendations have to be considered together. It would not be mathematically possible to underallocate two asset groups while maintaining over-allocations in the other two. Adjustments must be made to bring all the broad asset classes into a proper relationship. These are guidelines to be used prudently for investors with temperaments that agree with a more aggressive, tactical investment style.

#### **Additional asset class guidance**

**Consider long/short equity strategies:** These strategies can provide diversification in an equity portfolio by utilizing both long and short exposures to the asset class. While they can provide diversification, investors should expect higher tracking error (extent to which the returns have differed from its benchmark) to traditional benchmarks from these strategies. Prudent use through controlled allocations is recommended.

#### **Cash Alternatives and Fixed Income**

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

#### **Equities**

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	Emerging Market Equities	Developed Market Ex.-U.S. Equities U.S. Small Cap Equities	U.S. Large Cap Equities U.S. Mid Cap Equities	

#### **Real Assets**

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Private Real Estate	Commodities	

#### **Alternative Investments\***

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Hedge Funds–Equity Hedge Hedge Funds–Relative Value Private Debt Private Equity	Hedge Funds–Event Driven Hedge Funds–Macro	

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## Tactical guidance\*

### Tactical guidance summary

FIXED INCOME	U.S. Short Term Taxable	Unfavorable	We remain cautious of over-allocating to short-term maturities, especially given the anticipation of further rate cuts this year, and we prefer to capture the additional yield available in intermediate-term maturities.
	U.S. Intermediate Term Taxable	Neutral	Our view is that U.S. Intermediate Term Taxable Fixed Income currently provides an attractive yield and is less rate sensitive should interest rates increase further above the upper range of our target. The asset class can provide investors with opportunities to outperform cash, cash alternatives, and both U.S. Short and Intermediate Term Taxable Fixed Income in the near term.
	U.S. Long Term Taxable	Unfavorable	Interest rates have fallen across the curve as growth uncertainty has weighed on markets. Long-term (10-plus year) maturities are most impacted by recent rate movements, and we have seen significant gains in recent weeks in the U.S. Long Term Taxable Fixed Income asset class.
	High Yield Taxable	Neutral	From a valuation perspective, we acknowledge that HY bonds still appear expensive, but yields are attractive. We remain neutral on HY Taxable Fixed Income, but differences are beginning to surface among HY Taxable Fixed Income sectors and credit ratings, so selectivity remains important.
	Developed Market Ex-U.S.	Neutral	Currency losses will most likely weigh on returns while political risks add further pressure on yields despite the move from the ECB to cut rates, with more expected over the coming months. We remain neutral on this fixed-income class.
	Emerging Market	Neutral	Dollar-denominated debt is a small portion of sovereign borrowing and is insulated from EM currency volatility, although it is vulnerable to rises in U.S. yields given its longer duration.
EQUITIES	U.S. Large Cap	Favorable	We view U.S. Large Cap Equities as the highest-quality major equity class, with strong company balance sheets compared to other equity classes, durable pricing power, and resilient growth potential.
	U.S. Mid Cap	Favorable	We used the recent pullback as an opportunity to upgrade the asset class. The U.S. Mid Cap Equities asset class can offer investors higher quality compared to U.S. Small Cap Equities as well as a reasonable amount of exposure to many economically sensitive sectors that may allow investors to participate in cyclical rallies.
	U.S. Small Cap	Neutral	U.S. Small Cap Equities struggle with quality and consistent earnings growth. In fact, the index is hamstrung by over 40% of its members having no earnings over the past 12 months. Yet, the group is prone to cyclical rallies if the economy surprises to the upside. Two-way risks keep us neutral for now.
	Developed Market (DM) Ex.-U.S.	Neutral	The export-sensitive region is constrained by tepid global trade and risks to global growth, but we suspect sentiment has passed its nadir as news of increased fiscal spending improved investor outlooks, and that upturn should support higher valuations.
	Emerging Market	Unfavorable	Ongoing political risks from Chinese regulatory reform, U.S.-China diplomatic and economic strains, China's shift to emphasize domestic consumption, and our desire for quality keep us unfavorable on EM equities.
REAL ASSETS	Commodities	Favorable	We expect Commodities performance to improve through 2025 as demand strengthens from a recovery in economic growth and Fed interest-rate cuts. Commodities may also provide value as a portfolio hedge against heightened geopolitical risks stemming from tariffs and sanctions. Within the Commodities sectors, we remain favorable on Precious Metals and Energy over the tactical horizon.
	Private Real Estate	Neutral	We maintain our neutral guidance on Core, Value-Add, and Opportunistic as supply-demand imbalances recalibrate a new equilibrium. In addition, while we maintain a neutral view on Private Real Estate overall, we remain optimistic that potentially lower short-term interest rates and easing credit conditions can lead to an improved environment.
ALTERNATIVE INVESTMENTS*	Hedge Funds–Relative Value*	Neutral	We remain favorable on Long/Short Credit sub-strategies that have the potential to capitalize on market volatility and improving credit conditions in a gradual economic recovery.
	Hedge Funds–Macro*	Favorable	We continue to favor Macro Discretionary sub-strategies given their ability to capitalize on geopolitical uncertainty and markets driven by policy shifts. Yet, we are neutral on Macro Systematic sub-strategies as these diversifying strategies may underperform other directional strategies in a market-recovery scenario.
	Hedge Funds–Event Driven*	Favorable	As we expect the U.S. economy to recover, we maintain our favorable guidance on Event Driven, given an improving outlook for Activist and Merger Arbitrage sub-strategies and our favorable view on Distressed Credit. We favor the Distressed Credit sub-strategy as many small- and mid-sized businesses remain burdened by higher debt-service costs.
	Hedge Funds–Equity Hedge*	Neutral	We favor Equity Hedge Directional sub-strategies — we expect them to benefit from our expectations for a broadening equity market rally and improved economic outlook.
	Private Equity*	Neutral	We maintain our neutral cyclical guidance for Private Equity. Valuations have declined from 2021 highs, and deal activity has slowed. As the anticipated economic recovery starts and valuations reach a bottom, we expect that the opportunity to invest new money will improve.
	Private Debt*	Neutral	We maintain a favorable view on Distressed/Special Situations in an effort to capitalize on our expectations for credit-market stress and dislocations. We remain neutral on Direct Lending considering the risks in lower-quality middle-market borrowers.

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# Capital market assumptions

## Fixed income, equities, real assets, and alternative investments

### Annual update; as of July 2024

Capital market and asset class assumptions are estimates of how asset classes may perform over the long term, covering multiple economic and market cycles. For example, **downside risk** is based on our assumptions about average returns and the variability of returns. It represents the minimum return that would be statistically likely in 95% of annual returns. In other words, in 19 out of 20 years, performance would likely be better than this figure and in the twentieth year it would likely be worse. There is no guarantee that any particular 20-year period would follow this pattern. **Expected returns** represent our estimate of likely average returns over the next several market cycles. They do not represent the returns that an investor should expect in any particular year. **Geometric return** is the compounded annual growth rate of an investment (asset class or portfolio) over a specified period of time longer than one year. **Standard deviation** is a measure of volatility. It reflects the degree of variability surrounding the outcome of an investment decision; the higher the standard deviation, the greater the risk. **Yield** on a bond assumes constant maturity. **Dividend yield** on an equity or real-asset investment represents the projected dividend as a percentage of the purchase price. The assumptions are not designed to predict actual performance, and there are no assurances that any estimates used will be achieved. The information given has been provided as a guide to help with investment planning and does not represent the maximum loss a portfolio could experience.

