

SECOND-QUARTER 2026

# Market Charts

Turning data into knowledge

All data shown in the charts as of first quarter (Q1) 2026 and reflect the most recent information available. Please see disclosures for the risks associated with the asset classes and for the definitions of market-based and economic indexes.

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

# Economy highlights

## Macro

- We expect the global economy to regain momentum after a slow start to 2026, with policy tailwinds and increasingly investment-oriented growth beyond spending for artificial intelligence (AI) and related technology fueling a moderate growth recovery as the year unfolds.
- We believe inflation can remain well contained through much of the year, restrained by AI-driven productivity gains, and more gradual, drawn-out tariff increases. Nonetheless, the risk of a prolonged Iran war could keep energy prices elevated for a time, tempering any broad disinflationary impulse.

## Domestic

- We expect the U.S. to lead the global economy in 2026 as tax cuts, the lagged impact of Federal Reserve (Fed) interest-rate cuts, deregulation, and the lift to real (inflation-adjusted) incomes from subdued inflation support a moderate growth recovery.
- In our view, risks to inflation, as measured by the Consumer Price Index, are to the upside in 2026, due to energy supply disruptions. We do not anticipate an inflation spike as it should remain restrained by slowing rental and other services inflation, a lower average tariff rate, and stronger productivity growth.

## International

- We see upside to emerging-market (EM) growth in 2026 on increasingly tech-led strength. Our outlook for further disinflation and only modest U.S. dollar strength may permit policy easing by select local central banks. We see Southeast Asia further benefiting from greater supply-chain diversification in a more fragmented global trade environment. An extended Iran war could introduce a headwind to EM economies, most of which are energy importers.
- In China, we expect a high-tech spending boom and ongoing reliance on export-led growth to counter what continues to be weak domestic consumer demand and inadequate fiscal stimulus.
- We anticipate modest but fragile recoveries in developed markets (DMs) outside the U.S. Fiscal stimulus should support growth in both the eurozone and Japan, while a potentially less volatile trade environment may be an added tailwind. In general, we view DM growth as more restrained compared to the U.S. by structural issues like weak population growth and smaller, less dynamic tech sectors.

# Global economy scorecard

Economic indicator	World	U.S.	Eurozone	Japan	China
GDP growth (% YOY) as of 12/31/2025 <sup>1</sup>	3.3	2.1	1.4	1.2	5.0
Inflation (% YOY) as of 2/28/2026 <sup>1</sup>	3.1	2.4	2.5	1.3	1.3
Manufacturing Index level as of 3/31/2026	51.3	52.7	51.6	51.6	50.8
Central bank rate (%) as of 3/31/2026	–	3.50 – 3.75	2.15	0.00 – 0.75	3.00
Consumer Confidence Index level as of 3/31/2026 <sup>2</sup>	–	91.8 ↓	-16.3 ↓	33.3 ↓	91.6 ↑
Unemployment rate (%) as of 3/31/2026 <sup>3</sup>	–	4.3	6.2	2.6	5.3

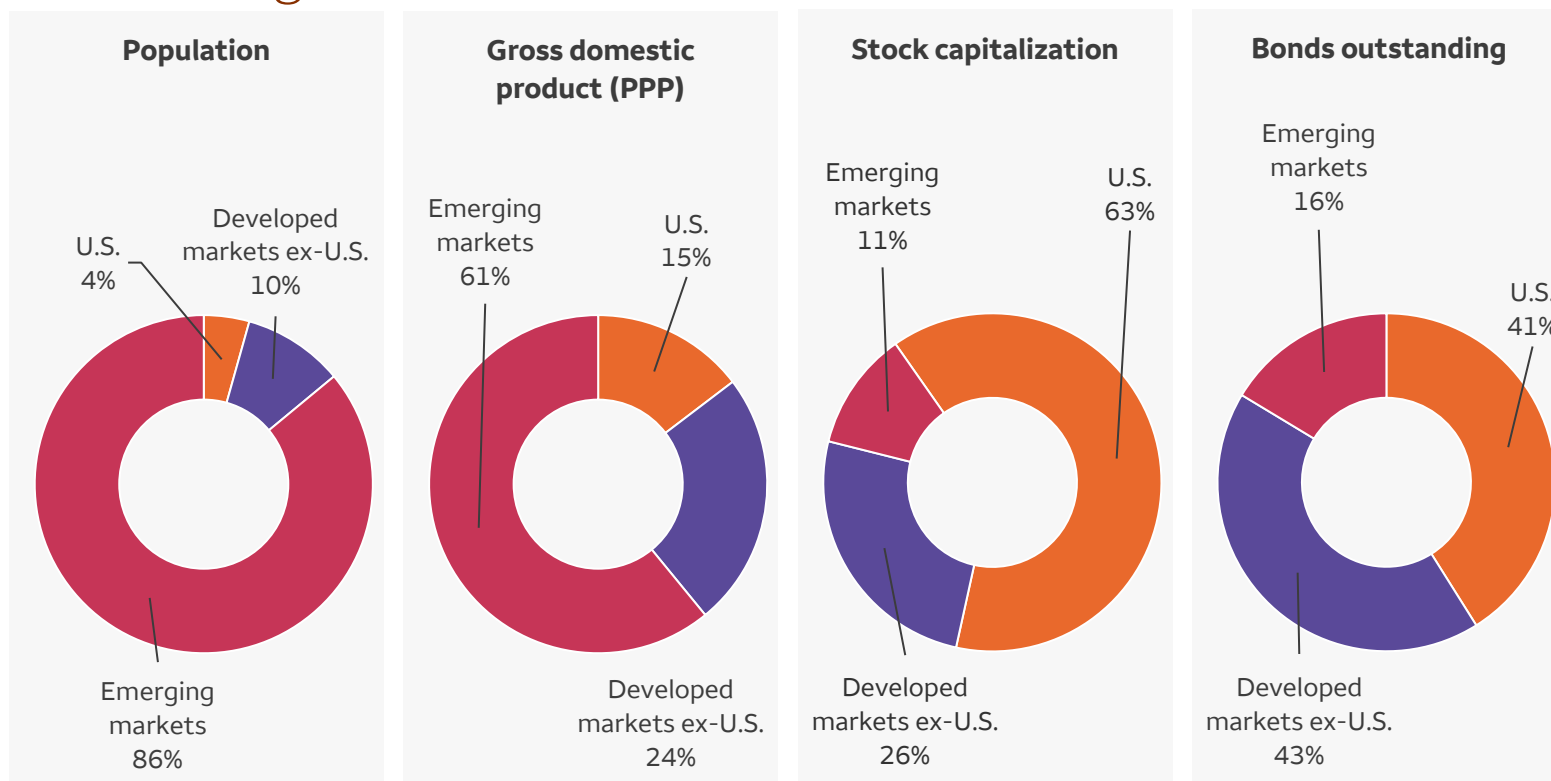
Sources: Bloomberg, International Monetary Fund, and Wells Fargo Investment Institute. Consumer Confidence Index (CCI) is designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending. Global consumer confidence is not measured. Consumer confidence scale differs by region or country. Up or down arrow indicates an increasing or decreasing level from the previous quarter. GDP = gross domestic product. YOY = year over year. U.S. Manufacturing Index level is the Institute for Supply Management Manufacturing Index®, which is a composite index based on the diffusion indexes of five of the indexes with equal weights: new orders, production, employment, supplier deliveries, and inventories. Global, eurozone, Japan, and China Manufacturing Index levels use the Markit Manufacturing PMI Index, which is an index developed from monthly business surveys used to monitor the condition of industries and businesses. An index value over 50 indicates expansion; below 50 indicates contraction. The values for the index can be between 0 and 100.

1. World GDP growth and inflation is the GDP-weighted average of developed (42%) and emerging (58%) market percent change in the latest four quarters from the same year ago period as of December 31, 2025. 2. China consumer confidence is as of February 28, 2026. 3. Eurozone, Japan, and China unemployment rates are as of February 28, 2026.

## Key takeaways

- We anticipate a modest global economic-growth recovery through much of 2026, led by policy-induced momentum in the U.S. and more modest improvements in trade-dependent China, Europe, and Japan.
- We think U.S. inflation should remain subdued this year, contained by further rental disinflation, piecemeal tariff implementation, and artificial-intelligence-related productivity gains, all likely overshadowing potential bouts of energy-driven price pressures.

# The world at a glance



Sources: Population and gross domestic product: International Monetary Fund World Economic Outlook database, October 2025; stock capitalization: Morgan Stanley Capital International (MSCI), as of March 31, 2026; and bonds outstanding: Bloomberg, as of March 31, 2026. Emerging markets includes frontier markets. Purchasing power parity (PPP) is a theory which states that exchange rates between currencies are in equilibrium when their purchasing power is the same in each of the two countries. Stock capitalization is based on country weightings in the MSCI All Country World Index. MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. Bonds outstanding is based on market value of bonds issued tracked by the Bloomberg Global Aggregate Index. The Bloomberg Global Aggregate Index measures global investment grade debt including treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. An index is unmanaged and not available for direct investment. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Foreign investing has additional risks including currency, transaction, volatility, and political and regulatory uncertainty. These risks are heightened in emerging and frontier markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates.

## Key takeaways

- Emerging markets' (EMs') growth potential is underscored by their demographic advantage, earlier development stage, relatively small global stock capitalization, growing importance in rewired supply chains, and their role in the artificial-intelligence investment boom, all contributing to potentially attractive returns.
- We think EM debt may offer investors attractive yields with an opportunity to diversify sources of income and risk in fixed-income portfolios.


# Factors that affect the global economy

## Global economic forces

### Tailwinds

- 
- Adequate market liquidity
  - Bank credit standards least restrictive since 2022
  - Stabilizing job market, adequate inflation-adjusted income gains still support consumer
  - Spending by upper-income groups<sup>1</sup> underpinned by earlier windfall gains in financial wealth
  - Productivity-enhancing investment, including artificial intelligence (AI), lifts growth potential
  - Rental and other services disinflation, AI-related productivity gains outweigh temporary energy-price spike, modest core goods reflation
  - Tax cuts, deregulation help accelerate growth
  - Data-center buildout, tariff-related reshoring, investment tax cuts support capital spending
  - Drawn-out tariff implementation likely keeps core goods inflation contained

### Headwinds

- 
- Risk of a prolonged conflict in the Middle East sparks a more enduring inflation spike, potential Federal Reserve (Fed) interest-rate hikes
  - Perceived insecurity in a soft labor market may restrain consumer income and spending growth
  - Tariff- and immigration-related uncertainties risk limiting hiring
  - Immigrant-intensive industries and wage inflation strained by tighter border controls
  - High cost essentials (such as energy, food, housing, utilities, medical care) strain lower-income households
  - Rising home prices prevent a full-blown recovery
  - Supply-chains strained by Middle East conflict, other geopolitical disruptions, trade restrictions, weather
  - Increased borrowing from outsized budget deficits risks higher longer-term Treasury rates
  - Sustained U.S. dollar strength a potential headwind for emerging-market economies

Source: Wells Fargo Investment Institute, as of March 31, 2026. Subject to change.

1. Federal Reserve Board, Financial Accounts of the U.S., as of March 19, 2026.

### Key takeaways

- We believe supply-chain disruptions tied to the Iran war will dampen but not derail above-average U.S. economic growth this year. We view the U.S. as better insulated than during past oil shocks given its position as a net oil exporter, greater reliance on services, recent policy stimulus, and the rapid adoption of AI and other productivity-enhancing technologies.
- We expect the energy-driven rise in inflation to be limited by underlying disinflationary pressures, including slowing rental and services inflation, more gradual tariff increases, and the effect of deregulation and productivity gains on labor and other costs.

