WELLS FARGO
Investment Institute

Asset Allocation Strategy

Executive Summary

October 15, 2026

Do not reach for duration…yet

The extra yield is not free

Higher starting yields have improved income opportunities across fixed income, but we currently do not believe investors are being adequately compensated for the risks associated with extending duration (a measure of interest rate sensitivity). Financial conditions are tightening, long-term borrowing costs face upward pressure, and investors are increasingly demanding additional compensation to hold longer-maturity bonds. Currently, we do not believe we have reached the peak in interest rates for this cycle, so caution is warranted.

Financial conditions tighten beyond Federal Reserve (Fed) policy

Financial conditions are likely to continue tightening even as the economy expands, creating a more challenging backdrop for borrowers, businesses, and investors. Persistent inflation has pushed the interest-rate outlook higher, leading us to expect additional Fed tightening and higher policy rates through 2027. But Fed policy is only part of the story. Longer-term Treasury yields also face upward pressure from persistent inflation, geopolitical uncertainty, heavy Treasury issuance, and concerns about government deficits.

We expect these tighter financial conditions to slow, rather than stop, economic activity. The effects are likely to weigh gradually on household spending, housing, small-business investment, and commercial real estate during the first half of 2027. Elevated bond yields, borrowing costs, and a stronger dollar therefore may add restraint beyond Fed policy, keeping financial conditions tighter at home and abroad.

Term premium comeback

The persistence of higher long-term yields reflects more than expectations for Fed policy or inflation. Investors are increasingly demanding additional compensation for the uncertainty associated with holding long-term bonds, driving a renewed rise in the term premium.

The term premium is the extra yield investors require to hold a long-term bond instead of repeatedly investing in shorter-term bonds. It compensates investors for uncertainty surrounding inflation, interest rates, and bond prices over a longer period. After declining earlier this year as confidence in the Fed's commitment to controlling inflation improved, the term premium has risen as investors confront a wider range of economic and policy outcomes.

Portfolio implications

Higher yields have improved fixed income return potential, but investors should distinguish between allocating new money and managing existing holdings. For fixed income investors, higher yields offer more income, but taking on more duration also increases exposure to further increases in longer-term rates. We believe investors can capture attractive income without taking substantial duration risk. For many investors, maintaining income and staying focused on long-term goals is more important than reacting to short-term fluctuations in bond prices.

Economic summary: The U.S. economy maintained strong momentum heading into the final months of the year. The Atlanta Fed estimated third-quarter annualized growth at 3.6%, as of October 8. Purchasing-manager surveys[1] showed manufacturing expanded for a ninth-consecutive month in September, while services activity remained firmly in expansionary territory.

Fixed income: Nearly all major fixed-income asset classes posted negative returns in September, as U.S. Treasury yields rose sharply across the yield curve. Performance generally reflected each index's maturity profile and sensitivity to changing interest rates: U.S. Short Term Taxable Fixed Income declined approximately 0.6%, while U.S. Long Term Taxable Fixed Income fell 4.7%. Internationally, both emerging market (EM) and developed market (DM) ex-U.S. fixed income posted negative returns amid rising yields and a stronger U.S. dollar. U.S. Leveraged Loans now lead fixed-income returns, gaining 3.3% year-to-date through September 30, 2026.

Equities: Stocks were essentially flat in September, with the S&P 500 Index down -0.3%, following a gain of 2.7% in August. The market was driven by continued strength in the Information Technology sector along with Communication Services, while the Financials and Material sectors underperformed. The month ended with investors again focusing on the Mideast conflict and rising oil prices, along with a spike in long-term yields and a Fed rate hike. U.S. Large Cap Equities (-0.3%) outperformed U.S. Mid Cap Equities (-4.2%) and U.S. Small Cap Equities (-5.3%).

Real assets: Overall, Commodities outperformed the Bloomberg U.S. Aggregate Bond Index and S&P 500 Index in September. We remain favorable on Commodities and see their potential benefits as a portfolio diversifier amid a shifting geopolitical environment and rising food and energy costs. However, we see potential headwinds in expected additional Fed rate hikes, and a higher for longer interest-rate environment which could lead to pullbacks. With current prices already within our 2026 and 2027 year-end target ranges, we would recommend taking advantage of future pullbacks as opportunities to add commodity exposure.