### Capital market assumptions (%)

	Asset class	Expected arithmetic return	Expected geometric return	Expected standard deviation or risk	Yield or dividend yield	Downside risk
	Inflation	2.5				
	Taxable Cash Alternatives	2.5	2.5	0.5	2.5	1.7
	Tax Exempt Cash Alternatives	2.1	2.1	0.5	2.1	1.3
FIXED INCOME	U.S. Taxable Investment Grade Fixed Income	3.9	3.9	3.8	3.9	-2.1
	U.S. Short Term Taxable Fixed Income	3.1	3.1	1.5	3.1	0.7
	U.S. Intermediate Term Taxable Fixed Income	3.9	3.9	3.5	3.9	-1.7
	U.S. Long Term Taxable Fixed Income	5.4	5.0	9.0	5.0	-8.7
	High Yield Taxable Fixed Income	7.2	6.8	9.0	6.8	-7.0
	U.S. Tax Exempt Investment Grade Fixed Income	3.4	3.3	4.3	3.3	-3.5
	U.S. Short Term Tax Exempt Fixed Income	2.7	2.6	1.8	2.6	-0.2
	U.S. Intermediate Term Tax Exempt Fixed Income	3.4	3.3	4.0	3.3	-3.1
	U.S. Long Term Tax Exempt Fixed Income	4.6	4.5	5.3	4.5	-3.8
	High Yield Tax Exempt Fixed Income	6.1	5.8	7.5	5.8	-5.8
	Developed Market ex-U.S. Fixed Income	3.0	2.7	8.0	2.7	-9.6
	Emerging Market Fixed Income	7.0	6.5	9.5	6.5	-7.9
	Inflation-Linked Fixed Income	3.8	3.5	7.5	3.5	-8.1
	Preferred Stock	5.1	4.4	11.5	4.4	-12.7
EQUITIES	U.S. Large Cap Equities	8.9	7.8	16.0	1.9	-15.2
	U.S. Mid Cap Equities	9.6	8.3	17.0	1.7	-16.0
	U.S. Small Cap Equities	9.8	8.0	20.0	1.4	-19.8
	Developed Market ex-U.S. Equities	8.3	7.0	17.0	2.9	-17.2
	Emerging Market Equities	9.7	7.8	21.0	2.7	-21.1
REAL ASSETS	Private Real Estate	8.9	8.1	13.0	5.0	-11.1
	Private Infrastructure	8.8	8.2	12.0	4.3	-9.7
	Master Limited Partnerships (MLPs)	10.0	8.5	18.0	7.5	-16.9
	Commodities	8.7	7.5	16.0	0.0	-15.5
ALTERNATIVE INVESTMENTS*	Global Hedge Funds	6.2	6.0	6.3	0.0	-3.9
	Hedge Funds – Relative Value	6.5	6.3	7.0	0.0	-4.6
	Hedge Funds – Macro	5.5	5.2	8.0	0.0	-7.1
	Hedge Funds – Event Driven	6.9	6.7	7.5	0.0	-4.9
	Hedge Funds – Equity Hedge	6.6	6.2	8.5	0.0	-6.8
	Global Liquid Alternatives	3.5	3.4	4.0	0.0	-3.0
	Private Equity	14.2	12.6	19.0	0.0	-14.2
	Private Debt	9.3	8.7	11.5	7.0	-8.5

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## Strategic asset allocation

Client goals	INCOME			GROWTH & INCOME			GROWTH		
Risk Tolerance	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive

### Efficient frontier

An efficient frontier represents the theoretical set of diversified portfolios that attempt to maximize return given a specific level of risk.

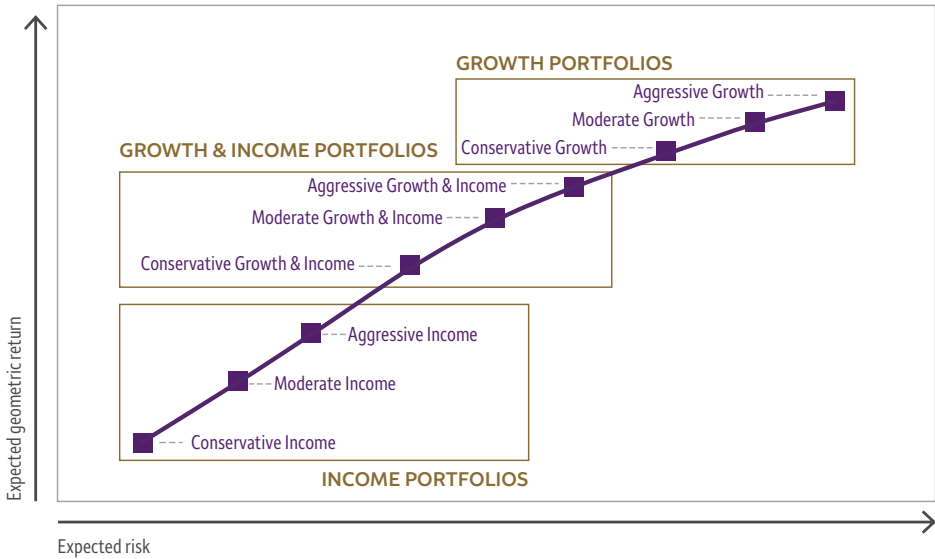


Chart is conceptual and is not meant to reflect any actual returns or represent any specific asset classifications.

Source: Wells Fargo Investment Institute, July 2024

## Investment objectives definitions

### INCOME

Income portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets but can still experience losses.

**Conservative Income** investors generally assume lower risk, but may still experience losses or have lower expected income returns.

**Moderate Income** investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.

**Aggressive Income** investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

### GROWTH & INCOME

Growth & Income portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.

**Conservative Growth & Income** investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.

**Moderate Growth & Income** investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.

**Aggressive Growth & Income** investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

### GROWTH

Growth portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.

**Conservative Growth** investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.

**Moderate Growth** investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.

**Aggressive Growth** investors seek a higher level of returns and are willing to accept a higher level of risk that may result in more significant losses.

## Strategic and tactical asset allocation: Liquid

May include fixed income, equities, and real assets

		CONSERVATIVE			MODERATE			AGGRESSIVE		
		Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)
INCOME	TAXABLE CASH ALTERNATIVES	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0
	TOTAL GLOBAL FIXED INCOME	82.0	77.0	-5.0	69.0	65.0	-4.0	61.0	56.0	-5.0
	U.S. Taxable Investment Grade Fixed Income	76.0	71.0	-5.0	60.0	56.0	-4.0	47.0	42.0	-5.0
	Short Term Taxable*	17.0	14.0	-3.0	13.0	11.0	-2.0	11.0	8.0	-3.0
	Intermediate Term Taxable*	45.0	45.0	0.0	36.0	36.0	0.0	27.0	27.0	0.0
	Long Term Taxable*	14.0	12.0	-2.0	11.0	9.0	-2.0	9.0	7.0	-2.0
	High Yield Taxable Fixed Income	3.0	3.0	0.0	4.0	4.0	0.0	6.0	6.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	3.0	3.0	0.0	5.0	5.0	0.0	8.0	8.0	0.0
	TOTAL GLOBAL EQUITIES	14.0	17.0	3.0	27.0	30.0	3.0	35.0	38.0	3.0
	U.S. Large Cap Equities	12.0	12.0	0.0	18.0	18.0	0.0	21.0	21.0	0.0
	U.S. Mid Cap Equities	2.0	5.0	3.0	5.0	8.0	3.0	7.0	10.0	3.0
	U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Developed Market Ex-U.S. Equities	0.0	0.0	0.0	4.0	4.0	0.0	7.0	7.0	0.0
	Emerging Market Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GROWTH AND INCOME	TOTAL GLOBAL REAL ASSETS	2.0	4.0	2.0	2.0	3.0	1.0	2.0	4.0	2.0
	Commodities	2.0	4.0	2.0	2.0	3.0	1.0	2.0	4.0	2.0
	TAXABLE CASH ALTERNATIVES	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0
	TOTAL GLOBAL FIXED INCOME	50.0	45.0	-5.0	41.0	35.0	-6.0	33.0	27.0	-6.0
	U.S. Taxable Investment Grade Fixed Income	39.0	34.0	-5.0	30.0	24.0	-6.0	20.0	14.0	-6.0
	Short Term Taxable*	9.0	6.0	-3.0	7.0	3.0	-4.0	4.0	2.0	-2.0
	Intermediate Term Taxable*	23.0	23.0	0.0	17.0	17.0	0.0	12.0	12.0	0.0
	Long Term Taxable*	7.0	5.0	-2.0	6.0	4.0	-2.0	4.0	0.0	-4.0
	High Yield Taxable Fixed Income	6.0	6.0	0.0	6.0	6.0	0.0	7.0	7.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	5.0	5.0	0.0	5.0	5.0	0.0	6.0	6.0	0.0
	TOTAL GLOBAL EQUITIES	44.0	47.0	3.0	53.0	56.0	3.0	61.0	65.0	4.0
	U.S. Large Cap Equities	23.0	28.0	5.0	27.0	31.0	4.0	31.0	36.0	5.0
	U.S. Mid Cap Equities	8.0	10.0	2.0	10.0	14.0	4.0	12.0	15.0	3.0
	U.S. Small Cap Equities	2.0	2.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0
GROWTH	Developed Market Ex-U.S. Equities	7.0	7.0	0.0	8.0	8.0	0.0	9.0	9.0	0.0
	Emerging Market Equities	4.0	0.0	-4.0	5.0	0.0	-5.0	6.0	2.0	-4.0
	TOTAL GLOBAL REAL ASSETS	4.0	6.0	2.0	4.0	7.0	3.0	4.0	6.0	2.0
	Commodities	4.0	6.0	2.0	4.0	7.0	3.0	4.0	6.0	2.0
	TAXABLE CASH ALTERNATIVES	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0
	TOTAL GLOBAL FIXED INCOME	19.0	14.0	-5.0	11.0	6.0	-5.0	0.0	0.0	0.0
	U.S. Taxable Investment Grade Fixed Income	16.0	11.0	-5.0	8.0	3.0	-5.0	0.0	0.0	0.0
	Short Term Taxable*	4.0	2.0	-2.0	2.0	0.0	-2.0	0.0	0.0	0.0
	Intermediate Term Taxable*	9.0	9.0	0.0	6.0	3.0	-3.0	0.0	0.0	0.0
	Long Term Taxable*	3.0	0.0	-3.0	0.0	0.0	0.0	0.0	0.0	0.0
	High Yield Taxable Fixed Income	3.0	3.0	0.0	3.0	3.0	0.0	0.0	0.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	74.0	77.0	3.0	82.0	85.0	3.0	93.0	91.0	-2.0
	U.S. Large Cap Equities	33.0	37.0	4.0	35.0	39.0	4.0	37.0	41.0	4.0
U.S. Mid Cap Equities	13.0	16.0	3.0	14.0	17.0	3.0	16.0	16.0	0.0	
U.S. Small Cap Equities	5.0	5.0	0.0	6.0	6.0	0.0	7.0	7.0	0.0	
Developed Market Ex-U.S. Equities	14.0	14.0	0.0	15.0	15.0	0.0	18.0	18.0	0.0	
Emerging Market Equities	9.0	5.0	-4.0	12.0	8.0	-4.0	15.0	9.0	-6.0	
TOTAL GLOBAL REAL ASSETS	5.0	7.0	2.0	5.0	7.0	2.0	5.0	7.0	2.0	
Commodities	5.0	7.0	2.0	5.0	7.0	2.0	5.0	7.0	2.0	