# Artificial intelligence (AI): Forces awaken

## AI development could impact multiple industries

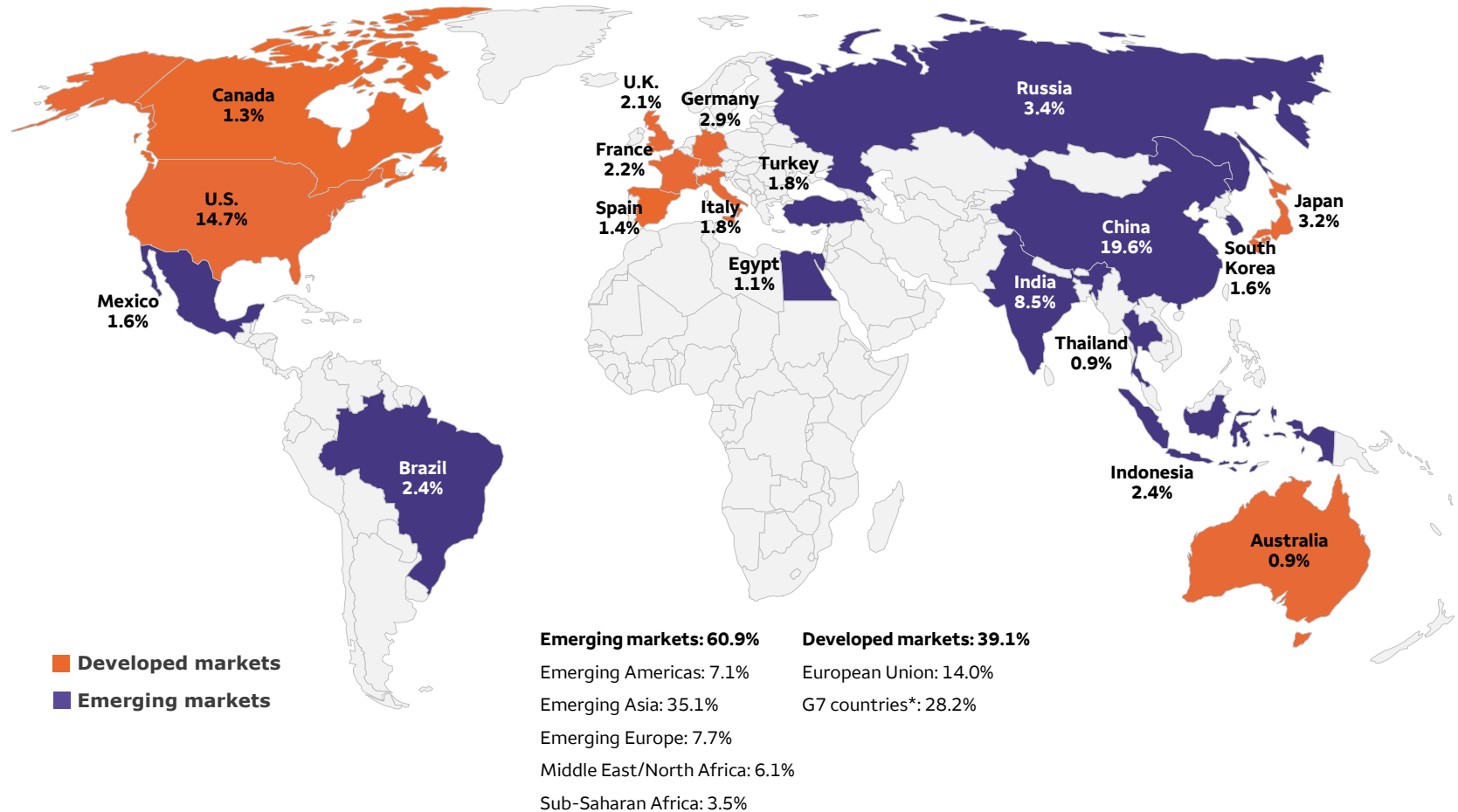
Health Care	Financials	Advertising & Digital Content	Retail & Freight	Energy & Industrials	Customer Service	Business Intelligence
<ul style="list-style-type: none"> <li>• Smart implants</li> <li>• Medical imaging</li> <li>• Pathology detection</li> <li>• Personalized medicine</li> <li>• Identify biomarkers</li> <li>• New drug development</li> <li>• Genomic data analysis</li> <li>• Physician point of service tools</li> </ul>	<ul style="list-style-type: none"> <li>• AI thematic fund offerings</li> <li>• New trade pricing tools</li> <li>• Generate client portfolio reviews</li> <li>• Automated trade prices, execution</li> <li>• AI portfolio management</li> <li>• Increase trading velocity</li> <li>• Product ideation &amp; evolution</li> </ul>	<ul style="list-style-type: none"> <li>• Market efficiency</li> <li>• Enhanced ad targeting</li> <li>• Recommendation engine</li> <li>• Higher ad conversion</li> <li>• Ad auction dynamics</li> <li>• Content creation</li> <li>• Customized travel itineraries</li> <li>• Video game development</li> </ul>	<ul style="list-style-type: none"> <li>• 3D shopping &amp; product try on</li> <li>• Sidewalk robots for deliveries</li> <li>• Supply chain efficiency</li> <li>• Inventory management</li> <li>• Demand prediction</li> <li>• Truck routing capabilities</li> <li>• Higher fleet utilization</li> <li>• Autonomous fleet networks</li> </ul>	<ul style="list-style-type: none"> <li>• AI tools for pipelines</li> <li>• Geological models</li> <li>• AI-enabled microgrid tools</li> <li>• Energy usage analytics</li> <li>• Energy trading enhancements</li> <li>• Labor scheduling</li> <li>• Reservoir optimization</li> <li>• Leak detection &amp; track emissions</li> </ul>	<ul style="list-style-type: none"> <li>• Customer analytics</li> <li>• Insurance claims and records</li> <li>• Transcribe and summarize</li> <li>• Client onboarding</li> </ul>	<ul style="list-style-type: none"> <li>• Developer tools &amp; assisted code</li> <li>• AI-related consulting</li> <li>• Integrated smart home interface</li> <li>• Automate back-office tasks</li> <li>• Fraud prevention and protection</li> <li>• Cybersecurity capabilities</li> <li>• Risk assessment &amp; management</li> <li>• Accelerated data analysis</li> <li>• Predictive modeling</li> </ul>

Sources: McKinsey and Wells Fargo Investment Institute, as of March 31, 2026. Subject to change. For illustrative and informational purposes only and not a recommendation for a specific investment product.

### Key takeaways

- We believe that generative AI's payback for the enormous amounts of data storage, computing power, and energy it requires will be an economically transformative increase in productivity gains across industries from job enhancement and substitution, resulting, on net, in a sizable increase in high value-added jobs.
- The introduction of lower-cost competition from Asia could add to more rapid productivity gains by broadening and accelerating adoption of AI technology, depending on headwinds to competition from trade restrictions.

# Contribution to global GDP growth

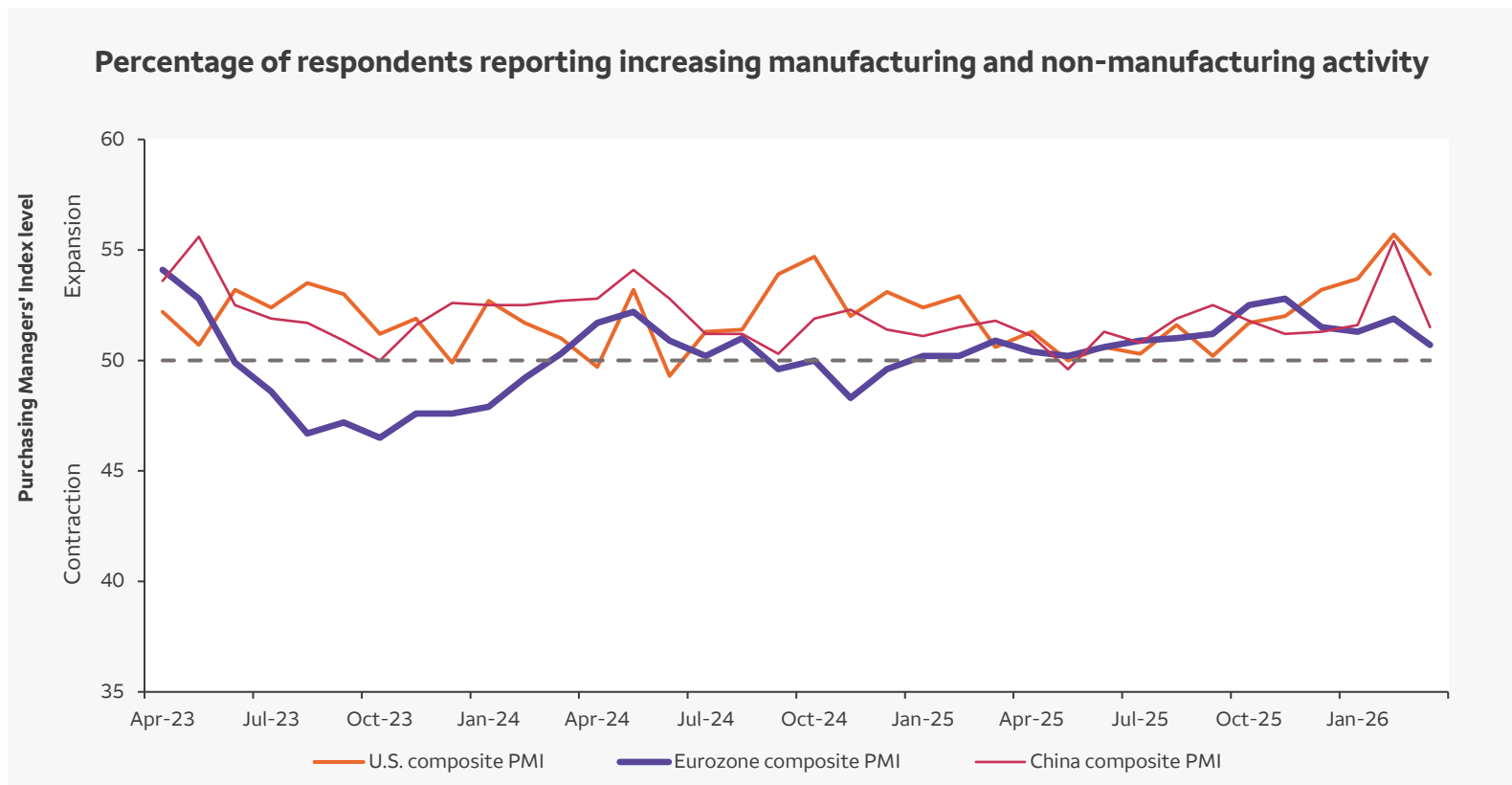


Sources: International Monetary Fund and Wells Fargo Investment Institute. 2025 contribution to global GDP estimate as of March 31, 2026. GDP = gross domestic product. For illustrative and informational purposes only.  
 \*G7 countries include Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

## Key takeaways

- We believe that moderate world-trade growth, a slightly firmer U.S. dollar partially offset by geopolitical tensions, and structural weaknesses will keep global economic growth at or below its long-term, 3.5% average through 2026.
- We anticipate a mild global growth recovery this year, with subdued inflation and policy stimulus supporting China while parts of Europe and the U.S. contribute to the overall growth rate.

# Global economic activity picking up



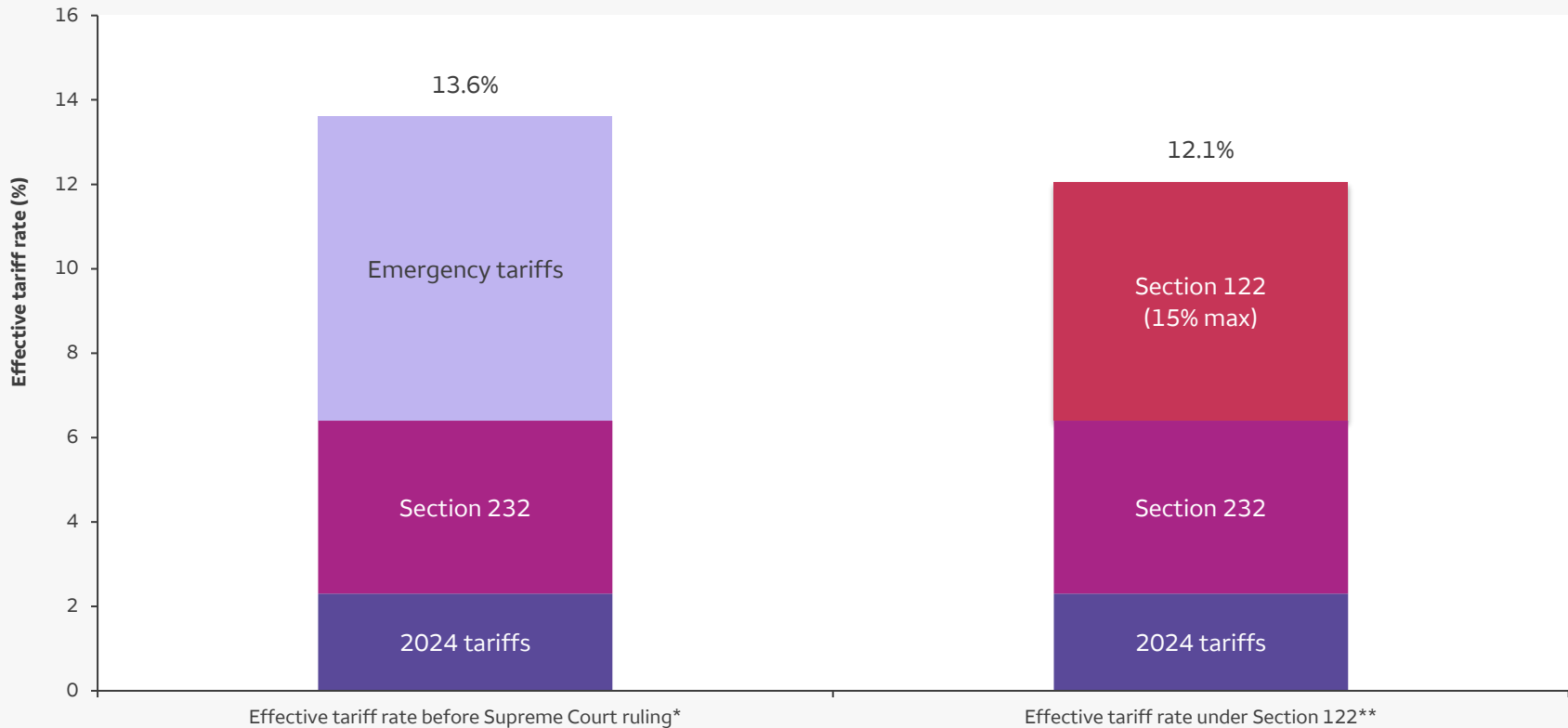
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from April 1, 2023, to March 31, 2026. PMI = Purchasing Managers' Index. U.S. Composite Purchasing Managers' Index level is the Institute for Supply Management Composite Index®, which is a composite index based on the diffusion indexes of five of the indexes with equal weights: new orders, production, employment, supplier deliveries, and inventories. Eurozone and China PMI levels use the Markit Manufacturing PMI Index, which is an index developed from monthly business surveys used to monitor the condition of industries and businesses. An index value over 50 indicates expansion; below 50 indicates contraction. The values for the index can be between 0 and 100. An index is not managed and not available for direct investment.