Digital Assets: Digital Asset prices continued to climb higher in September, with the MarketVector Digital Asset 100 Index returning 9.7%. Bitcoin and Ethereum both underperformed the broader index with 6.0% and 8.4% month-to-date returns, respectively. Looking ahead, we continue to expect additional Fed rate hikes and the potential for a higher-for-longer interest-rate environment which could be headwinds for digital assets. That said, we continue long-term trends of institutional adoption, investor accessibility, and growing interest in digital assets. Balancing these trends against tighter monetary policy, we maintain neutral tactical guidance.

Alternative investments*: The HFRI Fund Weighted Composite Index declined 0.7% in September, as most hedge fund sub-strategies posted losses. Equity-oriented strategies, including Activist and Long/Short Equity, were pressured by weaker public equity markets and challenges in stock selection. In contrast, Systematic Macro was a notable bright spot, benefiting from gains across fixed income, energy commodities, and currencies positions.

1. Based on September purchasing-manager surveys from S&P Global and the Institute for Supply Management (ISM).

***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 9-11 for important definitions and disclosures.

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

Ask your investment professional about the full edition of the Asset Allocation Strategy Report for more detailed information.

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Wells Fargo Investment Institute forecasts

Global economy	Latest (%)[1]	2026 target (%)[1]	2027 target (%)[1]
U.S. GDP growth	2.4 (Q2)	2.2	▼ 2.2
U.S. inflation[2]	3.7 (Sep.)	3.6 (Dec.)	3.0 (Dec.)
U.S. unemployment rate[3]	4.1 (Sep.)	4.7 (Dec.)	▼ 4.6 (Dec.)
Global GDP growth[4]	3.4 (Q2)	3.1	▼ 3.0
Global inflation[4]	3.1 (Q2)	3.5	▲ 3.2
Developed market GDP growth[5]	1.7 (Q2)	1.5	▼ 1.7
Developed market inflation[5]	3.4 (Q2)	3.4	▲ 3.0
Eurozone GDP growth	0.9 (Q2)	0.8	▼ 1.2
Eurozone inflation[2]	3.8 (Sep.)	3.4 (Dec.)	▼ 1.7 (Dec.)
Emerging market GDP growth	4.5 (Q2)	4.3	▼ 4.0
Emerging market inflation	2.9 (Q2)	3.5	▲ 3.3
Global equities	**Latest**	**2026 YE target**	**2027 YE target**
S&P 500 Index	7652	7800–8000	8600–8800
S&P 500 earnings per share	$278	$355	$400
Russell Midcap Index	4252	4400–4600	4800–5000
Russell Midcap earnings per share	$199	$240	$265
Russell 2000 Index	2797	2700–2900	3100–3300
Russell 2000 earnings per share	$75	$85	$100
MSCI EAFE Index	3126	3100–3300	3300–3500
MSCI EAFE earnings per share	$170	$190	$205
MSCI Emerging Markets (EM) Index	1705	1700–1900	2000–2200
MSCI EM earnings per share	$89	$140	$175
Global fixed income (%)	**Latest**	**2026 YE target**	**2027 YE target**
Fed funds rate	3.75–4.00	3.75–4.00	▲ 4.75–5.00
10-year U.S. Treasury yield	5.28	4.25–4.75	▲ 5.25–5.75
30-year U.S. Treasury yield	5.63	5.00–5.50	▲ 5.50–6.00
Global real assets	**Latest**	**2026 YE target**	**2027 YE target**
West Texas Intermediate crude oil price ($ per barrel)	90	80–90	▲ 75–85
Brent crude oil price ($ per barrel)	104	85–95	▲ 80–90
Gold price ($ per troy ounce)	4,157	4,900–5,100	▼ 5,200–5,400
Commodities	$367	350–370	365–385
Currencies	**Latest**	**2026 YE target**	**2027 YE target**
Dollar/euro exchange rate	$1.13	$1.14–$1.18	▼ $1.10–$1.14
Yen/dollar exchange rate	¥157	¥160–¥164	▲ ¥160–¥164
ICE U.S. Dollar Index	101	97–101	▲ 100–104