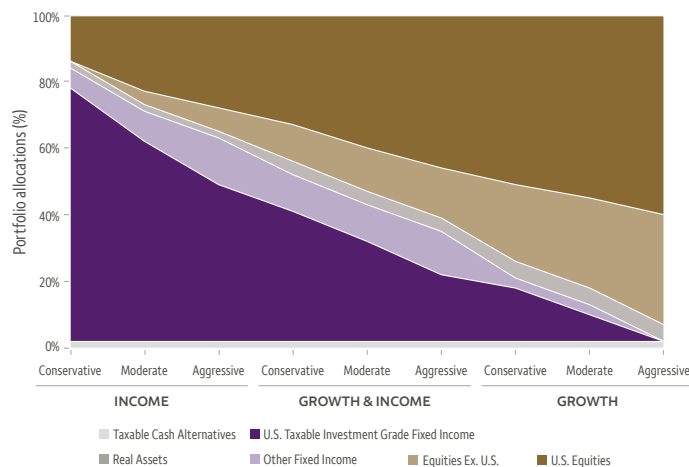
Strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically; last update was March 11, 2025.  
 The U.S. Taxable Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. \*Wells Fargo Advisors only.  
 See next page for Portfolio allocations across the efficient frontier, strategic and tactical.

## Strategic and tactical asset allocation: Liquid

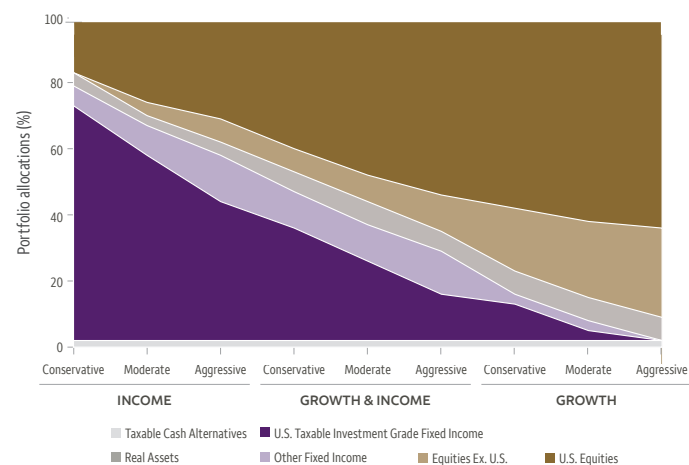
### May include fixed income, equities, and real assets (continued)

These allocations span the set of liquid investments available to investors, utilizing broad diversification to help manage portfolio risk. Special issues such as liquidity, cash flow, and taxability would be taken into consideration in the choice of investment vehicles for certain asset classes. Depending on their tax circumstances, investors may wish to utilize the tax-efficient asset allocation guidance. The tactical asset allocation overweightings and underweights are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio.

Portfolio allocations across the efficient frontier—strategic



Portfolio allocations across the efficient frontier—tactical





## Strategic and tactical asset allocation: Illiquid

May include fixed income, equities, real assets, and alternative investments

		CONSERVATIVE			MODERATE			AGGRESSIVE		
		Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)
INCOME	TAXABLE CASH ALTERNATIVES	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0
	TOTAL GLOBAL FIXED INCOME	68.0	63.0	-5.0	55.0	50.0	-5.0	47.0	42.0	-5.0
	U.S. Taxable Investment Grade Fixed Income	63.0	58.0	-5.0	48.0	43.0	-5.0	35.0	30.0	-5.0
	Short Term Taxable*	14.0	11.0	-3.0	11.0	8.0	-3.0	8.0	5.0	-3.0
	Intermediate Term Taxable*	37.0	37.0	0.0	28.0	28.0	0.0	21.0	21.0	0.0
	Long Term Taxable*	12.0	10.0	-2.0	9.0	7.0	-2.0	6.0	4.0	-2.0
	High Yield Taxable Fixed Income	2.0	2.0	0.0	2.0	2.0	0.0	4.0	4.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	3.0	3.0	0.0	5.0	5.0	0.0	8.0	8.0	0.0
	TOTAL GLOBAL EQUITIES	8.0	11.0	3.0	20.0	23.0	3.0	25.0	28.0	3.0
	U.S. Large Cap Equities	8.0	8.0	0.0	12.0	12.0	0.0	15.0	15.0	0.0
	U.S. Mid Cap Equities	0.0	3.0	3.0	4.0	7.0	3.0	6.0	9.0	3.0
	U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Developed Market Ex-U.S. Equities	0.0	0.0	0.0	4.0	4.0	0.0	4.0	4.0	0.0
	Emerging Market Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL GLOBAL REAL ASSETS	7.0	9.0	2.0	8.0	10.0	2.0	9.0	11.0	2.0
	Private Real Estate**	5.0	5.0	0.0	6.0	6.0	0.0	7.0	7.0	0.0
	Commodities	2.0	4.0	2.0	2.0	4.0	2.0	2.0	4.0	2.0
	TOTAL ALTERNATIVE INVESTMENTS**	15.0	15.0	0.0	15.0	15.0	0.0	17.0	17.0	0.0
	Global Hedge Funds	11.0	11.0	0.0	11.0	11.0	0.0	11.0	11.0	0.0
	Private Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Private Debt	4.0	4.0	0.0	4.0	4.0	0.0	6.0	6.0	0.0
GROWTH AND INCOME	TAXABLE CASH ALTERNATIVES	2.0	2.0	0.0	2.0	2.0	0.0	2.0	2.0	0.0
	TOTAL GLOBAL FIXED INCOME	36.0	31.0	-5.0	27.0	22.0	-5.0	21.0	16.0	-5.0
	U.S. Taxable Investment Grade Fixed Income	29.0	24.0	-5.0	19.0	14.0	-5.0	12.0	7.0	-5.0
	Short Term Taxable*	7.0	4.0	-3.0	4.0	2.0	-2.0	3.0	0.0	-3.0
	Intermediate Term Taxable*	17.0	17.0	0.0	11.0	10.0	-1.0	7.0	7.0	0.0
	Long Term Taxable*	5.0	3.0	-2.0	4.0	2.0	-2.0	2.0	0.0	-2.0
	High Yield Taxable Fixed Income	4.0	4.0	0.0	4.0	4.0	0.0	3.0	3.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	3.0	3.0	0.0	4.0	4.0	0.0	6.0	6.0	0.0
	TOTAL GLOBAL EQUITIES	32.0	35.0	3.0	38.0	41.0	3.0	46.0	49.0	3.0
	U.S. Large Cap Equities	18.0	21.0	3.0	20.0	24.0	4.0	24.0	26.0	2.0
	U.S. Mid Cap Equities	6.0	9.0	3.0	8.0	11.0	3.0	8.0	11.0	3.0
	U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	0.0
	Developed Market Ex-U.S. Equities	5.0	5.0	0.0	6.0	6.0	0.0	7.0	7.0	0.0
	Emerging Market Equities	3.0	0.0	-3.0	4.0	0.0	-4.0	5.0	3.0	-2.0
	TOTAL GLOBAL REAL ASSETS	9.0	11.0	2.0	10.0	12.0	2.0	10.0	12.0	2.0
	Private Real Estate**	5.0	5.0	0.0	6.0	6.0	0.0	6.0	6.0	0.0
	Commodities	4.0	6.0	2.0	4.0	6.0	2.0	4.0	6.0	2.0
	TOTAL ALTERNATIVE INVESTMENTS**	21.0	21.0	0.0	23.0	23.0	0.0	21.0	21.0	0.0
	Global Hedge Funds	10.0	10.0	0.0	10.0	10.0	0.0	7.0	7.0	0.0
	Private Equity	8.0	8.0	0.0	10.0	10.0	0.0	11.0	11.0	0.0
	Private Debt	3.0	3.0	0.0	3.0	3.0	0.0	3.0	3.0	0.0

Strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically; last update was March 11, 2025. The U.S. Taxable Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. Hedge fund allocations are based on private hedge fund capital market assumptions.