## Key takeaways

- In China, we expect weak domestic demand and inadequate fiscal support to limit growth in 2026, but artificial-intelligence-related spending and investments should offset domestic weakness. Meanwhile in Europe, fiscal stimulus and the lagged effect of rate cuts outweigh tepid world-trade growth and geopolitical strains.
- More fundamentally, we believe the U.S. economy's legal, demographic, and institutional strengths will keep it on the leading edge of the global growth recovery in 2026.

# Trade policy complicated, but not derailed

Effective tariff rate may trend lower when dust settles

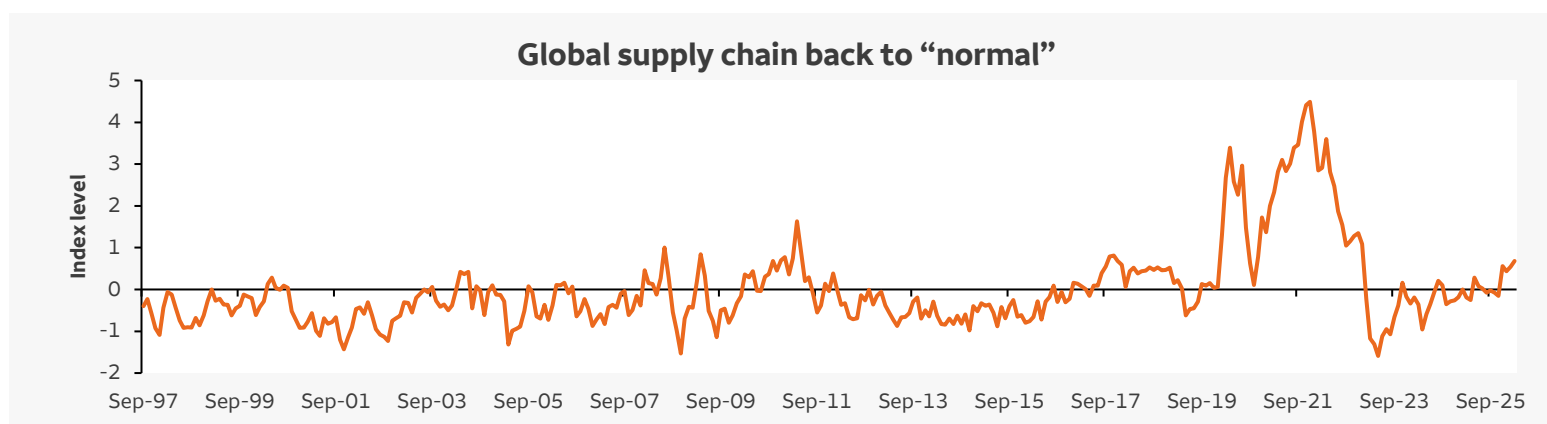
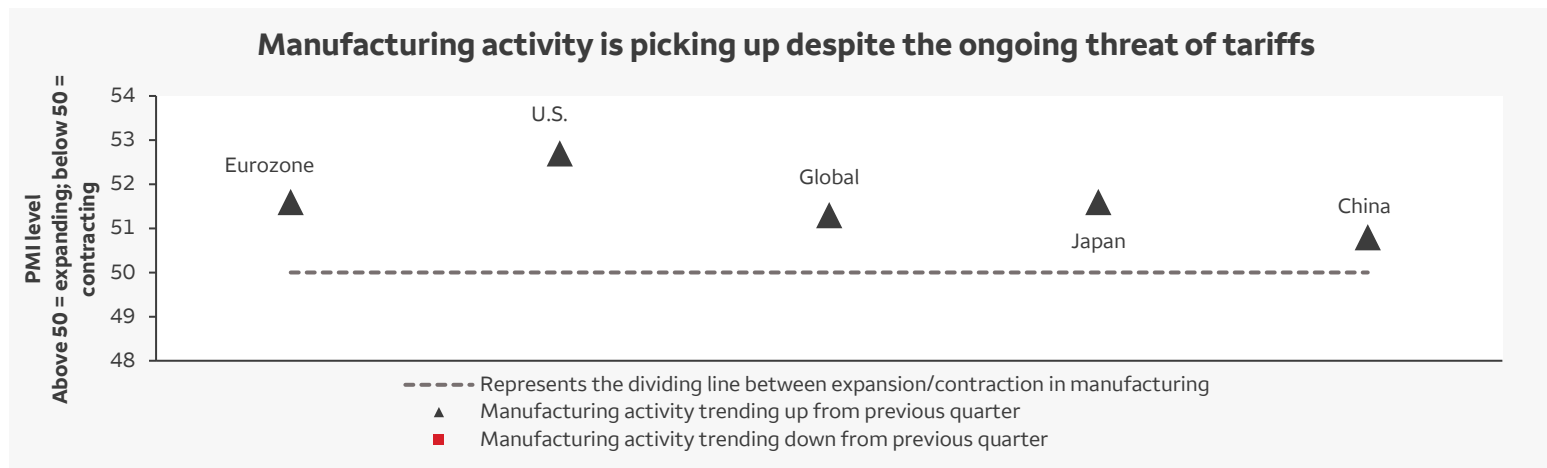


Sources: Wells Fargo Investment Institute, Bloomberg Economics, and U.S. Census. Estimates as of March 31, 2026. Effective tariff rate calculated as the total tariffs collected divided by the total value of imports, expressed as a percentage. \*Pre-ruling tariff rate as of February 19, 2026. \*\*Tariff rate under Section 122 reflects full implementation, with a 15% tariff rate.

## Key takeaways

- President Trump quickly invoked Section 122 of the Trade Act of 1974 after the February 20 Supreme Court ruling against the bulk of the 2025 emergency tariff increases, enacting a temporary levy until July 24.
- In coming months, we expect the administration to phase in more permanent country- and product-specific tariff increases using other trade laws, but we think the average effective tariff rate can trend lower by year end.

# Manufacturing sentiment improving amid trade uncertainties



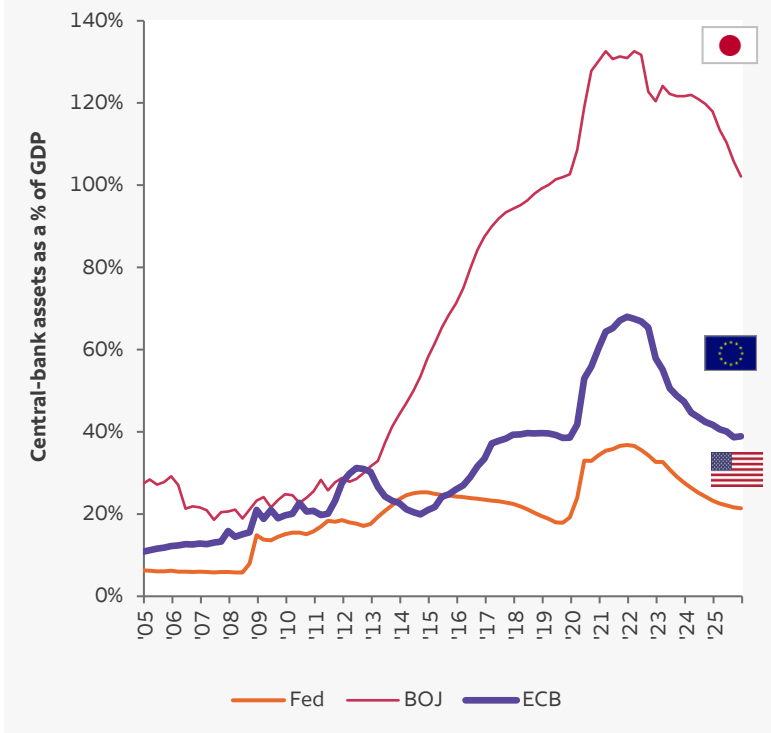
Sources: Top chart: Bloomberg, IHS Markit, and Wells Fargo Investment Institute, as of March 31, 2026. Bottom chart: Bloomberg and Wells Fargo Investment Institute. Monthly data from September 1, 1997, to March 31, 2026. PMI = Purchasing Managers' Index. The PMI is an index developed from monthly business surveys used to monitor the condition of industries and businesses. The Global Supply Chain Pressures Index is normalized so a zero indicates the index is at its average value with positive values representing supply chain tightening.

## Key takeaways

- Tariffs have dented global manufacturing activity previously hampered by the pandemic. We see modest improvement in 2026 as firms face diminishing, less sweeping U.S. tariff increases likely having little immediate impact on U.S. reshoring efforts.
- Global supply chains, though still reasonably intact, likely will be tested by disruptions tied to a rewiring of world trade in coming months as they respond to recent tariff increases and war in the Middle East. We expect that this will create added headwinds to a bona fide recovery in manufacturing.

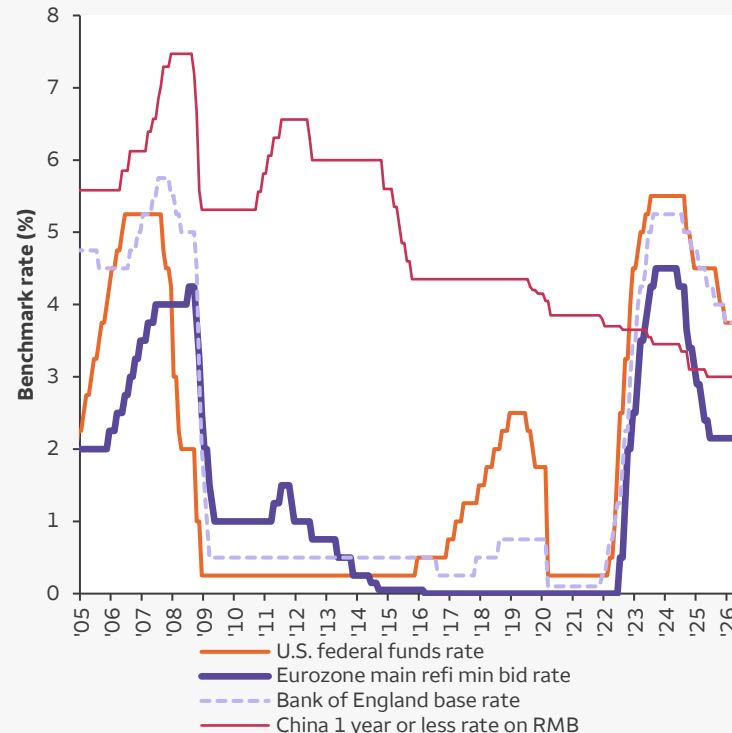
# Global monetary policy in action

## Major central banks have reduced assets ...



Sources: Bloomberg and Wells Fargo Investment Institute. Quarterly data from January 1, 2005, to December 31, 2025. Fed = Federal Reserve. BOJ = Bank of Japan. ECB = European Central Bank. GDP = gross domestic product.