Tactical guidance*

Cash Alternatives and Fixed Income

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	Developed Market Ex.-U.S. Fixed Income	Cash Alternatives	U.S. Short Term Taxable Fixed Income	
	U.S. Long Term Taxable 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
	U.S. Small Cap Equities	Developed Market Ex.-U.S. Equities	U.S. Large Cap Equities	
		Emerging Market Equities		
		U.S. Mid Cap Equities		

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Digital Assets	Commodities	
		Private Real Estate	Private Infrastructure	

Alternative Investments**

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

For investable ideas within alternative strategies, please see page 4.

Source: Wells Fargo Investment Institute, October 15, 2026. *Tactical horizon is 6-18 months. **Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see pages 9-11 for important definitions and disclosures.

Sources: Bloomberg and Wells Fargo Investment Institute (WFII), as of October 14, 2026. Targets are based on forecasts by WFII as of October 15, 2026 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. GDP = gross domestic product. Q1 = first quarter. Q2 = second quarter. YE = year end. Forecasts are not guaranteed and based on certain assumptions and on our views of market and economic conditions, which are subject to change. Latest EPS (earnings per share) figures are year-end 2025 EPS actuals, as reported by Bloomberg as of September 30, 2026. [1]Average % change in the latest four quarters from the same year-ago period, unless otherwise noted. [2]Latest month percent change from a year ago. [3]Three-month average as of the date indicated, percent of labor force. [4]Weighted average of developed country and emerging-market forecasts. [5]Weighted average of U.S. and other developed-country forecasts. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. See pages 9-11 for important definitions and disclosures. ▲/▼: recent change.

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Total returns (%)

Fixed Income

Index	MTD	QTD	YTD	1 year	3 year	5 year
U.S. Taxable Investment Grade Fixed Income	-2.6	-3.5	-2.9	-1.8	4.1	-0.6
High Yield Taxable Fixed Income	-2.5	-1.8	0.1	1.4	8.0	3.6
DM Ex-U.S. Fixed Income (Unhedged)	-2.5	-2.6	-5.2	-7.0	0.9	-5.7
EM Fixed Income (U.S. dollar)	-3.3	-4.0	-1.2	1.8	9.0	1.8

Equities

Index	MTD	QTD	YTD	1 year	3 year	5 year
U.S. Large Cap Equities	-0.3	2.3	12.7	15.7	22.9	13.8
U.S. Mid Cap Equities	-4.2	-3.0	11.8	12.0	17.2	8.0
U.S. Small Cap Equities	-5.3	-7.2	13.7	16.2	17.7	6.3
DM Equities Ex-U.S. (U.S. dollar)	-3.0	0.9	10.8	16.2	19.0	9.9
EM Equities (U.S. dollar)	-0.5	-0.2	23.7	29.6	24.7	9.4

Real Assets

Index	MTD	QTD	YTD	1 year	3 year	5 year
Public Real Estate	-5.5	-5.9	3.7	3.2	10.6	1.6
Commodities (BCOMTR)	0.6	16.2	32.9	40.6	15.6	11.3
Digital Assets (MVDA)	9.7	48.4	-4.0	-28.5	36.0	4.9

Alternative Investments

Index	MTD	QTD	YTD	1 year	3 year	5 year
Global Hedge Funds	-0.7	-0.3	7.1	10.0	11.2	6.6

Sources: Bloomberg, J.P. Morgan, Standard & Poor's, Wells Fargo Investment Institute (WFII), Russell Indices, MSCI Inc., FTSE, Alerian, Hedge Fund Research, Inc.; as of September 30, 2026. MTD = month to date. QTD = quarter to date. YTD = year to date.