\*Wells Fargo Advisors only.

See next page for Growth data and Portfolio allocations across the efficient frontier, strategic and tactical.

\*\*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 pages 27-32 for important definitions and disclosures.

## Strategic and tactical asset allocation: Illiquid

May include fixed income, equities, real assets, and alternative investments (continued)

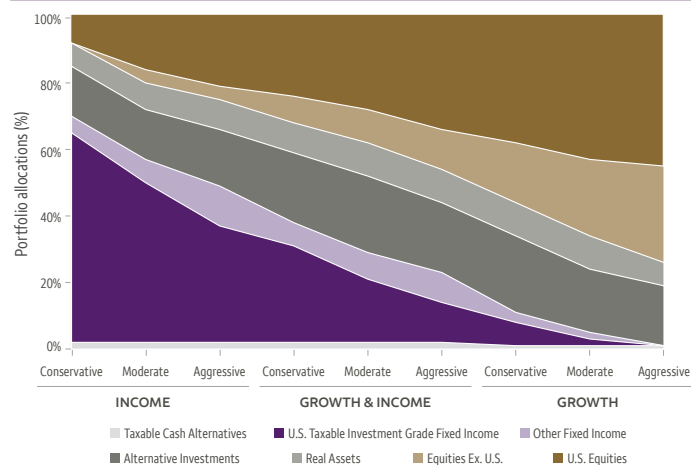
		CONSERVATIVE			MODERATE			AGGRESSIVE		
		Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)	Strategic (%)	Tactical (%)	Difference (%)
GROWTH	TAXABLE CASH ALTERNATIVES	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0	0.0
	TOTAL GLOBAL FIXED INCOME	10.0	5.0	-5.0	4.0	2.0	-2.0	0.0	0.0	0.0
	U.S. Taxable Investment Grade Fixed Income	7.0	2.0	-5.0	2.0	0.0	-2.0	0.0	0.0	0.0
	Short Term Taxable*	2.0	0.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0
	Intermediate Term Taxable*	5.0	2.0	-3.0	2.0	0.0	-2.0	0.0	0.0	0.0
	Long Term Taxable*	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	High Yield Taxable Fixed Income	3.0	3.0	0.0	2.0	2.0	0.0	0.0	0.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	56.0	59.0	3.0	66.0	66.0	0.0	74.0	72.0	-2.0
	U.S. Large Cap Equities	26.0	29.0	3.0	26.0	29.0	3.0	24.0	27.0	3.0
	U.S. Mid Cap Equities	9.0	13.0	4.0	13.0	15.0	2.0	15.0	15.0	0.0
	U.S. Small Cap Equities	3.0	3.0	0.0	4.0	4.0	0.0	6.0	6.0	0.0
	Developed Market Ex-U.S. Equities	12.0	12.0	0.0	14.0	13.0	-1.0	17.0	17.0	0.0
	Emerging Market Equities	6.0	2.0	-4.0	9.0	5.0	-4.0	12.0	7.0	-5.0
	TOTAL GLOBAL REAL ASSETS	10.0	12.0	2.0	10.0	12.0	2.0	7.0	9.0	2.0
	Private Real Estate**	5.0	5.0	0.0	5.0	5.0	0.0	2.0	2.0	0.0
	Commodities	5.0	7.0	2.0	5.0	7.0	2.0	5.0	7.0	2.0
	TOTAL ALTERNATIVE INVESTMENTS**	23.0	23.0	0.0	19.0	19.0	0.0	18.0	18.0	0.0
	Global Hedge Funds	7.0	7.0	0.0	2.0	2.0	0.0	0.0	0.0	0.0
	Private Equity	13.0	13.0	0.0	14.0	14.0	0.0	18.0	18.0	0.0
	Private Debt	3.0	3.0	0.0	3.0	3.0	0.0	0.0	0.0	0.0

Strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically; last update was March 11, 2025. The U.S. Taxable Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. Hedge fund allocations are based on private hedge fund capital market assumptions.

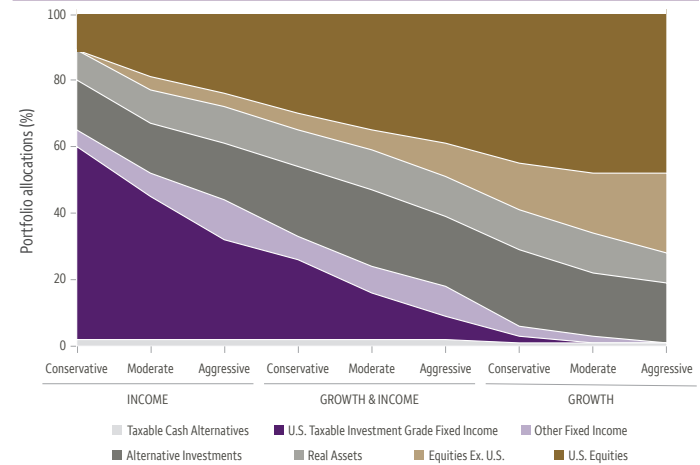
\*Wells Fargo Advisors only.

These allocations span the set of investments available to investors, utilizing broad diversification to help manage portfolio risk. Special issues such as liquidity, cash flow, and taxability would be taken into consideration in the choice of investment vehicles for certain asset classes. Depending on their tax circumstances, investors may wish to utilize the liquid tax-efficient asset allocation guidance. The tactical asset allocation overweights and underweights are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio.

Portfolio allocations across the efficient frontier—strategic



Portfolio allocations across the efficient frontier—tactical



\*\*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 pages 27–32 for important definitions and disclosures.

## Strategic asset allocation: Tax-efficient illiquid

### May include fixed income, equities, real assets, and alternative investments

		CONSERVATIVE	MODERATE	AGGRESSIVE
		Strategic (%)	Strategic (%)	Strategic (%)
INCOME	TAX EXEMPT CASH ALTERNATIVES	2.0	2.0	2.0
	TOTAL GLOBAL FIXED INCOME	80.0	65.0	57.0
	U.S. Tax Exempt Investment Grade FI	80.0	58.0	43.0
	Short Term Tax Exempt*	10.0	7.0	5.0
	Intermediate Term Tax Exempt*	54.0	39.0	29.0
	Long Term Tax Exempt*	16.0	12.0	9.0
	High Yield Tax Exempt Fixed Income	0.0	7.0	14.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	6.0	21.0	30.0
	U.S. Large Cap Equities	6.0	16.0	19.0
	U.S. Mid Cap Equities	0.0	5.0	6.0
	U.S. Small Cap Equities	0.0	0.0	0.0
	Developed Market Ex-U.S. Equities	0.0	0.0	5.0
	Emerging Market Equities	0.0	0.0	0.0
	TOTAL GLOBAL REAL ASSETS	7.0	7.0	7.0
	Private Real Estate**	7.0	7.0	7.0
	Commodities	0.0	0.0	0.0
	TOTAL ALTERNATIVE INVESTMENTS**	5.0	5.0	4.0
	Global Hedge Funds	5.0	5.0	4.0
	Private Equity	0.0	0.0	0.0
	Private Debt	0.0	0.0	0.0
GROWTH AND INCOME	TAX EXEMPT CASH ALTERNATIVES	2.0	1.0	1.0
	TOTAL GLOBAL FIXED INCOME	45.0	35.0	29.0
	U.S. Tax Exempt Investment Grade FI	38.0	30.0	23.0
	Short Term Tax Exempt*	5.0	4.0	3.0
	Intermediate Term Tax Exempt*	25.0	20.0	15.0
	Long Term Tax Exempt*	8.0	6.0	5.0
	High Yield Tax Exempt Fixed Income	7.0	5.0	6.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	34.0	42.0	49.0
	U.S. Large Cap Equities	19.0	22.0	25.0
	U.S. Mid Cap Equities	6.0	7.0	9.0
	U.S. Small Cap Equities	2.0	2.0	2.0
	Developed Market Ex-U.S. Equities	7.0	9.0	10.0
	Emerging Market Equities	0.0	2.0	3.0
	TOTAL GLOBAL REAL ASSETS	7.0	7.0	7.0
	Private Real Estate**	7.0	7.0	7.0
	Commodities	0.0	0.0	0.0
	TOTAL ALTERNATIVE INVESTMENTS**	12.0	15.0	14.0
	Global Hedge Funds	4.0	4.0	0.0
	Private Equity	8.0	11.0	14.0
	Private Debt	0.0	0.0	0.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically. The U.S. Tax Exempt Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. Hedge fund allocations are based on private hedge fund capital market assumptions.

\*Wells Fargo Advisors only.