## ... and cut short-term interest rates

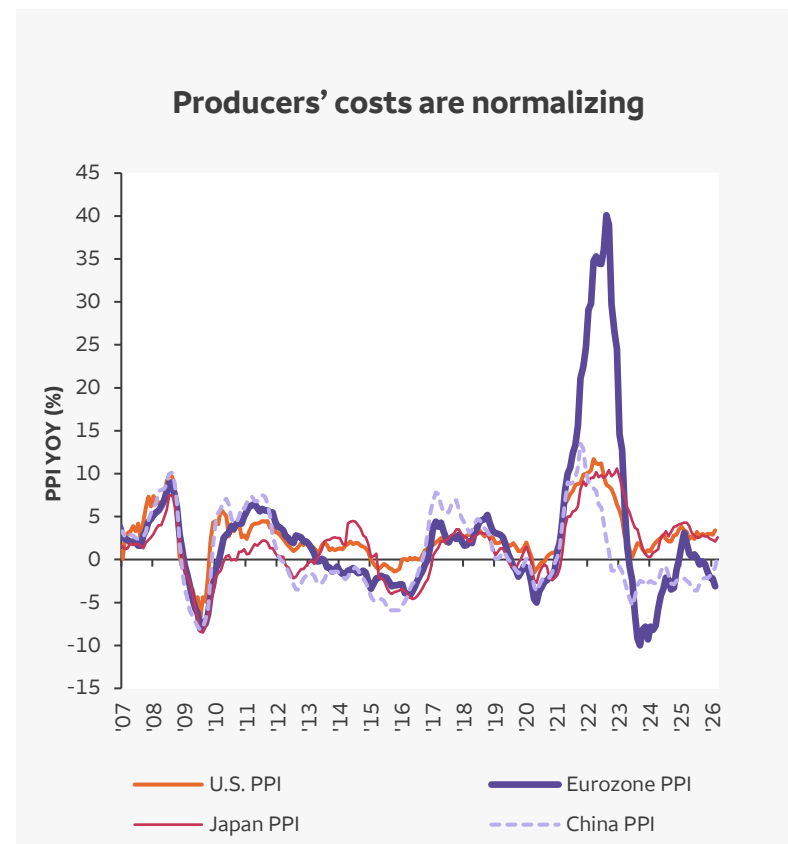
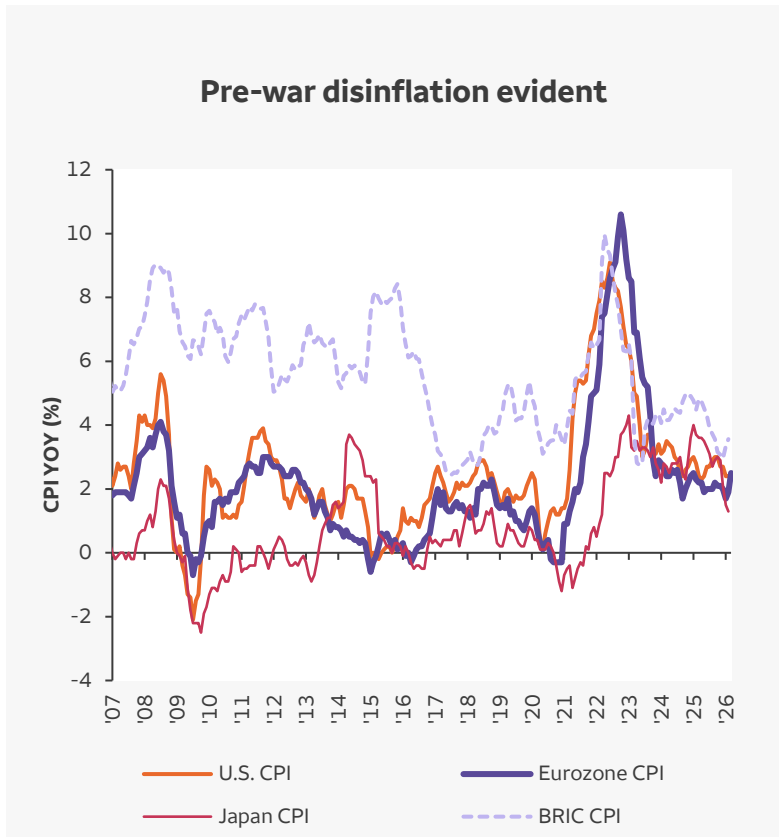


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2005, to March 31, 2026. Headline central bank policy rates of selected countries. Refi = refinance. Min = minimum. RMB = Chinese Yuan Renminbi.

## Key takeaways

- Support to global economic growth from adequate financial liquidity is being reinforced by modest tariff increases and domestic economic stimulus in the U.S., China, and Europe, countering worries over the effect of large budget deficits potentially lifting inflation and longer-term interest rates.
- Central-bank stimulus during the pandemic outpaced that during the Global Financial Crisis in 2007 – 2009, necessitating an extended period of central-bank balance-sheet consolidation.

# Moving toward central-bank inflation targets

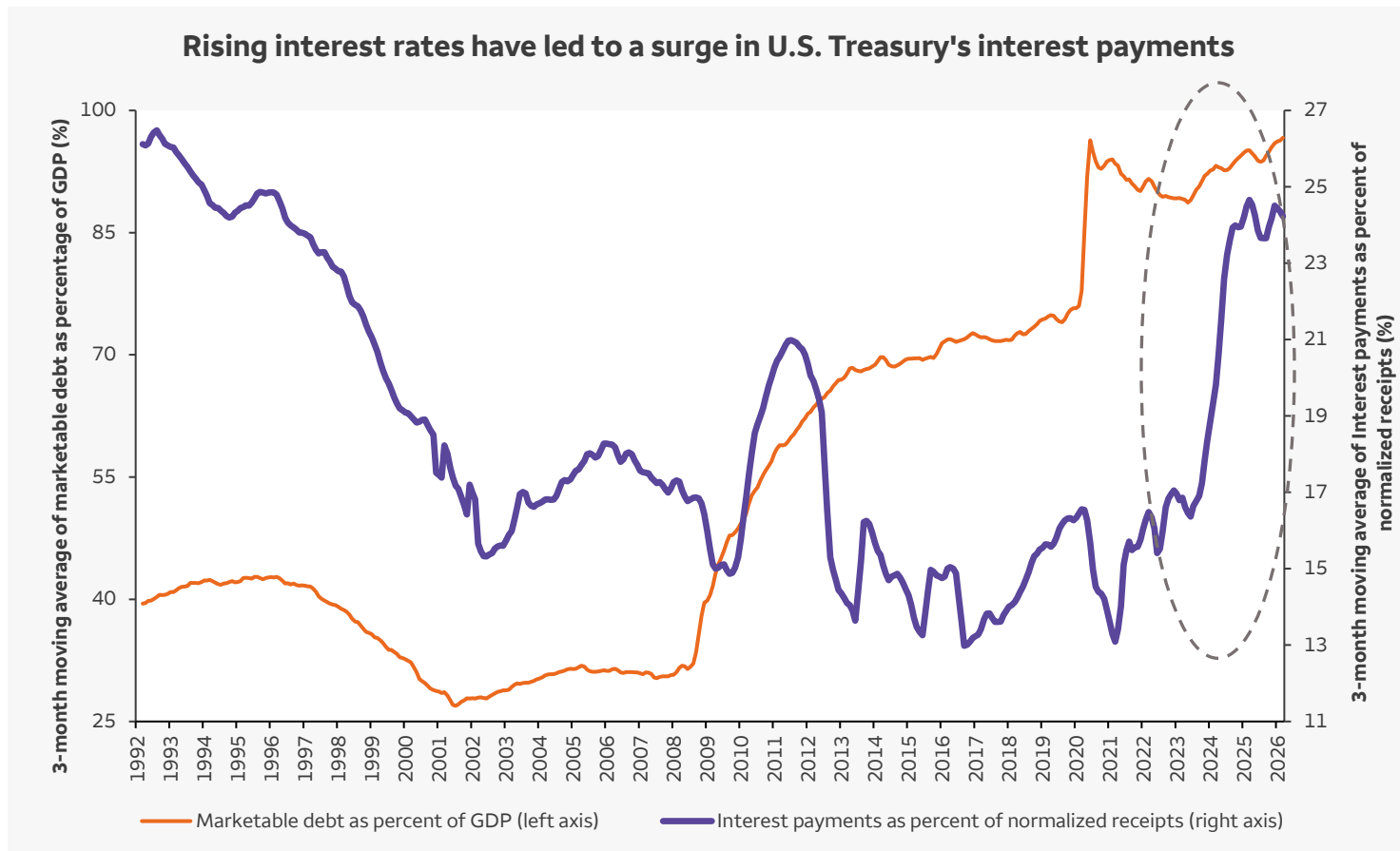


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2007, to March 31, 2026. Japan CPI, BRIC CPI, U.S. PPI, and eurozone PPI are as of February 28, 2026. BRIC is an acronym for the economies of Brazil, Russia, India, and China. CPI is the Consumer Price Index, which measures the price of a fixed basket of goods and services purchased by an average consumer. PPI is the Producer Price Index, which measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services. YOY = year-over-year.

## Key takeaways

- Pre-war inflation was unexpectedly subdued in the U.S. and in the eurozone due to drawn-out tariff increases and services-related disinflation, allowing for renewed global central-bank rate cuts. We expect inflation to firm in 2026, with temporary pockets of inflationary pressures tied to energy and tariffs.
- Housing, levered sectors of the economy, and risk assets continue to adjust to the reversal of ultra-low interest rates, which were suppressed prior to the post-pandemic bout of inflation by aggressive monetary stimulus in the U.S. and abroad.

# Federal interest payments are on the rise



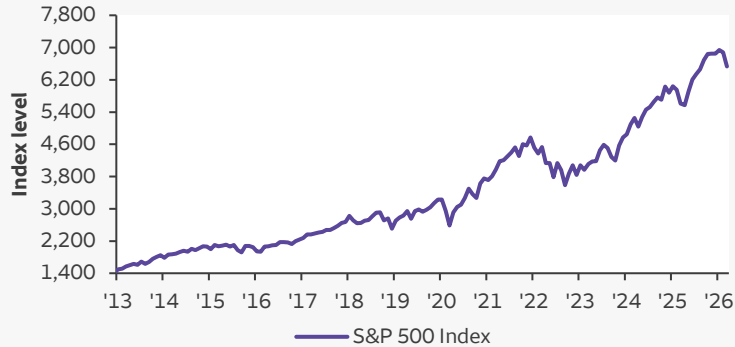
Sources: Bloomberg, U.S. Treasury Department, and Wells Fargo Investment Institute. Monthly data from January 1, 1992, to March 31, 2026. Normalized receipts are based on rolling 10-year moving average. GDP = gross domestic product.

## Key takeaways

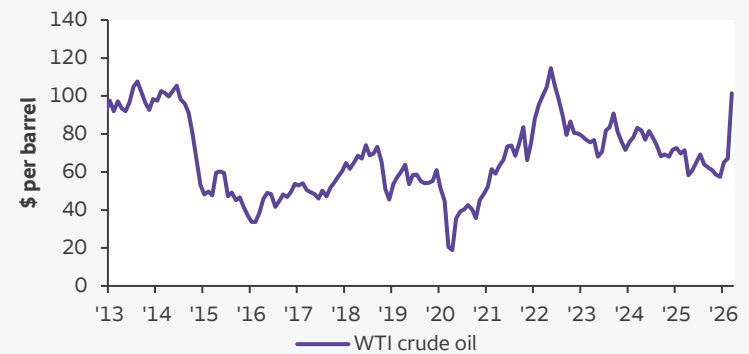
- Rapid debt expansion and higher interest rates have lifted interest payments by the federal government as a share of revenues well beyond a level where, historically, investor pushback has initiated fiscal austerity measures by the government.
- Federal interest expenses are especially vulnerable to further increases in rates because the budget's structural weaknesses are keeping deficits — and associated debt and borrowing needs — historically high.

# Where are we today?

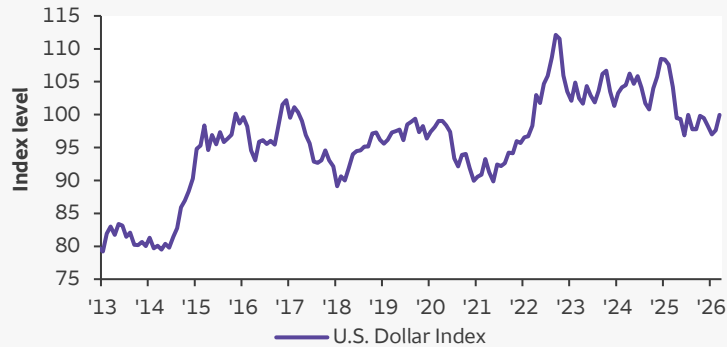
## The war has blunted U.S. stock market gains



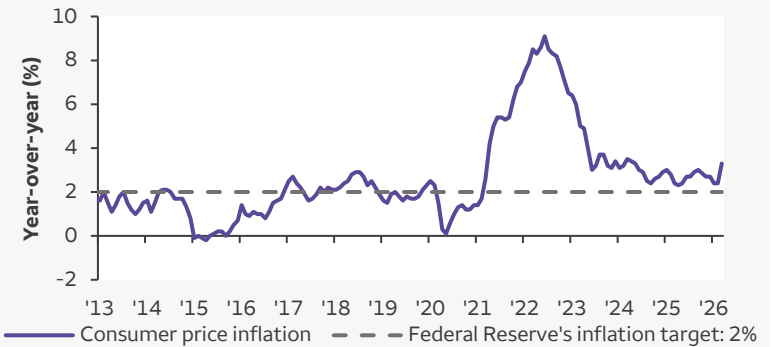
## Oil prices have risen with geopolitical turmoil



## U.S. dollar has emerged as safe haven asset



## Inflation approaching Fed's target



Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2013, to March 31, 2026. The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market. The Consumer Price Index measures the average price of a basket of goods and services. West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing. U.S. Dollar Index (USDIX) measures the value of the U.S. dollar relative to the majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Fed = Federal Reserve.