DM indicates Developed Market; EM indicates Emerging Market. Returns over one year are annualized.
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Fixed income sector tactical guidance* and total returns (%) U.S. investment-grade securities

Sector	Guidance	1 month	Year to date
Duration	Unfavorable	–	–
U.S. Government	Neutral	-2.2	-2.8
Treasury Securities	Neutral	-2.2	-2.8
Agencies	Neutral	-1.6	-1.2
Inflation-Linked Fixed Income	Neutral	-2.6	-2.1
Investment Grade Credit	Favorable	-2.7	-3.0
Investment Grade Corporate Securities	Favorable	-2.7	-3.1
Preferred Stock	Neutral	-3.4	-4.3
Leveraged Loans	▲ Neutral	0.2	3.3
Investment Grade Securitized	Favorable	-3.2	-3.1
Residential MBS	Favorable	-3.4	-3.3
Commercial MBS	Neutral	-1.7	-1.1
Asset Backed Securities	Favorable	-1.0	0.3
U.S. Municipal Bonds	Favorable	-4.4	-4.2
General Obligation	Favorable	-4.2	-4.4
Revenue	Favorable	-4.4	-4.1
High Yield Municipal	Neutral	-4.3	-1.7

Sources: Total returns: Bloomberg as of September 30, 2026. Guidance: Wells Fargo Investment Institute, as of October 15, 2026. *Tactical horizon is 6-18 months. ▲/▼: recent change.
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 9-11 for important definitions and disclosures.

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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	9.9	Favorable	4.3	3.6	4.5	12.1	29.5	12.9
Consumer Discretionary	8.6	Neutral	-5.8	-5.1	-5.8	-5.2	13.5	5.6
Consumer Staples	4.4	Unfavorable	-3.3	-1.9	6.0	6.0	10.1	7.4
Energy	3.4	Neutral	-2.7	17.2	40.3	42.4	14.5	23.3
Financials	11.4	Neutral	-7.2	-0.1	-1.3	0.7	19.1	9.2
Health Care	9.3	Neutral	-0.9	6.5	10.2	23.0	11.3	7.6
Industrials	8.0	▲ Favorable	-4.4	-9.7	8.5	9.5	19.8	13.1
Information Technology	39.7	▼ Neutral	4.5	7.2	28.4	30.2	36.6	23.5
Materials	1.7	Favorable	-6.7	-2.8	8.8	10.0	9.7	6.5
Real Estate	1.7	Unfavorable	-6.1	-5.6	5.3	2.3	10.8	2.2
Utilities	1.9	Neutral	-5.9	-12.4	-5.7	-7.0	13.6	7.6
Total	**100.0**							

Sources: S&P 500 Index weight and total returns: Bloomberg, as of September 30, 2026. Guidance: Wells Fargo Investment Institute, as of October 15, 2026. *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.

Alternative investment and private real assets strategies outlook*

Unfavorable	Neutral	Favorable
Relative Value – Arbitrage	Relative Value – Structured Credit/Asset-Backed	Relative Value – Long/Short Credit
Macro – Systematic	Event Driven – Activist	Macro – Discretionary
Equity Hedge – Equity Market Neutral	Private Equity – Venture	Event Driven – Distressed Credit
	Private Equity – Large Buyout	Event Driven – Merger Arbitrage
	Private Debt – Direct Lending	Equity Hedge – Long/Short Equity
	Private Real Estate – Core	Private Equity – Growth Equity
	Private Real Estate – Opportunistic	Private Equity – Small/Mid Buyout
	Private Real Estate – Value-Add	Private Equity – Secondaries
		Private Debt – Distressed/Special Situations

Source: Wells Fargo Investment Institute, October 15, 2026.

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Strategic and tactical asset allocation: Liquid