See next page for Growth data and portfolio allocations across the efficient frontier, strategic.

\*\*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 pages 27-32 for important definitions and disclosures.

## Strategic asset allocation: Tax-efficient illiquid

May include fixed income, equities, real assets, and alternative investments (continued)

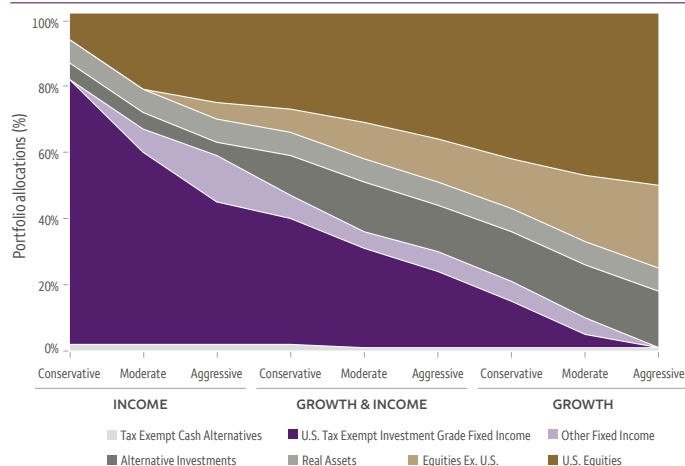
		CONSERVATIVE	MODERATE	AGGRESSIVE
		Strategic (%)	Strategic (%)	Strategic (%)
GROWTH	TAX EXEMPT CASH ALTERNATIVES	1.0	1.0	1.0
	TOTAL GLOBAL FIXED INCOME	20.0	9.0	0.0
	U.S. Tax Exempt Investment Grade FI	14.0	4.0	0.0
	Short Term Tax Exempt*	2.0	0.0	0.0
	Intermediate Term Tax Exempt*	9.0	4.0	0.0
	Long Term Tax Exempt*	3.0	0.0	0.0
	High Yield Tax Exempt Fixed Income	6.0	5.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	57.0	67.0	75.0
	U.S. Large Cap Equities	28.0	32.0	33.0
	U.S. Mid Cap Equities	11.0	11.0	13.0
	U.S. Small Cap Equities	3.0	4.0	4.0
	Developed Market Ex-U.S. Equities	11.0	12.0	12.0
	Emerging Market Equities	4.0	8.0	13.0
	TOTAL GLOBAL REAL ASSETS	7.0	7.0	7.0
	Private Real Estate**	7.0	7.0	7.0
	Commodities	0.0	0.0	0.0
	TOTAL ALTERNATIVE INVESTMENTS**	15.0	16.0	17.0
	Global Hedge Funds	0.0	0.0	0.0
	Private Equity	15.0	16.0	17.0
	Private Debt	0.0	0.0	0.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically. The U.S. Tax Exempt Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. Hedge fund allocations are based on private hedge fund capital market assumptions. The tactical asset allocation overweights and underweights are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio.

\*Wells Fargo Advisors only.

These allocations span the set of investments available to investors, utilizing broad diversification to help manage portfolio risk. Special consideration is given to the taxable implications of investing in various asset classes. Taxability may also be taken into consideration in determining the choice of investment vehicles for certain asset classes. Liquidity and cash flow preferences may also be reflected in the choice of investment vehicles for certain asset classes. We suggest that investors who are highly tax-sensitive generally should elect municipal bonds to implement their fixed income allocation. The tactical asset allocation overweights and underweights are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio and also take taxation into consideration, therefore, some tactical ideas may not be implemented in these allocations.

### Portfolio allocations across the efficient frontier—strategic



\*\*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 pages 27–32 for important definitions and disclosures.



## Strategic asset allocation: Tax-efficient liquid

May include fixed income, equities, and real assets

		CONSERVATIVE	MODERATE	AGGRESSIVE
		Strategic (%)	Strategic (%)	Strategic (%)
INCOME	TAX EXEMPT CASH ALTERNATIVES	3.0	3.0	2.0
	TOTAL GLOBAL FIXED INCOME	91.0	74.0	66.0
	U.S. Tax Exempt Investment Grade FI	91.0	68.0	50.0
	Short Term Tax Exempt*	11.0	8.0	6.0
	Intermediate Term Tax Exempt*	62.0	47.0	34.0
	Long Term Tax Exempt*	18.0	13.0	10.0
	High Yield Tax Exempt Fixed Income	0.0	6.0	16.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	6.0	23.0	32.0
	U.S. Large Cap Equities	6.0	14.0	17.0
	U.S. Mid Cap Equities	0.0	5.0	7.0
	U.S. Small Cap Equities	0.0	0.0	0.0
	Developed Market Ex-U.S. Equities	0.0	4.0	8.0
	Emerging Market Equities	0.0	0.0	0.0
GROWTH AND INCOME	TOTAL GLOBAL REAL ASSETS	0.0	0.0	0.0
	Commodities	0.0	0.0	0.0
	TAX EXEMPT CASH ALTERNATIVES	2.0	2.0	2.0
	TOTAL GLOBAL FIXED INCOME	53.0	43.0	32.0
	U.S. Tax Exempt Investment Grade FI	45.0	35.0	25.0
	Short Term Tax Exempt*	6.0	4.0	3.0
	Intermediate Term Tax Exempt*	30.0	24.0	17.0
	Long Term Tax Exempt*	9.0	7.0	5.0
	High Yield Tax Exempt Fixed Income	8.0	8.0	7.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	45.0	55.0	66.0
	U.S. Large Cap Equities	21.0	26.0	30.0
	U.S. Mid Cap Equities	10.0	12.0	14.0
	U.S. Small Cap Equities	2.0	3.0	3.0
	Developed Market Ex-U.S. Equities	8.0	9.0	13.0
	Emerging Market Equities	4.0	5.0	6.0
	TOTAL GLOBAL REAL ASSETS	0.0	0.0	0.0
	Commodities	0.0	0.0	0.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically. The U.S. Tax Exempt Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term.

\*Wells Fargo Advisors only.

See next page for Growth data and portfolio allocations across the efficient frontier, strategic.

## Strategic asset allocation: Tax-efficient liquid

May include fixed income, equities, and real assets (continued)

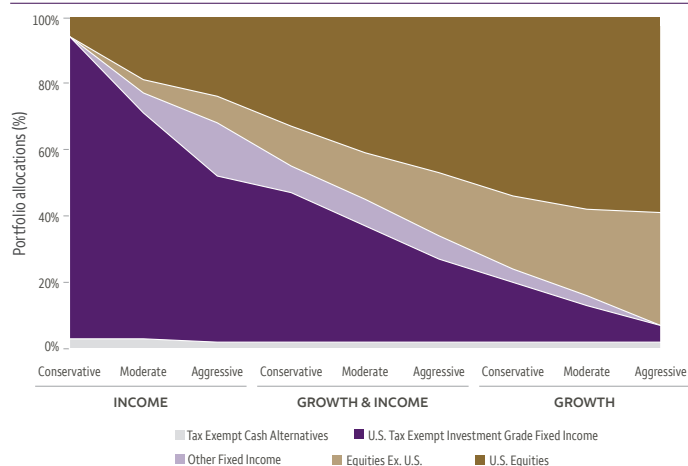
		CONSERVATIVE	MODERATE	AGGRESSIVE
		Strategic (%)	Strategic (%)	Strategic (%)
GROWTH	TAX EXEMPT CASH ALTERNATIVES	2.0	2.0	2.0
	TOTAL GLOBAL FIXED INCOME	22.0	14.0	5.0
	U.S. Tax Exempt Investment Grade FI	18.0	11.0	5.0
	Short Term Tax Exempt*	2.0	0.0	0.0
	Intermediate Term Tax Exempt*	12.0	8.0	5.0
	Long Term Tax Exempt*	4.0	3.0	0.0
	High Yield Tax Exempt Fixed Income	4.0	3.0	0.0
	Developed Market Ex-U.S. Fixed Income	0.0	0.0	0.0
	Emerging Market Fixed Income	0.0	0.0	0.0
	TOTAL GLOBAL EQUITIES	76.0	84.0	93.0
	U.S. Large Cap Equities	34.0	36.0	33.0
	U.S. Mid Cap Equities	15.0	16.0	18.0
	U.S. Small Cap Equities	5.0	6.0	8.0
	Developed Market Ex-U.S. Equities	14.0	13.0	18.0
	Emerging Market Equities	8.0	13.0	16.0
	TOTAL GLOBAL REAL ASSETS	0.0	0.0	0.0
	Commodities	0.0	0.0	0.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2024. Tactical allocations are updated periodically. The U.S. Tax Exempt Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term. The tactical asset allocation overweights and underweights are designed to provide guidance on shorter-term (6–18 months) weightings in the portfolio.