## Key takeaways

- In our view, earnings growth will drive further gains in U.S. stocks in 2026. We expect long-term interest rates to rise with concerns over budget deficits and possible energy-related inflation. Higher rates usually moderate valuations.
- We view supply increases by OPEC+<sup>1</sup> and a modest growth recovery in 2026 as lessening the impact of an oil-price spike posed by a potentially prolonged Iran war. Elsewhere, supply-demand fundamentals are stronger for industrial metals.

1. Organization of the Petroleum Exporting Countries plus allies.

# Where are we headed?

## Inflation

Remains above the Fed's target, with risks to the upside

## GDP growth

A soft patch into early 2026 should give way to a mild growth recovery

## Wage growth

Real wage growth is slowing, but still a plus for the consumer

## Unemployment

Historically low, but edging higher

## Consumer confidence

Has declined on higher consumer prices and a softening job market

## Volatility

Should remain elevated as trade and geopolitical uncertainty persist

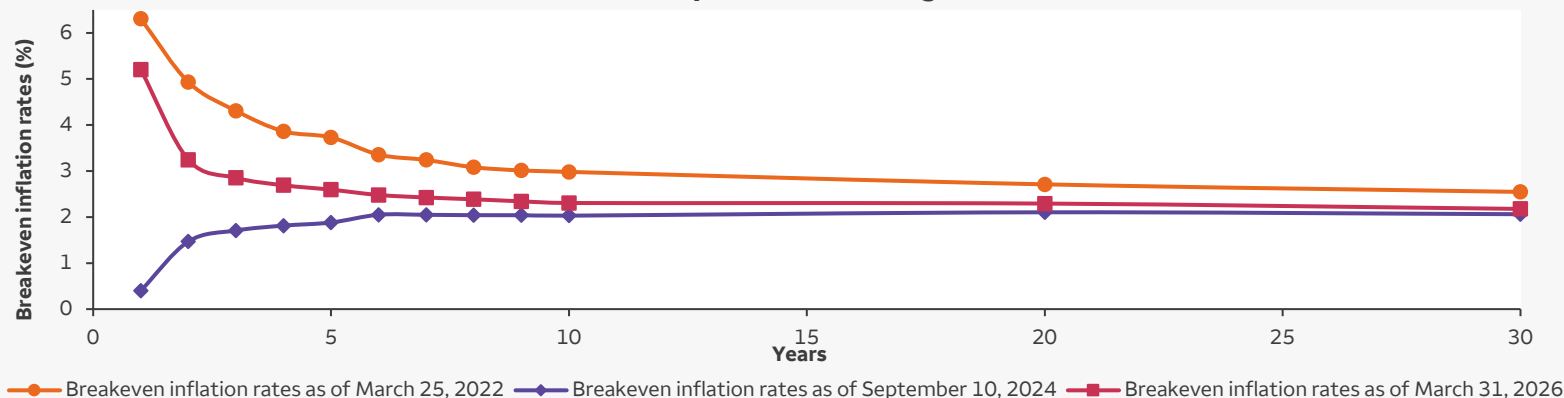
Source: Wells Fargo Investment Institute, as of March 31, 2026. Subject to change. GDP = gross domestic product. Fed = Federal Reserve.

## Key takeaways

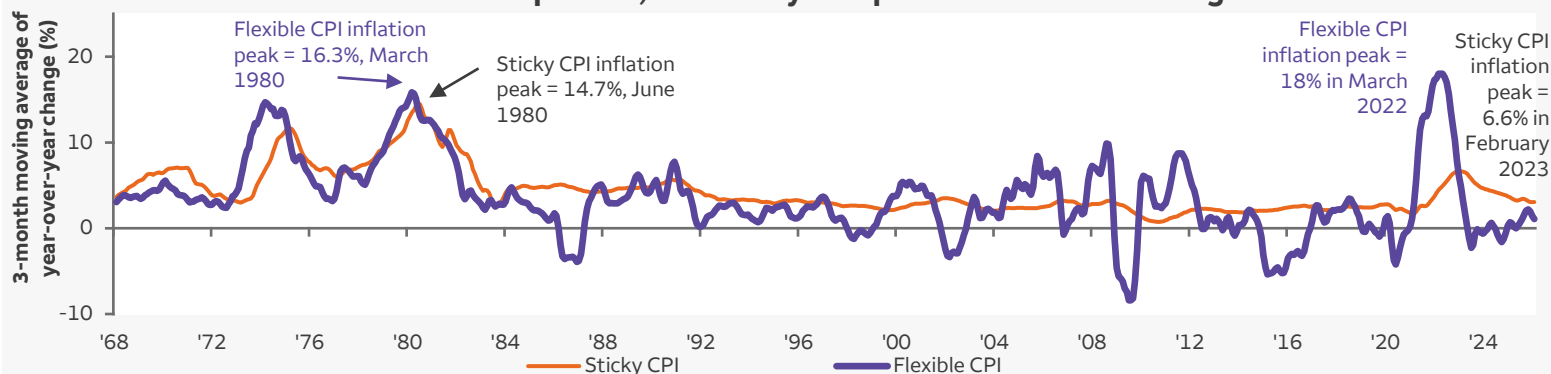
- Our view is that the U.S. economy's mild fourth-quarter 2025 soft patch from last fall's record-long government shutdown will be reversed in early 2026 by policy tailwinds and broadening artificial-intelligence- (AI-) related technology investment outweighing headwinds from harsh weather conditions as well as higher costs of fuel and other trade-sensitive goods prices.
- We expect more gradual U.S. tariff implementation, services disinflation, and AI-related productivity gains to limit inflation in 2026. Subdued inflation should support real-income growth and combine with stimulative policies to boost economic activity.

# Signs of moderating inflation

## Short-term inflation expectations rising, but below 2022 levels



## Inflation has peaked, and sticky components are moderating

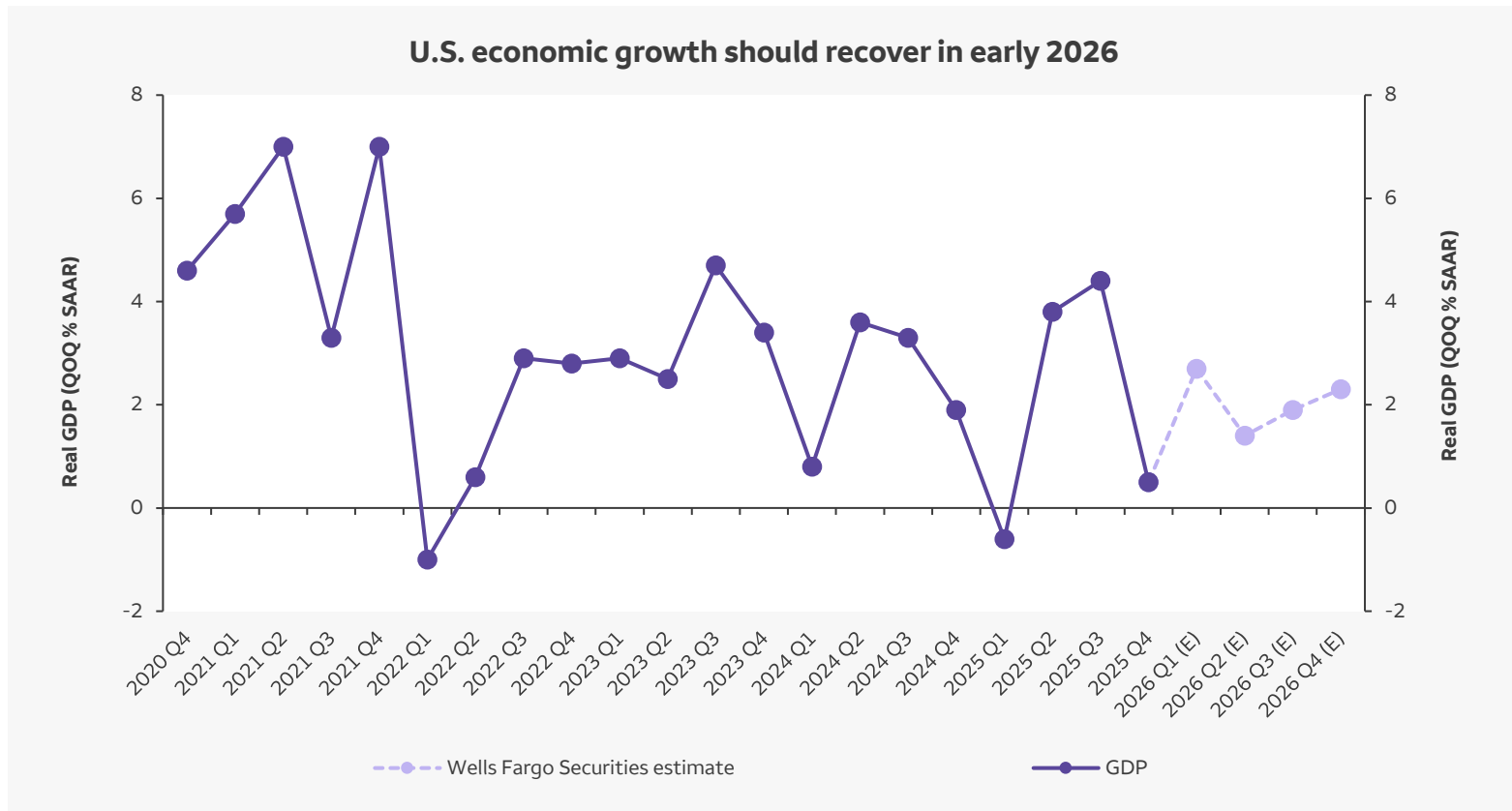


Sources: Top chart: Bloomberg, U.S. Treasury Department, and Wells Fargo Investment Institute, as of March 31, 2026. Bottom chart: Bloomberg, Federal Reserve Bank of Atlanta, U.S. Department of Labor, and Wells Fargo Investment Institute. Sticky-price and flexible-price consumer price index: monthly data from January 1, 1968, to February 28, 2026. Breakeven inflation rates equate nominal, or observed, Treasury interest rates with their inflation-protected counterparts. Fed = Federal Reserve. CPI = Consumer Price Index. Sticky inflation is measured by components that change pricing less frequently, such as rents, education and public transportations. Flexible inflation is measured by components that change pricing more frequently, such as car rental, gas, and electricity.

### Key takeaways

- Shorter-term inflation expectations have recently spiked to a near four-year high, responding to worries over a potentially prolonged Iran war that risks persistently elevated oil prices. We believe any spike in energy prices should prove temporary due to ample global supply and an expected limited duration of the latest Middle East war.
- Longer-term inflation expectations surveyed by the University of Michigan are off their early 2025 peak but remain high by historic standards, reflecting lingering consumer concern over the impact of trade policies on secular inflation.