May include fixed income, equities, and real assets

STRATEGIC



	INCOME						GROWTH AND INCOME						GROWTH					
	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical
Taxable Cash Alternatives (%)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**
Total Global Fixed Income (%)	**82.0**	**81.0**	**69.0**	**68.0**	**61.0**	**60.0**	**50.0**	**47.0**	**41.0**	**36.0**	**33.0**	**29.0**	**19.0**	**16.0**	**11.0**	**7.0**	**0.0**	**0.0**
Total U.S. Taxable Investment Grade Fixed Income	76.0	75.0	60.0	59.0	47.0	46.0	39.0	36.0	30.0	25.0	20.0	16.0	16.0	13.0	8.0	4.0	0.0	0.0
U.S. Short Term Taxable*	18.0	21.0	15.0	18.0	11.0	14.0	9.0	10.0	7.0	8.0	5.0	5.0	4.0	4.0	2.0	0.0	0.0	0.0
U.S. Intermediate Term Taxable*	44.0	44.0	34.0	34.0	27.0	27.0	23.0	23.0	17.0	17.0	11.0	11.0	9.0	9.0	6.0	4.0	0.0	0.0
U.S. Long Term Taxable*	14.0	10.0	11.0	7.0	9.0	5.0	7.0	3.0	6.0	0.0	4.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0
High Yield Taxable Fixed Income	3.0	3.0	4.0	4.0	6.0	6.0	6.0	6.0	6.0	6.0	7.0	7.0	3.0	3.0	3.0	3.0	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	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	5.0	5.0	8.0	8.0	5.0	5.0	5.0	5.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Global Equities (%)	**14.0**	**14.0**	**27.0**	**27.0**	**35.0**	**35.0**	**42.0**	**44.0**	**51.0**	**53.0**	**59.0**	**61.0**	**71.0**	**72.0**	**79.0**	**81.0**	**90.0**	**88.0**
U.S. Large Cap Equities	12.0	12.0	18.0	18.0	21.0	21.0	25.0	27.0	30.0	32.0	34.0	36.0	35.0	39.0	37.0	41.0	39.0	43.0
U.S. Mid Cap Equities	2.0	2.0	5.0	5.0	7.0	7.0	6.0	6.0	8.0	8.0	10.0	10.0	10.0	10.0	11.0	11.0	13.0	10.0
U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	4.0	2.0	5.0	3.0
Developed Market Ex-U.S. Equities	0.0	0.0	4.0	4.0	7.0	7.0	7.0	7.0	8.0	8.0	9.0	9.0	14.0	14.0	15.0	15.0	18.0	18.0
Emerging Market Equities	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0	5.0	5.0	6.0	6.0	9.0	9.0	12.0	12.0	15.0	14.0
Total Global Real Assets (%)	**2.0**	**3.0**	**2.0**	**3.0**	**2.0**	**3.0**	**6.0**	**7.0**	**6.0**	**9.0**	**6.0**	**8.0**	**8.0**	**10.0**	**8.0**	**10.0**	**8.0**	**10.0**
Commodities	2.0	3.0	2.0	3.0	2.0	3.0	4.0	5.0	4.0	7.0	4.0	6.0	5.0	7.0	5.0	7.0	5.0	7.0
Digital Assets	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0

Strategic allocations are updated annually; last update was July 16, 2026. Tactical allocations are updated periodically; last update was July 16, 2026. The U.S. Taxable Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term.

*Wells Fargo Advisors only.

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Strategic and tactical asset allocation: Illiquid