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### Portfolio allocations across the efficient frontier—strategic



## Disclosures

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

### Risk considerations

**Past performance does not indicate future results. The value or income associated with a security or an investment may fluctuate. There is always the potential for loss as well as gain. Investments discussed in this report may be inappropriate for some investors depending on their specific investment objectives and financial position.**

**Asset allocation and diversification** are investment methods used to manage risk. They do not assure or guarantee better performance and cannot eliminate the risk of investment losses. Your individual allocation may be different than the strategic long-term allocation above due to your unique individual circumstances, but is targeted to be in the allocation ranges detailed. The asset allocation reflected above may fluctuate based on asset values, portfolio decisions, and account needs.

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.

Cash alternatives typically offer lower rates of return than longer-term equity or fixed-income securities and provide a level of liquidity and price stability generally not available to these investments. Each type of cash alternatives has advantages and disadvantages which should be discussed with your financial advisor before investing.

**Alternative investments**, such as hedge funds, private capital funds, and private real estate funds, carry specific investor qualifications and involve the risk of investment loss, including the loss of the entire amount invested. While investors may potentially benefit from the ability of alternative investments to potentially improve the risk-reward profiles of their portfolios, the investments themselves can carry significant risks. Government regulation and monitoring of these types of investments may be minimal or nonexistent. There may be no secondary market for alternative investment interests and transferability may be limited or even prohibited.

**Private debt strategies** seek to actively improve the capital structure of a company often through debt restructuring and deleveraging measures. Such investments are subject to potential default, limited liquidity, the creditworthiness of the private company, and the infrequent availability of independent credit ratings for private companies.

**Private debt** refers to loans to companies which are not provided by banks or public markets, and instead are provided by private investors and private markets.

The use of **alternative investment strategies**, such as Equity Hedge, Event Driven, Macro and Relative Value, are speculative and involve a high degree of risk. These strategies may expose investors to risks such as short selling, leverage risk, counterparty risk, liquidity risk, volatility risk, the use of derivatives and other significant risks. Distressed credit strategies invest in, and might sell short, the securities of companies where the security's price has been, or is expected to be, affected by a distressed situation. This may involve reorganizations, bankruptcies, distressed sales, and other corporate restructurings. Investing in distressed companies is speculative and involves a high degree of risk. Because of their distressed situation, these securities may be illiquid, have low trading volumes, and be subject to substantial interest rate and credit risks. Structured credit strategies aim to generate returns via positions in the credit sensitive area of the fixed income markets. The strategy generally involves the purchase of corporate bonds with hedging of interest rate exposure. The use of alternative investment strategies may require a manager's skill in assessing corporate events, the anticipation of future movements in securities prices, interest rates, or other economic factors. No assurance can be given that a manager's view of the economy will be correct which may result in lower investment returns or higher return volatility. Long/short credit strategies seek to mitigate interest rate and credit risks regardless of market environment through investment in credit-related and structured debt vehicles. These strategies involve the use of market hedges and involve risks associated with the use of derivatives, fixed income, foreign investment, currency, hedging, leverage, liquidity, short sales, loss of principal and other material risks.

**Equity sector risks:** *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, and increasing household debt levels that could limit consumer appetite for discretionary purchases. *Consumer Staples* industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of overall economy, interest rates, and consumer confidence. The *Energy* sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Investing in *Financial Services* companies will subject a portfolio to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the *Health Care* sector include competition on branded products, sales erosion due to cheaper alternatives, research & development risk, government regulations, and government approval of products anticipated to enter the market. Risks associated with investing in the *Industrials* sector include the possibility of a worsening in the global economy, acquisition integration risk, operational issues, failure to introduce to market new and innovative products, further weakening in the oil market, potential price wars due to any excesses industry capacity, and a sustained rise in the dollar relative to other currencies. *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. *Technology and Internet-related* stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market. *Real estate* has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. *Utilities* are sensitive to changes in interest rates and the securities within the sector can be volatile and may underperform in a slow economy.

Investing in **commodities** is not appropriate for all investors. Exposure to the commodities markets may subject an investment to greater share price volatility than an investment in traditional equity or debt securities. Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. Products that invest in commodities may employ more complex strategies which may expose investors to additional risks.

Investments in **fixed-income securities** are subject to market, interest rate, credit/default, liquidity, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. **High yield** fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. **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). 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. 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.

**Leveraged loans** are generally below investment grade quality ("high-yield" securities or "junk" bonds). Investing in such securities should be viewed as speculative and investors should review their ability to assume the risks associated with investments which utilize such securities.

**Mortgage-related and asset-backed securities** are subject to the risks associated with investment in debt securities. In addition, they are subject to prepayment and call risks. Changes in prepayments may significantly affect yield, average life and expected maturity. If called prior to maturity, similar yielding investments may not be available for the Fund to purchase. These risks may be heightened for longer maturity and duration securities.

**Currency hedging** is a technique used to seek to reduce the risk arising from the change in price of one currency against another. The use of hedging to manage currency exchange rate movements may not be successful and could produce disproportionate gains or losses in a portfolio and may increase volatility and costs.

**Equity** securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities.

There is no guarantee that **dividend-paying stocks** will return more than the overall

## Disclosures *(continued)*

stock market. Dividends are not guaranteed and are subject to change or elimination. There are no guarantees that **growth** or **value** stocks will increase in value or that their intrinsic values will eventually be recognized by the overall market. The return and principal value of stocks fluctuate with changes in market conditions. The growth and value type of investing tends to shift in and out of favor. The prices of **small and mid-size company** stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Investing in **foreign securities** presents certain risks that may not be present in domestic securities. For example, investments in foreign, emerging and frontier markets present special risks, including currency fluctuation, the potential for diplomatic and potential instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards.

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.

Investing in long/short strategies is not appropriate for all investors. **Short** selling involves sophisticated investment techniques that can add additional risk, and involves the risk of potentially unlimited increase in the market value of the security sold short, which could result in potentially unlimited loss for the Fund.

**Master Limited Partnerships (MLPs)** involves certain risks which differ from an investment in the securities of a corporation. MLPs may be sensitive to price changes in oil, natural gas, etc., regulatory risk, and rising interest rates. A change in the current tax law regarding MLPs could result in the MLP being treated as a corporation for federal income tax purposes which would reduce the amount of cash flows distributed by the MLP. Other risks include the volatility associated with the use of leverage; volatility of the commodities markets; market risks; supply and demand; natural and man-made catastrophes; competition; liquidity; market price discount from Net Asset Value and other material risks.

**Merger arbitrage** involves investing in event driven situations such as reorganizations, spin-offs, mergers, and bankruptcies, and involves the risks that the proposed opportunities in which the fund may invest may not materialize as planned or may be renegotiated or terminated which can result in losses to the fund.

There are special risks associated with investing in **preferred securities**. Preferred securities are subject to interest rate and credit risks and 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. Preferred dividends are not guaranteed and are subject to deferral or elimination.

Investing in **real estate** involves special risks, including the possible illiquidity of the underlying property, credit risk, interest rate fluctuations and the impact of varied economic conditions. Other risks associated with investing in listed **REITs** include the use of leverage, unexpected reductions in common dividends, increases in property taxes, and the impact to listed REITs from new property development.

Privately offered **real estate** funds are speculative and involve a high degree of risk. Investments in real estate and real estate investments trusts have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. There can be no assurance a secondary market will exist and there may be restrictions on transferring interests.

**Sovereign debt** are bonds issued by a national government in a foreign currency and are used to finance a country's growth. In addition to the risks associated with investing in international and emerging markets, sovereign debt involves the risk that the issuing entity may not be able or willing to repay principal and/or interest when due in accordance with the terms of the debt agreement.

**Treasury Inflation-Protected Securities (TIPS)** are subject to interest rate risk, especially when real interest rates rise. This may cause the underlying value of the bond to fluctuate more than other fixed income securities. TIPS have special tax consequences, generating phantom income on the "inflation compensation" component of the principal. A holder of TIPS may be required to report this income annually although no income related to "inflation compensation" is received until maturity.

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damages or losses arising from any use of this information.

### Economic index definitions

An index is unmanaged and not available for direct investment.

**Inflation** is the change in the **Consumer Price Index (CPI)**. The CPI measures the price of a fixed basket of goods and services purchased by an average consumer.

**Core inflation** is the change in the core **Consumer Price Index (CPI)**. The core CPI measures the price of a fixed basket of goods and services — excluding the volatile food and energy components — purchased by an average consumer.

**Consumer Confidence Index** measures and details consumer confidence, which is the degree of optimism or pessimism toward the state of the economy.

**JPMorgan Emerging Markets Currency Index** tracks the performance of emerging-market currencies relative to the U.S. dollar.

**MSCI Emerging Markets Currency Index** is an index of emerging market currencies versus the dollar, where the weight of each currency within the index matches the relevant country weight within the Morgan Stanley Capital International (MSCI) Emerging Markets Equity Index.

**MSCI All Country World Index (MSCI ACWI)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 23 developed and 26 emerging markets.