# U.S. economy expected to grow in 2026

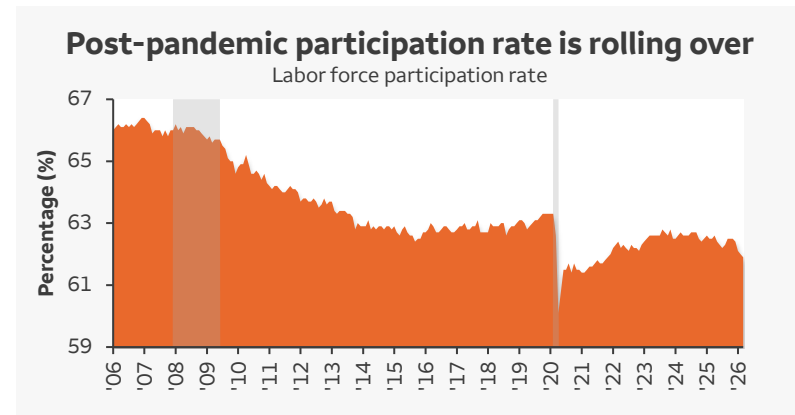
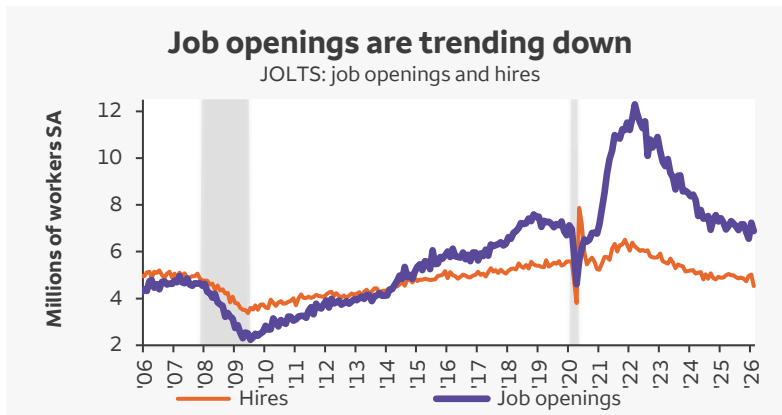
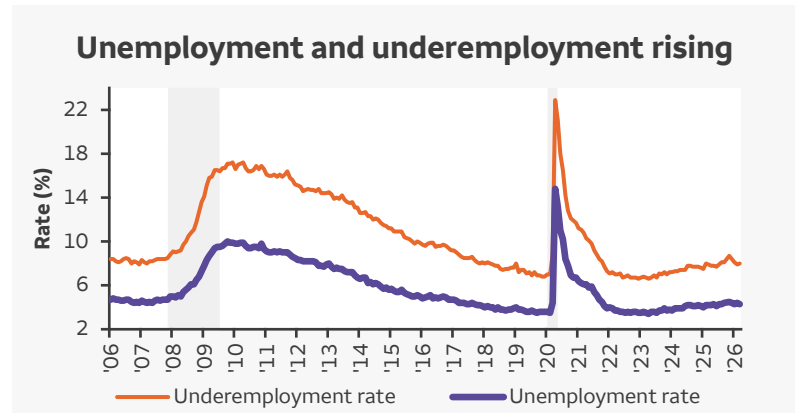
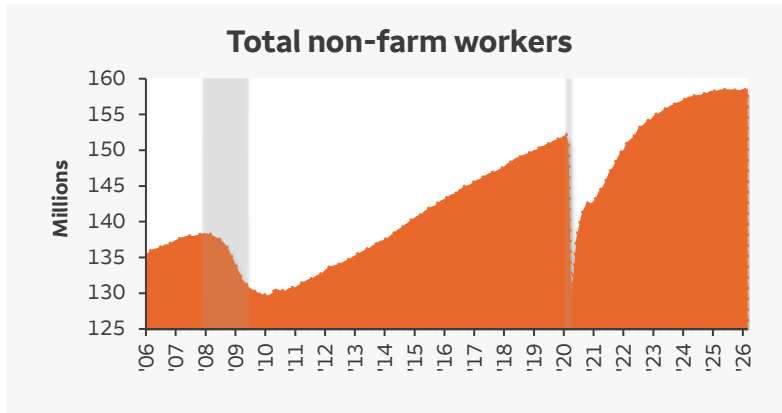


Sources: Bloomberg, Wells Fargo Securities, and Wells Fargo Investment Institute. Quarterly data from October 1, 2020, to December 31, 2025. Q1 2026 – Q4 2026 are Wells Fargo Securities forecasts, as of April 8, 2026. **Forecasts are not guaranteed and are subject to change.** GDP = gross domestic product. QOQ = quarter over quarter. SAAR = seasonally adjusted annual rate. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.

## Key takeaways

- We anticipate a shift to faster, more balanced economic growth as 2026 unfolds, benefiting from broadening tech spending, lower short-term borrowing costs, tax cuts, deregulation, subdued disinflation, and more gradual U.S. tariff implementation.
- We expect the U.S. stock market to finish 2026 higher, driven primarily by broadening earnings growth that should expand to more cyclically oriented areas of the market.

# The U.S. job market showing signs of weakness

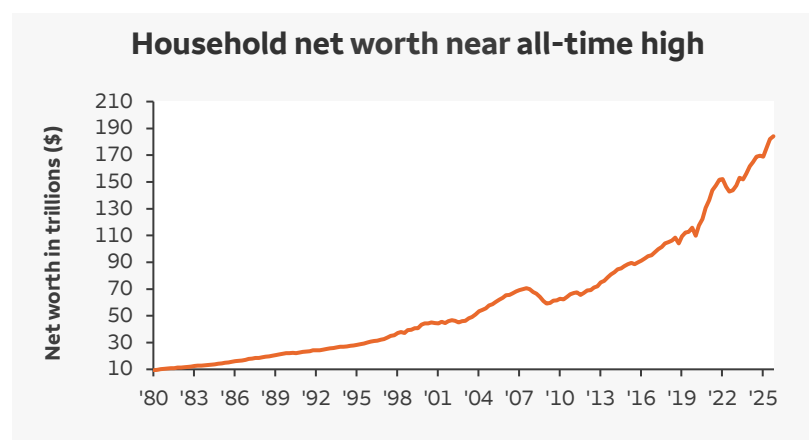
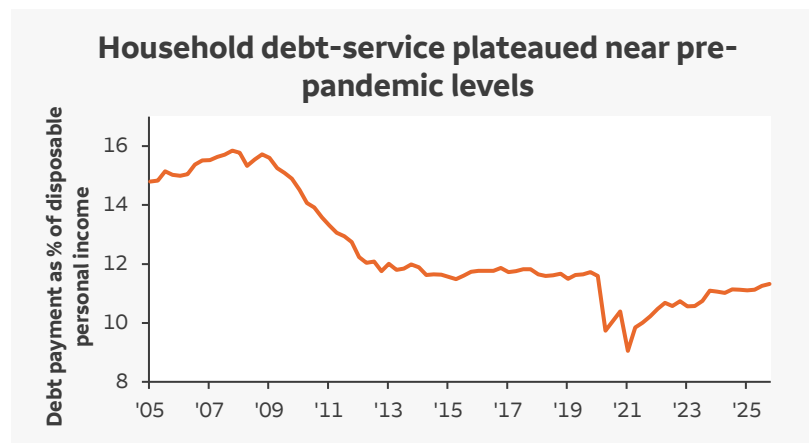
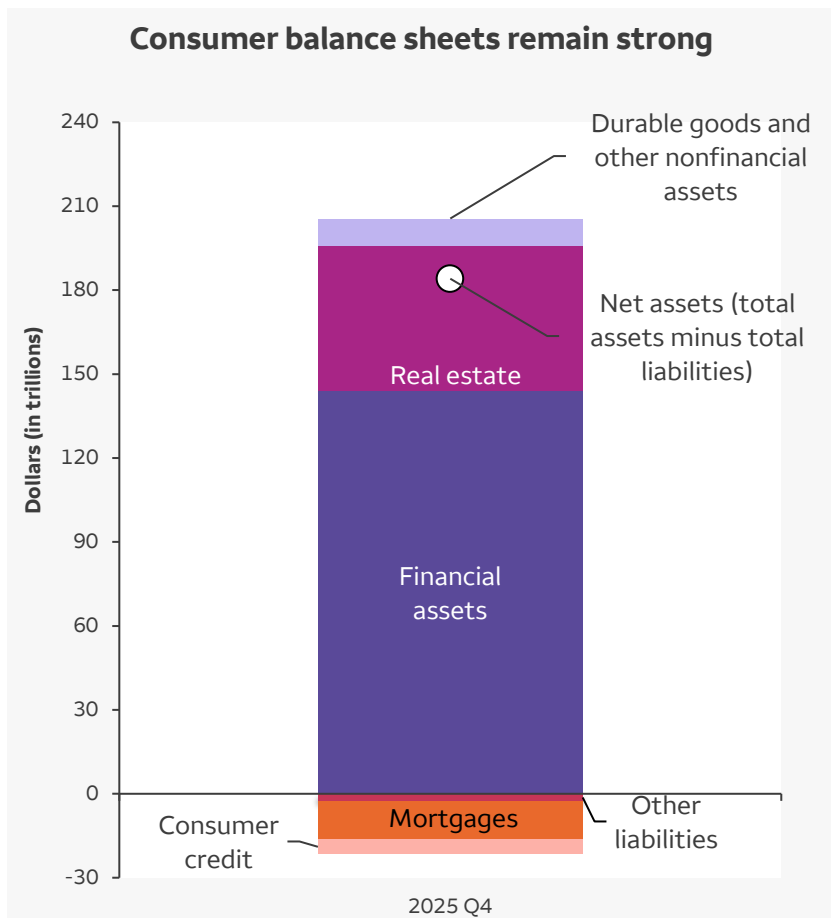


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2006, to March 31, 2026. JOLTS job openings and hires are as of February 28, 2025. JOLTS = Job Openings and Labor Turnover Survey. Shaded area represents a U.S. economic recession. SA = seasonally adjusted.

## Key takeaways

- Cautious employers have reduced job openings and hiring relative to unemployment amid a turn from the post-pandemic worker shortage mentality, efforts to protect margins by improving efficiencies, and early artificial-intelligence (AI) inroads.
- Job gains may be restrained by lingering trade-policy uncertainty and hiring restraint as capital investment is increasingly diverted to AI. However, we believe the U.S. unemployment rate's rise should be limited by slowing workforce growth tied to tighter immigration controls and to increased retirements in an aging workforce.

# Overall, the U.S. consumer balance sheet is in good shape

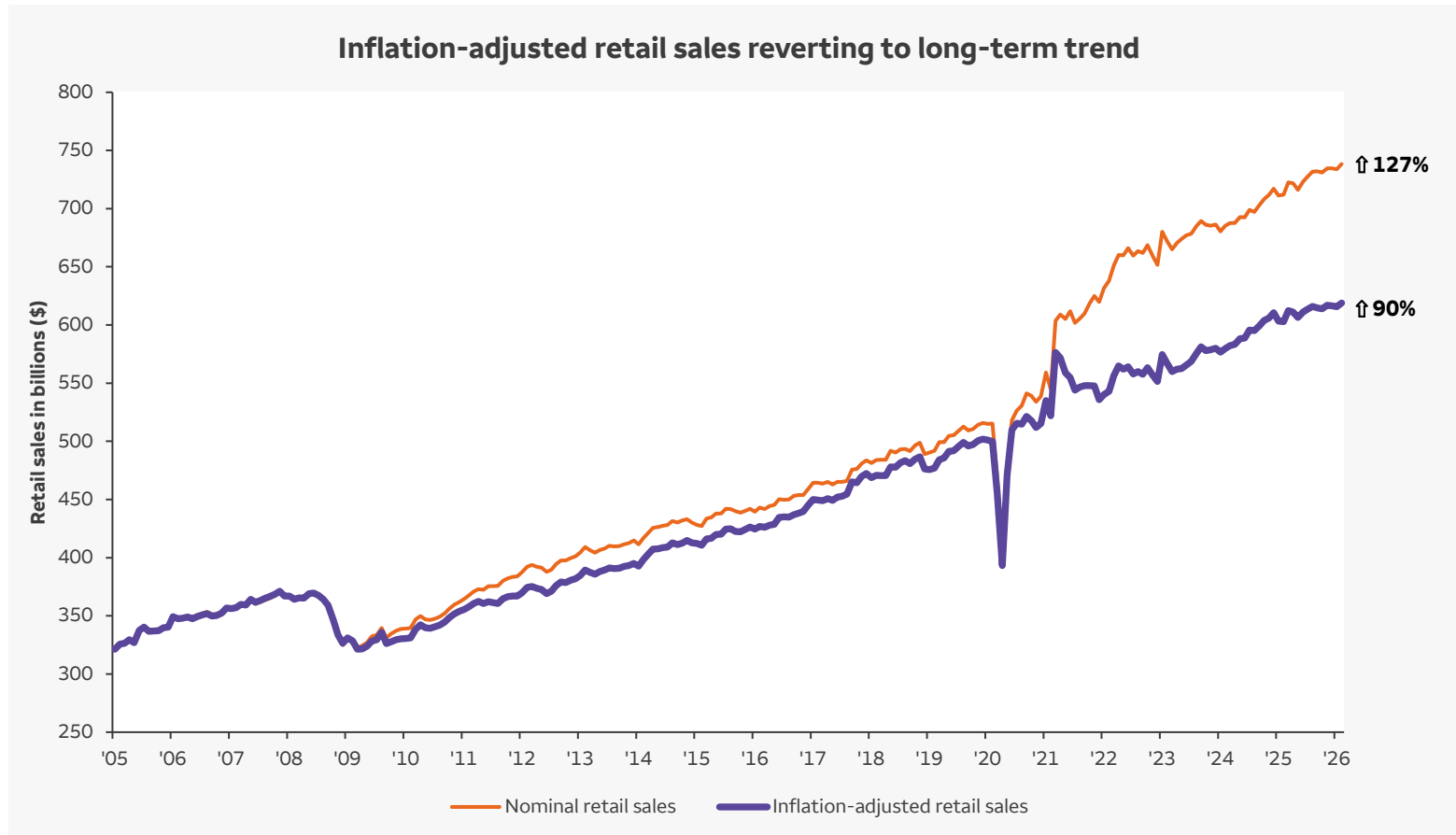


Sources: Bloomberg, Federal Reserve Board, and Wells Fargo Investment Institute. Consumer balance sheet data is as of December 31, 2025. Household net worth: quarterly data from January 1, 1980, to December 31, 2025. Household debt-service ratio: quarterly data from January 1, 2005, to December 31, 2025. Q3 = third quarter.