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

STRATEGIC



	INCOME						GROWTH AND INCOME						GROWTH					
	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical
Taxable Cash Alternatives (%)	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Total Global Fixed Income (%)	**66.0**	**65.0**	**52.0**	**51.0**	**44.0**	**43.0**	**36.0**	**33.0**	**27.0**	**23.0**	**21.0**	**17.0**	**10.0**	**6.0**	**4.0**	**2.0**	**0.0**	**0.0**
Total U.S. Taxable Investment Grade Fixed Income	61.0	60.0	45.0	44.0	30.0	29.0	29.0	26.0	19.0	15.0	12.0	8.0	7.0	3.0	2.0	0.0	0.0	0.0
U.S. Short Term Taxable*	15.0	18.0	11.0	14.0	7.0	9.0	7.0	8.0	5.0	4.0	3.0	1.0	2.0	0.0	0.0	0.0	0.0	0.0
U.S. Intermediate Term Taxable*	35.0	35.0	26.0	26.0	17.0	17.0	17.0	17.0	11.0	11.0	7.0	7.0	5.0	3.0	2.0	0.0	0.0	0.0
U.S. Long Term Taxable*	11.0	7.0	8.0	4.0	6.0	3.0	5.0	1.0	3.0	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
High Yield Taxable Fixed Income	2.0	2.0	2.0	2.0	6.0	6.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	2.0	2.0	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	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	5.0	5.0	8.0	8.0	3.0	3.0	4.0	4.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Global Equities (%)	**8.0**	**8.0**	**20.0**	**20.0**	**25.0**	**25.0**	**30.0**	**31.0**	**36.0**	**38.0**	**44.0**	**46.0**	**53.0**	**54.0**	**63.0**	**64.0**	**71.0**	**69.0**
U.S. Large Cap Equities	8.0	8.0	12.0	12.0	15.0	15.0	18.0	19.0	20.0	22.0	26.0	28.0	29.0	30.0	28.0	31.0	27.0	30.0
U.S. Mid Cap Equities	0.0	0.0	4.0	4.0	6.0	6.0	4.0	4.0	6.0	6.0	6.0	6.0	6.0	6.0	10.0	10.0	12.0	9.0
U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	3.0	3.0
Developed Market Ex-U.S. Equities	0.0	0.0	4.0	4.0	4.0	4.0	5.0	5.0	6.0	6.0	7.0	7.0	12.0	12.0	14.0	13.0	17.0	17.0
Emerging Market Equities	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0	4.0	4.0	5.0	5.0	6.0	6.0	9.0	8.0	12.0	10.0
Total Global Real Assets (%)	**7.0**	**8.0**	**8.0**	**9.0**	**9.0**	**10.0**	**11.0**	**13.0**	**12.0**	**14.0**	**12.0**	**14.0**	**13.0**	**16.0**	**13.0**	**14.0**	**10.0**	**12.0**
Private Real Estate**	3.0	3.0	4.0	4.0	5.0	5.0	3.0	3.0	4.0	4.0	4.0	4.0	3.0	3.0	3.0	3.0	2.0	2.0
Private Infrastructure**	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.0	0.0
Commodities	2.0	3.0	2.0	3.0	2.0	3.0	4.0	6.0	4.0	6.0	4.0	6.0	5.0	8.0	5.0	6.0	5.0	7.0
Digital Assets	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Total Alternative Investments (%)**	**17.0**	**17.0**	**18.0**	**18.0**	**20.0**	**20.0**	**21.0**	**21.0**	**23.0**	**23.0**	**21.0**	**21.0**	**23.0**	**23.0**	**19.0**	**19.0**	**18.0**	**18.0**
Global Hedge Funds	11.0	11.0	11.0	11.0	11.0	11.0	10.0	10.0	10.0	10.0	7.0	7.0	7.0	7.0	2.0	2.0	0.0	0.0
Private Equity	0.0	0.0	0.0	0.0	0.0	0.0	8.0	8.0	10.0	10.0	11.0	11.0	13.0	13.0	14.0	14.0	18.0	18.0
Private Debt	6.0	6.0	7.0	7.0	9.0	9.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0

Strategic allocations are updated annually; last update was July 16, 2026. Tactical allocations are updated periodically; last update was July 16, 2026. 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. **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 9-11 for important definitions and disclosures.