**Purchasing Managers' Index (PMI)** is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

**Institute of Supply Management (ISM) Purchasing Manager's Index** gauges internal demand for raw materials/goods that go into end-production. An Index value over 50 indicates expansion; below 50 indicates contraction. The values for the index can be between 0 and 100.

**U.S. Dollar Index (USD, DXY)** is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

**Institute for Supply Management (ISM) Manufacturing Index** is based on surveys of more than 300 manufacturing firms by the Institute of Supply Management. The ISM Manufacturing Index monitors employment, production inventories, new orders and supplier deliveries.

**Institute of Supply Management (ISM) Non-manufacturing Index (ISM Services Survey)** measures the rate and direction of change in activity in the nonmanufacturing industries. An index with a score over 50 indicates that the industry is expanding, and a score below 50 shows a contraction. The values for the index can be between 0 and 100.

**Personal consumption expenditures (PCE)** is the primary measure of consumer spending on goods and services in the U.S. economy. It accounts for about two-thirds of domestic final spending, and thus it is the primary engine that drives future economic growth.

### Alternative investments — strategy definitions

**Private Equity. The Burgiss Private Equity Index** is based on the pool of private equity funds sourced by Burgiss and is asset weighted. The index is calculated using cash flow and valuation histories of the underlying funds within Burgiss manager universe. The underlying funds are classified by Burgiss private capital classification system and the cash flow data is sourced from institutional investors around the world.

**Global Hedge Funds. HFRI Fund Weighted Composite Index.** A global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net-of-all-fees performance in U.S. Dollars and have a minimum of \$50 Million under management or a 12-month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

**Relative Value. HFRI Relative Value (Total) Index.** Strategy is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive

## Disclosures *(continued)*

opportunity for the investment manager. Relative Value (RV) position may be involved in corporate transactions also, but as opposed to Event Driven (ED) exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

**Arbitrage. HFRI RV: Multi-Strategy Index:** multi-strategies employ an investment thesis predicated on realization of a spread between related yield instruments in which one or multiple components of the spread contains a fixed income, derivative, equity, real estate, MLP or combination of these or other instruments. Strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager.

**Long/Short Credit. HFRI RV: Fixed Income — Corporate Index.** Includes strategies predicated on realization of a spread between related instruments in which one or multiple components of the spread is a corporate fixed-income instrument. Strategies are designed to isolate attractive opportunities between a variety of fixed income instruments, typically realizing an attractive spread between multiple corporate bonds or between a corporate and risk free government bond. They typically involve arbitrage positions with little or no net credit market exposure, but are predicated on specific, anticipated idiosyncratic developments.

**Structured Credit/Asset Backed. HFRI RV: Fixed Income — Asset Backed Index.** Includes strategies predicated on realization of a spread between related instruments in which one or multiple components of the spread is a fixed-income instrument backed by physical collateral or other financial obligations (loans, credit cards) other than those of a specific corporation. Strategies are designed to isolate attractive opportunities between a variety of fixed income instruments specifically securitized by collateral commitments, which frequently include loans, pools and portfolios of loans, receivables, real estate, machinery or other tangible financial commitments. Investment thesis may be predicated on an attractive spread given the nature and quality of the collateral, the liquidity characteristics of the underlying instruments and on issuance and trends in collateralized fixed-income instruments, broadly speaking. In many cases, investment managers hedge, limit, or offset interest-rate exposure in the interest of isolating the risk of the position to strictly the disparity between the yield of the instrument and that of the lower-risk instruments.

**Macro. HFRI Macro (Total) Index.** Encompass a broad range of strategies predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard-currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top-down and bottom-up theses, quantitative and fundamental approaches and long- and short-term holding periods. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments rather than on realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to Equity Hedge (EH), in which the fundamental characteristics on the company are the most significant are integral to investment thesis.

**Systematic Macro. HFRI Trend Following Directional Index** is a global, equal-weighted index of single-manager funds that report to the HFR Database. The HFRI Trend Following Directional Index is comprised of funds that employ trend following strategies such as Macro: Currency – Systematic, Macro: Systematic Diversified, certain Macro: Multi-Strategy funds and other Macro funds that utilize, to some degree, trend following.

**Discretionary Macro. HFRI Macro: Discretionary Thematic Index.** Strategies primarily rely on the evaluation of market data, relationships and influences, as interpreted by individuals who make decisions on portfolio positions; strategies employ an investment process most heavily influenced by top-down analysis of macroeconomic variables. Investment Managers may trade actively in developed and emerging markets, focusing on both absolute and relative levels on equity markets, interest rates/fixed income markets, currency and commodity markets; they frequently employ spread trades to isolate a differential between instrument identified by the Investment Manager as being inconsistent with expected value. Portfolio positions typically are predicated on the evolution of investment themes the Manager expects to develop over a relevant time frame, which in many cases contain contrarian or volatility-focused components.

**Event Driven. HFRI Event Driven (Total) Index.** Maintains positions in companies currently or prospectively involved in corporate transactions of a wide variety

including mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated and frequently involve additional derivative securities. Exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental (as opposed to quantitative) characteristics, with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

**Activist. HFRI ED: Activist Index.** Strategies may obtain or attempt to obtain representation on the company's board of directors in an effort to impact the firm's policies or strategic direction and in some cases may advocate activities such as division or asset sales, partial or complete corporate divestiture, dividends or share buybacks, and changes in management. Strategies employ an investment process primarily focused on opportunities in equity and equity-related instruments of companies that are currently or prospectively engaged in a corporate transaction, security issuance/repurchase, asset sales, division spin-off or other catalyst-oriented situation. These involve both announced transactions and situations in which no formal announcement is expected to occur. Activist strategies would expect to have greater than 50% of the portfolio in activist positions, as described.

**Distressed Credit. HFRI Event Driven Directional Index** is a global, equal-weighted index of single-manager funds that report to the HFR Database. The HFRI Event Driven Directional Index is comprised of Event Driven Funds that are classified as Special Situations, Credit Arbitrage and Distressed funds..

**Merger Arbitrage. HFRI ED: Merger Arbitrage Index.** Strategies primarily focus on opportunities in equity and equity-related instruments of companies that are currently engaged in a corporate transaction. Merger Arbitrage involves primarily announced transactions, typically with limited or no exposure to situations in which no formal announcement is expected to occur. Opportunities are frequently presented in cross-border, collared, and international transactions that incorporate multiple geographic regulatory institutions, typically with minimal exposure to corporate credits. Strategies typically have over 75% of positions in announced transactions over a given market cycle.

**Equity Hedge. HFRI Equity Hedge (Total) Index.** Equity Hedge: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short.

**Directional Equity. HFRI EH: Long/Short Directional Index** is a global, equal-weighted index of single-manager funds that report to the HFR Database. The HFRI EH: Long/Short Directional Index is comprised of Equity Hedge funds that are not considered Equity Market Neutral. The HFRI EH: Long/Short Directional Index includes funds that are classified as Fundamental Growth, Fundamental Value, Multi-Strategy, Quantitative Directional and sector-focused (i.e., Energy/Basic Materials, Healthcare and Technology).

**Equity Market Neutral. HFRI EH: Equity Market Neutral Index.** Strategies employ sophisticated quantitative techniques to analyze price data to ascertain information about future price movement and relationships between securities. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies predicated on the systematic analysis of common relationships between securities. In many cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical Arbitrage/Trading strategies consist of strategies predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high-frequency techniques may be employed; trading strategies may also be based on technical analysis or designed opportunistically to exploit new information that the investment manager believes has not been fully, completely, or accurately discounted into current security prices. Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

**Note:** While the HFRI Indices are frequently used, they have limitations (some of which are typical of other widely used indexes). These limitations include survivorship bias (the returns of the indexes may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the



## Disclosures *(continued)*

performance of a described style); and limited data (many hedge funds do not report to indexes, and, therefore, the index may omit funds, the inclusion of which might significantly affect the performance shown. The HFRI Indices are based on information hedge fund managers decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indexes may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Returns of the underlying hedge funds are net of fees and are denominated in USD.

### Asset class index definitions

#### **Fixed income representative indexes**

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

**Short Term Taxable Fixed Income. Bloomberg U.S. Aggregate 1-3 Year Bond Index** is the one to three year component of the Bloomberg U.S. Aggregate Bond Index, which represents fixed-income securities that are SEC-registered, taxable, dollar-denominated, and investment-grade.

**Intermediate Term Taxable Fixed Income. Bloomberg U.S. Aggregate 5-7 Year Bond Index** is composed of the Bloomberg U.S. Government/Credit Index and the Bloomberg U.S. Mortgage-Backed Securities Index, and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities with maturities of 5-7 years.

**Long Term Taxable Fixed Income. Bloomberg U.S. Aggregate 10+ Year Bond Index** is composed of the Bloomberg U.S. Government/Credit Index and the Bloomberg U.S. Mortgage-Backed Securities Index, and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities with maturities of 10 years or more.