## Key takeaways

- Generally healthy upper-income balance sheets mask pressure on lower-income finances from dwindling excess cash balances and rising credit-card debt tied to pressure on household budgets from elevated living costs.
- Upper-income households have been better insulated from financial pressure than the rest of the household sector due to earlier windfall wealth gains from the latest rally in financial assets. However, that advantage may be eroding as higher earners' stronger wage gains have recently slowed and are converging with those of lower-income groups.

# Consumer spending has been resilient

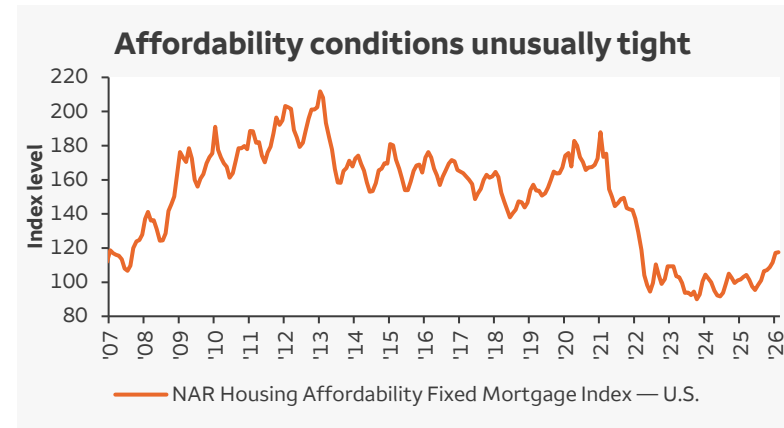
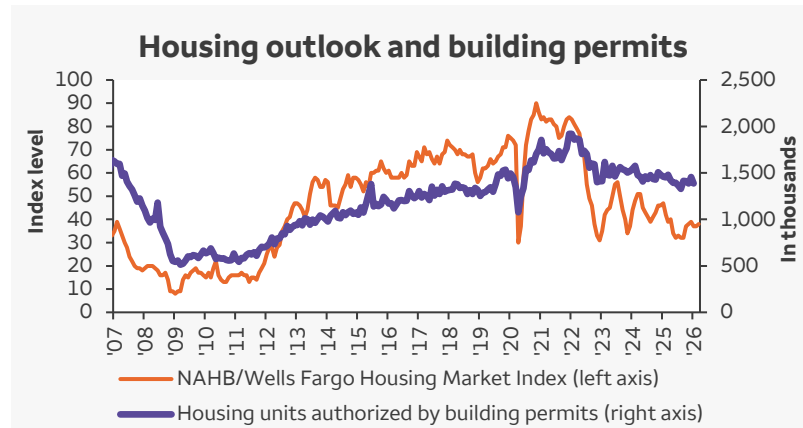
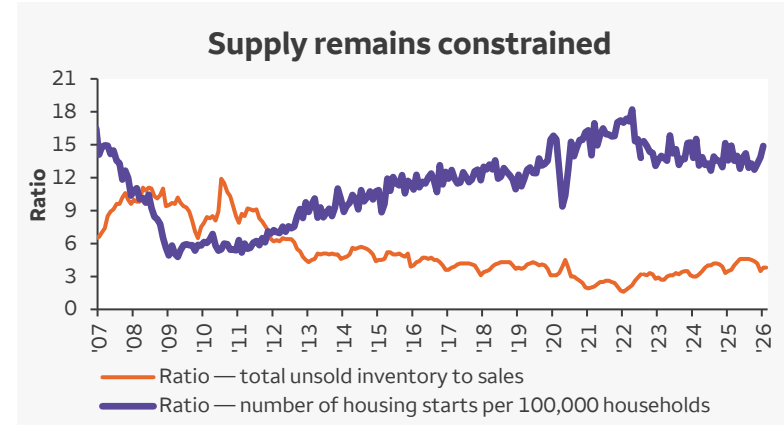
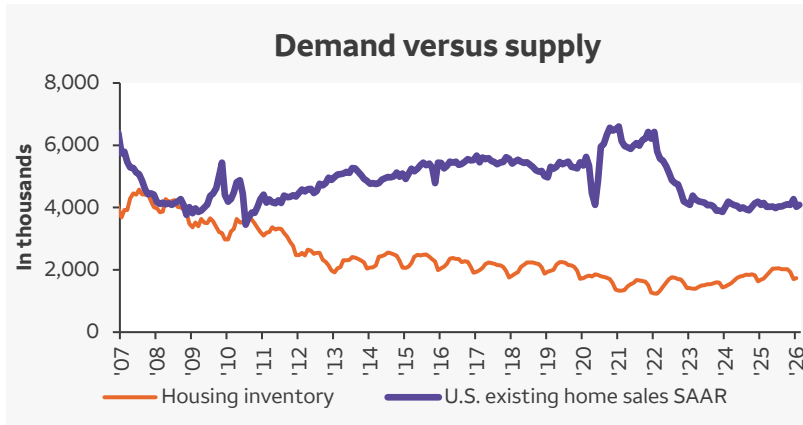


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2005, to February 28, 2026. Inflation-adjusted retail sales are adjusted for inflation using Consumer Price Index goods inflation excluding food and energy.

## Key takeaways

- Following a rebound from a pandemic-related slump in 2020, real (inflation-adjusted) retail sales have moved back in line with their historical average of 3.2% growth per year.
- The growth of underlying retail sales (excluding receipts of gas stations and building-supply outlets), understated in early 2025 by price declines, now is being boosted by the turn in goods prices from deflation to firming inflation.

# U.S. housing market remains weak

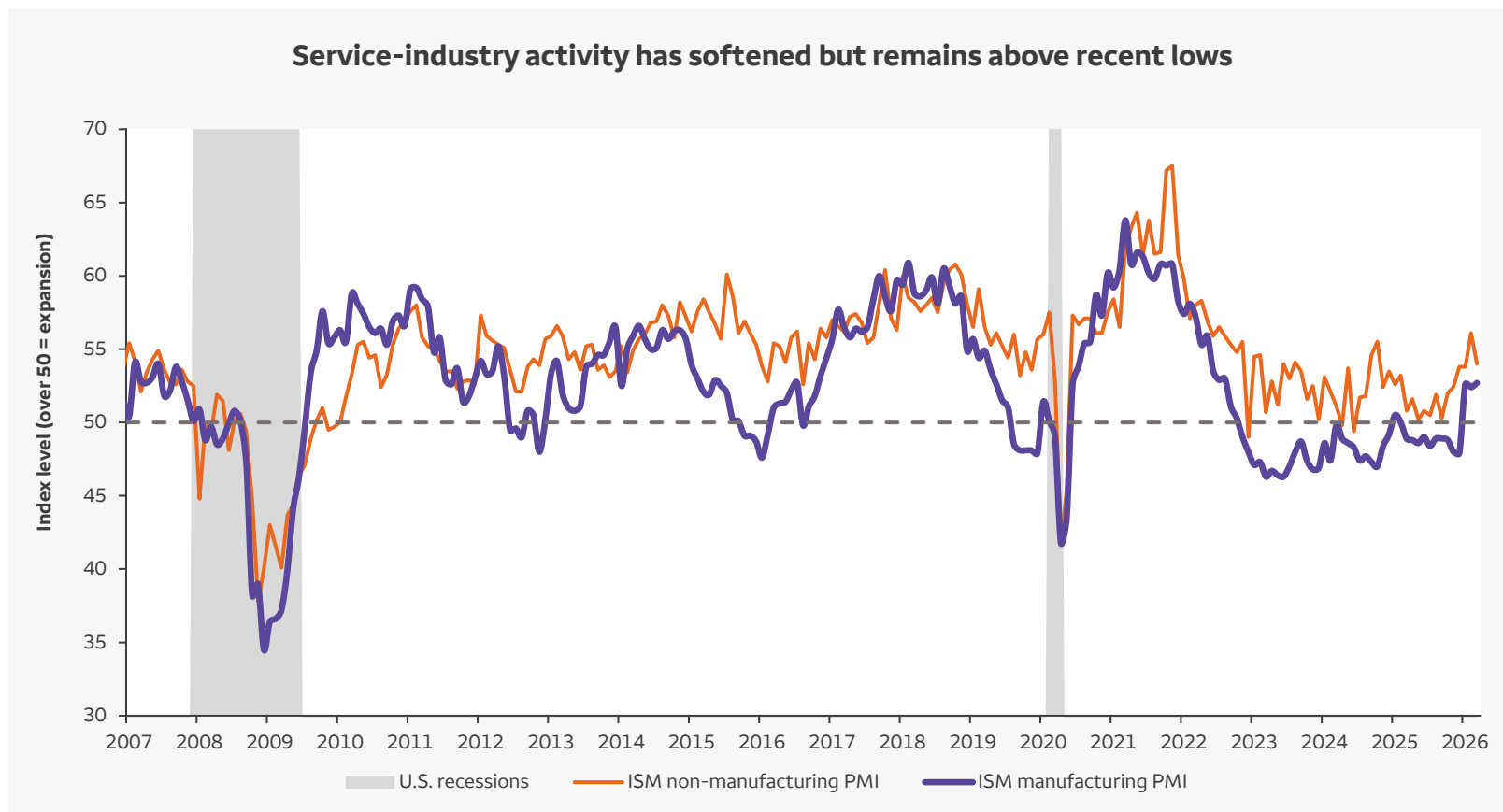


Sources: Bloomberg, U.S. Census Bureau, and Wells Fargo Investment Institute. Monthly data from January 1, 2007, to February 28, 2026. Housing inventory, starts, and units are as of January 31, 2026. NAHB/Wells Fargo Housing Market Index is as of March 31, 2026. SAAR = seasonally adjusted annual rate. NAHB (National Association of Home Builders)/Wells Fargo Housing Market Index is a widely watched gauge of the outlook for the U.S. housing sector. The NAR (National Association of Realtors®) Housing Affordability Index measures whether or not a typical family could qualify for a mortgage loan on a typical home.

## Key takeaways

- Lower mortgage rates combined with restrained home-price increases lifted affordability to a multi-year high early in 2026, providing the ingredients for a sustained recovery of new and existing home sales.
- Housing construction's sub-5% share of gross domestic product (GDP) translates to 10% – 15% of GDP when considering its effect on employment, manufacturing, and big-ticket consumer spending on appliances and home furnishings, magnifying its importance as an ingredient for satisfactory economic growth.

# Services industries sensitive to economic fluctuations



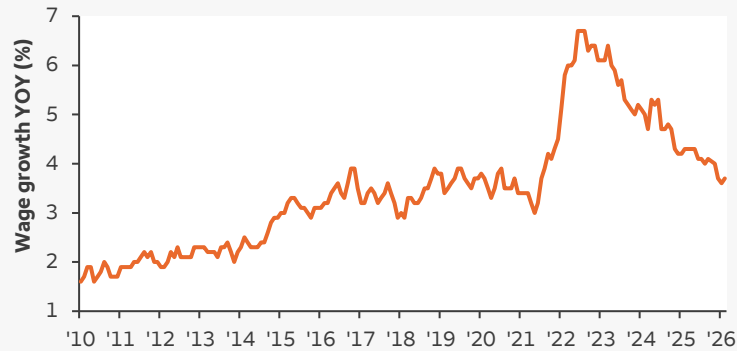
Sources: Bloomberg, Institute for Supply Management, and Wells Fargo Investment Institute. Monthly data from January 1, 2007, to March 31, 2026. The Institute for Supply Management (ISM) Manufacturing Index® is a composite index based on five indicators with equal weights. The ISM Non-Manufacturing Index® is a composite index based on four indicators with equal weights. PMI = Purchasing Managers' Index. An index value over 50 indicates expansion; below 50 indicates contraction. The values for the index can be between 0 and 100. An index is not managed and not available for direct investment.

## Key takeaways

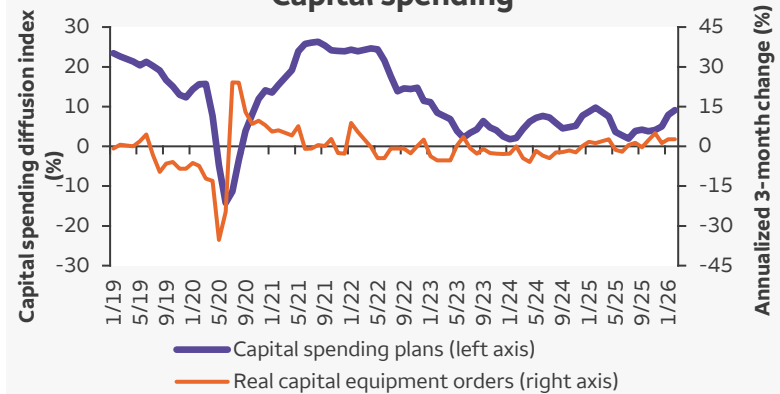
- Purchasing-manager reports highlighted more balanced economic activity, with both services and manufacturing sector growth in expansion, despite recent softness over concerns of firming inflation.
- In 2026, we expect economic headwinds from war, tariffs, and stricter immigration to be overshadowed by tax cuts, the lagged impact of Federal Reserve rate cuts, broadening investment spending, and cost savings from artificial-intelligence-related productivity gains and deregulation.