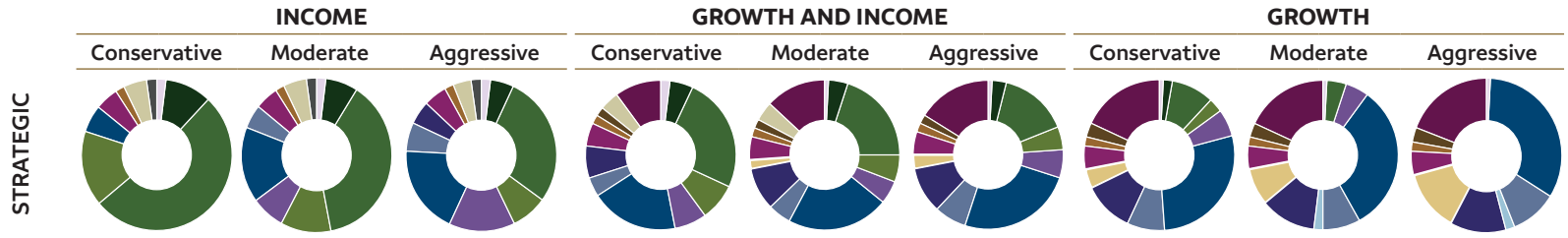
Asset Allocation Strategy Report

Executive Summary

October 15, 2026

Strategic asset allocation: Tax-efficient illiquid

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



	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic
Tax Exempt Cash Alternatives (%)	**2.0**	**2.0**	**2.0**	**2.0**	**1.0**	**1.0**	**1.0**	**1.0**	**1.0**
Total Global Fixed Income (%)	**78.0**	**63.0**	**55.0**	**45.0**	**35.0**	**29.0**	**20.0**	**9.0**	**0.0**
Total U.S. Tax Exempt Investment Grade Fixed Income	78.0	56.0	41.0	38.0	30.0	23.0	14.0	4.0	0.0
U.S. Short Term Tax Exempt FI*	10.0	7.0	5.0	5.0	4.0	3.0	2.0	0.0	0.0
U.S. Intermediate Term Tax Exempt FI*	52.0	38.0	28.0	25.0	20.0	15.0	9.0	4.0	0.0
U.S. Long Term Tax Exempt FI*	16.0	11.0	8.0	8.0	6.0	5.0	3.0	0.0	0.0
High Yield Tax Exempt FI	0.0	7.0	14.0	7.0	5.0	6.0	6.0	5.0	0.0
Developed Market Ex-U.S. FI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emerging Market FI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Global Equities (%)	**6.0**	**21.0**	**30.0**	**30.0**	**38.0**	**45.0**	**51.0**	**62.0**	**70.0**
U.S. Large Cap Equities	6.0	16.0	19.0	19.0	22.0	25.0	28.0	32.0	33.0
U.S. Mid Cap Equities	0.0	5.0	6.0	4.0	5.0	7.0	8.0	8.0	10.0
U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Developed Market Ex-U.S. Equities	0.0	0.0	5.0	7.0	9.0	10.0	11.0	12.0	12.0
Emerging Market Equities	0.0	0.0	0.0	0.0	2.0	3.0	4.0	8.0	13.0
Total Global Real Assets (%)	**7.0**	**7.0**	**7.0**	**9.0**	**9.0**	**9.0**	**10.0**	**10.0**	**10.0**
Private Real Estate**	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Private Infrastructure**	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Digital Assets	0.0	0.0	0.0	2.0	2.0	2.0	3.0	3.0	3.0
Total Alternative Investments (%)**	**7.0**	**7.0**	**6.0**	**14.0**	**17.0**	**16.0**	**18.0**	**18.0**	**19.0**
Global Hedge Funds	5.0	5.0	4.0	4.0	4.0	0.0	0.0	0.0	0.0
Private Equity	0.0	0.0	0.0	10.0	13.0	16.0	18.0	18.0	19.0
Private Debt	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2026. FI = fixed income. 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. **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.

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Asset Allocation Strategy Report