**Cash Alternatives/Treasury Bills. Bloomberg U.S. Treasury Bills (1-3M) Index** is representative of money markets.

**U.S. Treasury. Bloomberg U.S. Treasury Index** includes public obligations of the U.S. Treasury with a remaining maturity of one year or more.

**U.S. Municipal Bond. Bloomberg Municipal Index** is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year.

**U.S. Commercial Mortgage Backed Securities. Bloomberg U.S. CMBS Index** measures the investment-grade market of US Agency and US Non-Agency conduit and fusion CMBS deals.

**U.S. Investment Grade Corporate Fixed Income. Bloomberg U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

**U.S. TIPS. Bloomberg U.S. TIPS Index** represents Inflation-Protection securities issued by the U.S. Treasury.

**U.S. Government Agencies. Bloomberg U.S. Agency Index** includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank.

**U.S. Government. Bloomberg U.S. Government Bond Index** includes U.S.-dollar-denominated, fixed-rate, nominal U.S. Treasury securities and U.S. agency debentures.

**Credit. Bloomberg U.S. Credit Index** includes investment-grade, U.S.-dollar-denominated, fixed-rate, taxable corporate- and government-related bonds.

**Securitized. Bloomberg U.S. Mortgage Backed Securities (MBS) Index** includes agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

**High Yield Taxable Fixed Income. Bloomberg U.S. Corporate High-Yield Index** covers the universe of fixed-rate, non-investment-grade debt.

**Developed Market Ex-U.S. Fixed Income (Unhedged). J.P. Morgan GBI Global ex-U.S. Index (Unhedged)** in USD is an unmanaged index market representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

**Developed Market Ex-U.S. Fixed Income (Hedged). J.P. Morgan Non-U.S.**

**Global Government Bond Index (Hedged)** is an unmanaged market index representative of the total return performance, on a hedged basis, of major non-U.S. bond markets. It is calculated in U.S. dollars.

**Emerging Market Fixed Income (U.S. dollar). J.P. Morgan Emerging Markets Bond Index (EMBI Global)** currently covers more than 60 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.

**Emerging Market Fixed Income (Local Currency). J.P. Morgan Government Bond Index-Emerging Markets Global Diversified** tracks the performance of bonds issued by emerging market governments and denominated in the local currency of the issuer.

**Preferred Stock. ICE BofA Fixed Rate Preferred Securities Index** tracks the performance of fixed rate US dollar denominated preferred securities issued in the U.S. domestic market.

**Leveraged Loans. S&P/LSTA Leveraged Loan Index** is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads and interest payments.

**Asset-Backed Securities. Bloomberg U.S. ABS Index** measures the investment-grade market of US Credit Card, Auto and Student Loan asset backed securities deals.

#### **Equity representative indexes**

**U.S. Large Cap Equities. S&P 500 Index** is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies.

**U.S. Large Cap Equities (Growth). Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**U.S. Large Cap Equities (Value). Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

**U.S. Mid Cap Equities. Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe.

**U.S. Mid Cap Equities (Growth). Russell Midcap Growth Index** measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.

**U.S. Mid Cap Equities (Value). Russell Midcap Value Index** measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.

**Communication Services Index (Comm Svc):** The Communication Services Index comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

**Consumer Discretionary Index (Cons Disc):** The Consumer Discretionary Index comprises those companies included in the index that are classified as members of the GICS® consumer discretionary sector.

**Consumer Staples Index (Cons Stap):** The Consumer Staples Index comprises those companies included in the index that are classified as members of the GICS® consumer staples sector.

**Energy Index:** The Energy Index comprises those companies included in the index that are classified as members of the GICS® energy sector.

**Financials Index (Fncls):** The Financials Index comprises those companies included in the index that are classified as members of the GICS® financials sector.

**Health Care Index (HC):** The Health Care Index comprises those companies included in the index that are classified as members of the GICS® health care sector.

**Industrials Index (Indust):** The Industrials Index comprises those companies included in the index that are classified as members of the GICS® industrials sector.

**Information Technology Index (IT):** The Information Technology Index comprises

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those companies included in the index that are classified as members of the GICS® information technology sector.

**Materials Index (Matrls):** The Materials Index comprises those companies included in the index that are classified as members of the GICS® materials sector.

**Utilities Index (Utils):** The Utilities Index comprises those companies included in the index that are classified as members of the GICS® utilities sector.

**Real Estate Index:** The Real Estate Index comprises those companies included in the index that are classified as members of the GICS® real estate sector.

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

*U.S. Small Cap Equities (Growth).* **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

*U.S. Small Cap Equities (Value).* **Russell 2000 Value Index** measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

*Developed Market Ex-U.S. Equities (U.S. dollar)/(Local).* **MSCI EAFE Index** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 21 developed markets, excluding the U.S. and Canada.

*Developed Market Small Cap Equity (U.S. Dollar).* **MSCI EAFE Small Cap Gross Total Return USD (M2EASC Index)** is an equity index which captures small cap representation across developed markets countries around the world, excluding the U.S. and Canada. With 2,358 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. Returns measured in U.S. Dollars.

*Developed Market Small Cap Equity (Local Currency).* **MSCI EAFE Small Cap Gross Total Return Local Index (GCLDEAFE Index)** is an equity index which captures small cap representation across developed markets countries around the world, excluding the U.S. and Canada. With 2,358 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. Priced in MSCI LCL Currency.

*Emerging Market Equities (U.S. dollar)/(Local).* **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of 23 emerging markets.

*Frontier Market Equities (U.S. dollar)/(Local).* **MSCI Frontier Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of 24 frontier (least developed) markets.

**MSCI Australia Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Australia market.

**MSCI Brazil Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Brazil market.

**MSCI Chile Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Chile market.

**MSCI Czech Republic Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Czech Republic market.

**MSCI Denmark Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Denmark market.

**MSCI Greece Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Greece market.

**MSCI India Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the India market.

**MSCI Indonesia Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Indonesia market.

**MSCI Japan Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Japan market.

**MSCI Mexico Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Mexico market.

**MSCI New Zealand Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the New Zealand market.

**MSCI Norway Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Norway market.

**MSCI Peru Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Peru market.

**MSCI Philippines Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Philippines market.

**MSCI Qatar Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Qatar market.

**MSCI Singapore Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Singapore market.

**MSCI South Africa Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the South Africa market.

**MSCI Spain Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Spain market.

**MSCI Taiwan Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Taiwan market.

**MSCI Turkey Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the Turkey market.

**MSCI United Arab Emirates Index** is a capitalization-weighted stock index designed to measure the performance of the large and mid cap segments of the United Arab Emirates market.

### **Real assets representative indexes**

*Public Real Estate.* **FTSE EPRA/NAREIT Developed Index** is designed to track the performance of listed real-estate companies and REITs in developed countries worldwide.

*Private Real Estate.* The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

**NCREIF Office Property Index** is a sub-index of NCREIF Property Index. It only contains office properties.

*Domestic REITs.* **FTSE NAREIT U.S. All Equity REITs Index** is designed to track the performance of REITs representing equity interests in (as opposed to mortgages on) properties. It represents all tax-qualified REITs with more than 50% of total assets in qualifying real estate assets, other than mortgages secured by real property that also meet minimum size and liquidity criteria.

*International REITs.* **FTSE EPRA/NAREIT Developed ex U.S. Index** is designed to track the performance of listed real estate companies in developed countries worldwide other than the United States.

*Infrastructure.* The **S&P Global Infrastructure Index** is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

*MLPs.* **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated real-time on a price-return basis and on a total-return basis.

*Commodities (BCOMTR).* Bloomberg Commodity Total Return Index (BCOMTR) is composed of future contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 month) U.S. Treasury Bills. **Bloomberg Commodity Index (BCOM)** is comprised of 23 exchange-traded futures on physical commodities weighted to account for economic significance and market liquidity.

*Bloomberg Agriculture Subindex* is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat. It reflects the return of the underlying commodity futures and is quoted in USD.

## Disclosures *(continued)*

*Bloomberg Energy Subindex* is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on crude oil, ultra-low sulfur diesel, unleaded gasoline, low sulphur gasoil, and natural gas. It reflects the return of the underlying commodity futures and is quoted in USD.

*Bloomberg Industrial Metals Subindex* is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on aluminum, copper, nickel and zinc. It reflects the return of the underlying commodity futures and is quoted in USD.

*Bloomberg Precious Metals Subindex* is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on gold and silver. It reflects the return of the underlying commodity futures and is quoted in USD.

*Commodities (S&P GSCI)*. **S&P Goldman Sachs Commodity Index** serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. It is a tradable index that is readily available to market participants of the Chicago Mercantile Exchange. The index was originally developed by Goldman Sachs.

*Commodities (RICI)*. **Rogers International Commodity Index** is a U.S. dollar based index representing the value of a basket of commodities consumed in the global economy. Representing futures contracts on 37 physical commodities, it is designed to track prices of raw materials not just in the U.S. but around the world.

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