Executive Summary

October 15, 2026

Strategic asset allocation: Tax-efficient liquid

May include fixed income, equities, and real assets

	INCOME			GROWTH AND INCOME			GROWTH		
	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive
STRATEGIC									
	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic	Strategic
Tax Exempt Cash Alternatives (%)	**3.0**	**3.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**
Total Global Fixed Income (%)	**91.0**	**74.0**	**66.0**	**53.0**	**43.0**	**32.0**	**22.0**	**14.0**	**5.0**
Total U.S. Tax Exempt Investment Grade Fixed Income	91.0	68.0	50.0	45.0	35.0	25.0	18.0	11.0	5.0
U.S. Short Term Tax Exempt FI*	11.0	8.0	6.0	6.0	4.0	3.0	2.0	0.0	0.0
U.S. Intermediate Term Tax Exempt FI*	62.0	46.0	34.0	30.0	24.0	17.0	12.0	8.0	5.0
U.S. Long Term Tax Exempt FI*	18.0	14.0	10.0	9.0	7.0	5.0	4.0	3.0	0.0
High Yield Tax Exempt FI	0.0	6.0	16.0	8.0	8.0	7.0	4.0	3.0	0.0
Developed Market Ex-U.S. FI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Emerging Market FI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Global Equities (%)	**6.0**	**23.0**	**32.0**	**43.0**	**53.0**	**64.0**	**73.0**	**81.0**	**90.0**
U.S. Large Cap Equities	6.0	14.0	17.0	23.0	29.0	33.0	37.0	39.0	37.0
U.S. Mid Cap Equities	0.0	5.0	7.0	8.0	10.0	12.0	12.0	13.0	15.0
U.S. Small Cap Equities	0.0	0.0	0.0	0.0	0.0	0.0	2.0	3.0	4.0
Developed Market Ex-U.S. Equities	0.0	4.0	8.0	8.0	9.0	13.0	14.0	13.0	18.0
Emerging Market Equities	0.0	0.0	0.0	4.0	5.0	6.0	8.0	13.0	16.0
Total Global Real Assets (%)	**0.0**	**0.0**	**0.0**	**2.0**	**2.0**	**2.0**	**3.0**	**3.0**	**3.0**
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Digital Assets	0.0	0.0	0.0	2.0	2.0	2.0	3.0	3.0	3.0

Tax-efficient strategic allocations are updated annually; last update was July 16, 2026. FI = fixed income. The U.S. Tax Exempt Investment Grade Fixed Income encompasses the allocations to Short Term, Intermediate Term, and Long Term.

*Wells Fargo Advisors only.

Forecasts, targets, and estimates are based on certain assumptions and on our views of market and economic conditions which are subject to change.

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 class risks

Asset allocation and diversification are investment methods used to manage risk 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.

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.

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. 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.

Private capital funds use complex trading strategies, including hedging and leveraging through derivatives and short selling. These funds often demand long holding periods to allow for a turnaround and exit strategy. Hedge fund and private equity/private capital fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Privately offered real estate funds carry significant risks. They are unlisted making them hard to value and trade. They are generally only available to accredited investors within the meaning of the U.S. securities laws. There can be no assurance a secondary market will exist for these funds and there may be restrictions on transferring interests.

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.

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.

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.

Inflation-Indexed Bonds, including 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 in the portfolio to fluctuate more than other fixed income securities.

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.

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. They are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. All fixed income investments may be worth less than their original cost upon redemption or maturity.

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.

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.

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

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, yielding investments may not be available for the Fund to purchase. These risks may be heightened for longer maturity and duration securities. Commercial Mortgage Backed Securities (CMBS) are a type of mortgage-backed security backed by commercial mortgages rather than residential real estate. CMBS tend to be more complex and volatile than residential mortgage-backed securities due to the unique nature of the underlying property assets.

Preferred stocks are subject to issuer-specific and market risks. They 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.

The prices of small and mid-cap 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.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. **Communication Services** companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the Communication Services sector may also be affected by rapid technology changes, pricing competition, large equipment upgrades, substantial capital requirements, and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players, reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. **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 the 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 an investment 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 and development risk, government regulations and government approval of products

anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. **Real Estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Index definitions

An index is unmanaged and not available for direct investment.

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.

Fixed income representative indexes

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

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

U.S. Intermediate Term Taxable Fixed Income. Bloomberg U.S. Aggregate 5-7 Year Bond Index is unmanaged and 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.

U.S. Long Term Taxable Fixed Income. Bloomberg U.S. Aggregate 10+ Year Bond Index is unmanaged and 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.

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.

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 market index that is 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 GBI ex U.S. Hedged is an unmanaged market index representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

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.

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.

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.

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. Mid Cap Equities. Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.

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.

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.

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.

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.

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.

MarketVector™ Digital Assets 100 Index is a market cap-weighted index which tracks the performance of the 100 largest and most liquid digital assets in the global cryptocurrency market, rebalanced monthly. Base date 31 December 2014, with a base value of 100.00. Larger assets (e.g., Bitcoin, Ethereum) have proportionally greater influence on the index. MarketVector uses verified market data to calculate daily market caps.

Alternative strategies representative indexes

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 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.

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.

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.

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.

Note: HFRI Indices 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 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 self-reported by hedge fund managers that 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.

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