# Capex spending is rising with artificial-intelligence (AI) investment

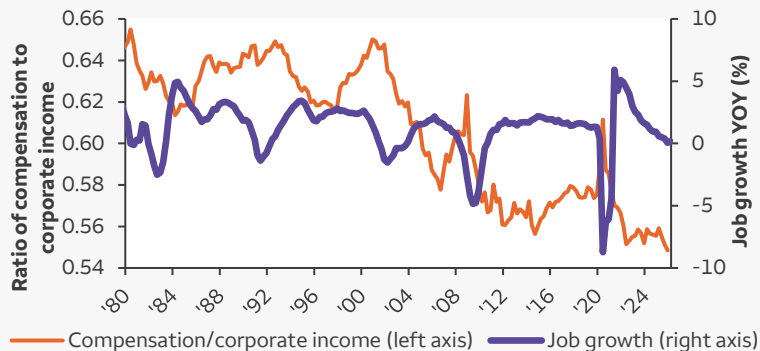
## Wage growth



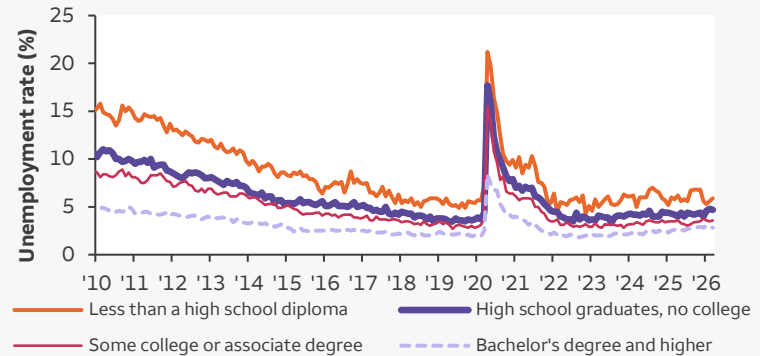
## Capital spending



## Labor's share of income versus job growth



## Job opportunities depend on education

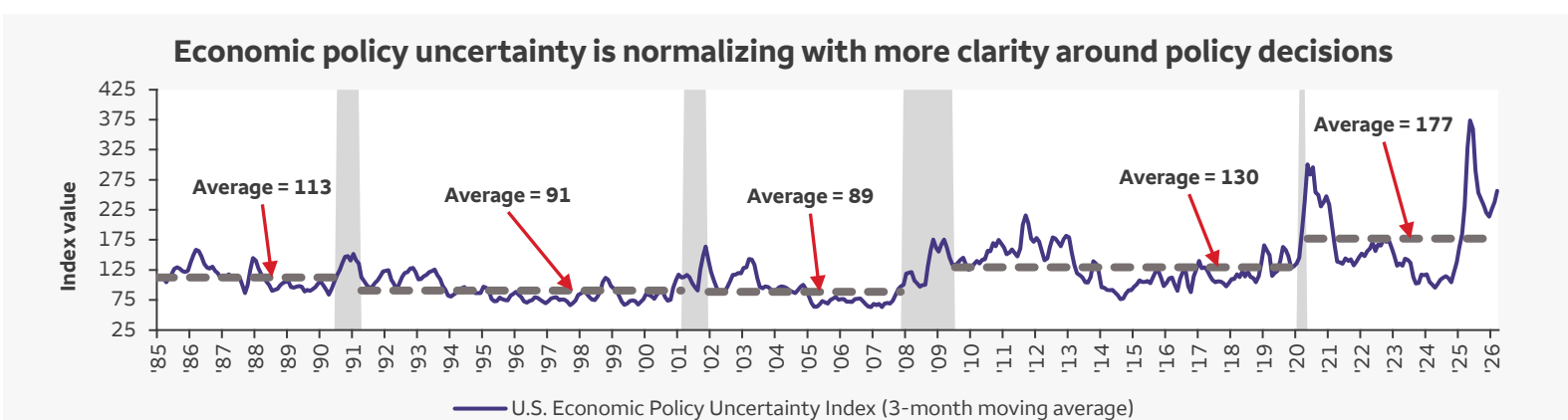
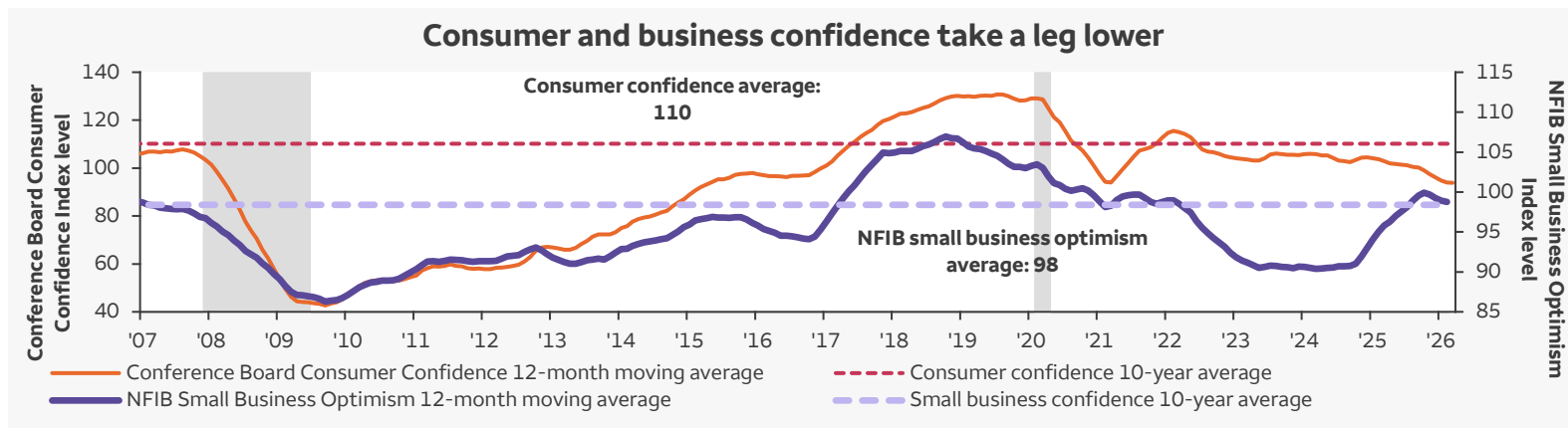


Sources: Bloomberg, Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Commerce Department, and Wells Fargo Investment Institute. Wage growth: monthly data from January 1, 2010, to February 28, 2026. Capital spending plans and real capital equipment orders: monthly data from January 1, 2019, to February 28, 2026. Compensation/corporate income: quarterly data from January 1, 1980, to December 31, 2025. Job growth: quarterly data from January 1, 1980, to March 31, 2026. Unemployment rate: monthly data from January 1, 2010, to March 31, 2026. YOY = year-over-year. Capital spending plans represented by three month moving average of a diffusion index of Dallas, Kansas City, N.Y., Philadelphia, and Richmond Federal Reserve (Fed) district respondents reporting planned increase. Real capital equipment orders represented by three month moving average of non-defense equipment shipments (for example, aircraft).

## Key takeaways

- In our view, wage gains, though decelerating, still have outpaced CPI inflation enough in the past year to support consumer-led economic growth. Further deceleration of wage gains in a softening labor market could be slowed this year by upward pressure on labor costs from immigration dynamics. Capital-expenditure spending associated with the AI build out is a bright spot.
- We see construction, agribusiness, in-home health care, and leisure and hospitality as among the most exposed industries to tighter immigration controls because of their sizable share of foreign-born workers.

# Confidence has begun to wain as uncertainty has resurfaced

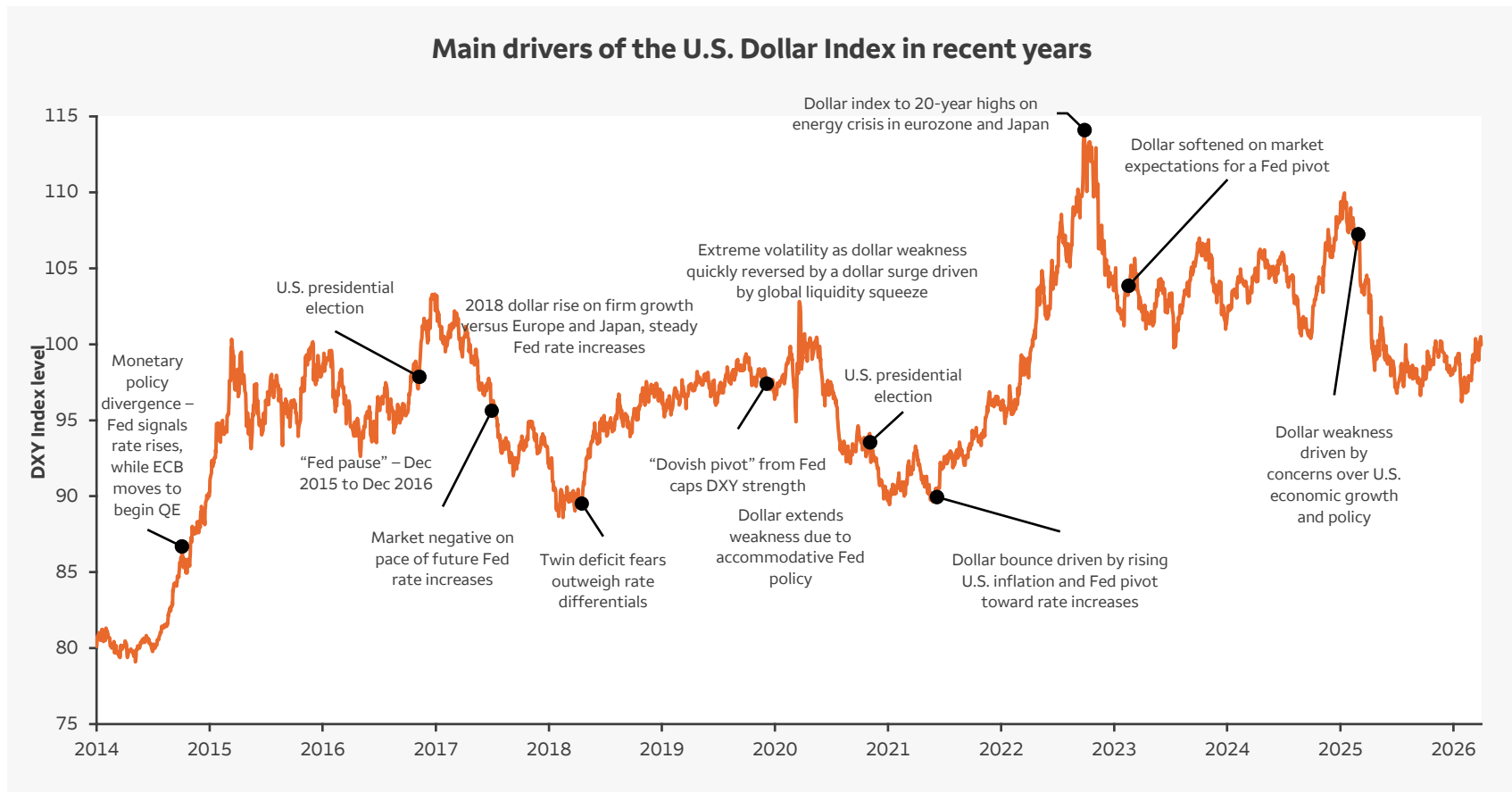


Sources: The Conference Board, National Federation of Independent Business (NFIB), Economic Policy Uncertainty Index — Baker, Bloom, and Davis; Bloomberg, and Wells Fargo Investment Institute. Consumer confidence: monthly data from January 1, 2007, to March 31, 2025. Small business optimism is as of February 28, 2026. Economic policy uncertainty: monthly data from January 1, 1985, to March 31, 2026. Shaded area represents a U.S. economic recession. The Consumer Confidence Index (CCI) tracks sentiment among households or consumers. The NFIB Small Business Index tracks the general state of the economy as it relates to businesses. The U.S. Economic Policy Uncertainty Index developed by Baker, Bloom, and Davis is based on newspaper coverage frequency as index proxies for movements in policy-related economic uncertainty.

## Key takeaways

- Consumer and small-business confidence have been pressured by tariff and other policy uncertainties, elevated debt loads, pressures tied to the ongoing affordability issue, and now war in the Middle East.
- We think policy will shift from an economic headwind to a tailwind in 2026 as growth-supportive tax cuts and cumulative cost savings from deregulation join past Federal Reserve rate cuts in outweighing the adverse economics effects of greater trade protectionism and tighter immigration controls.

# U.S. dollar depreciation reversed on flight to quality

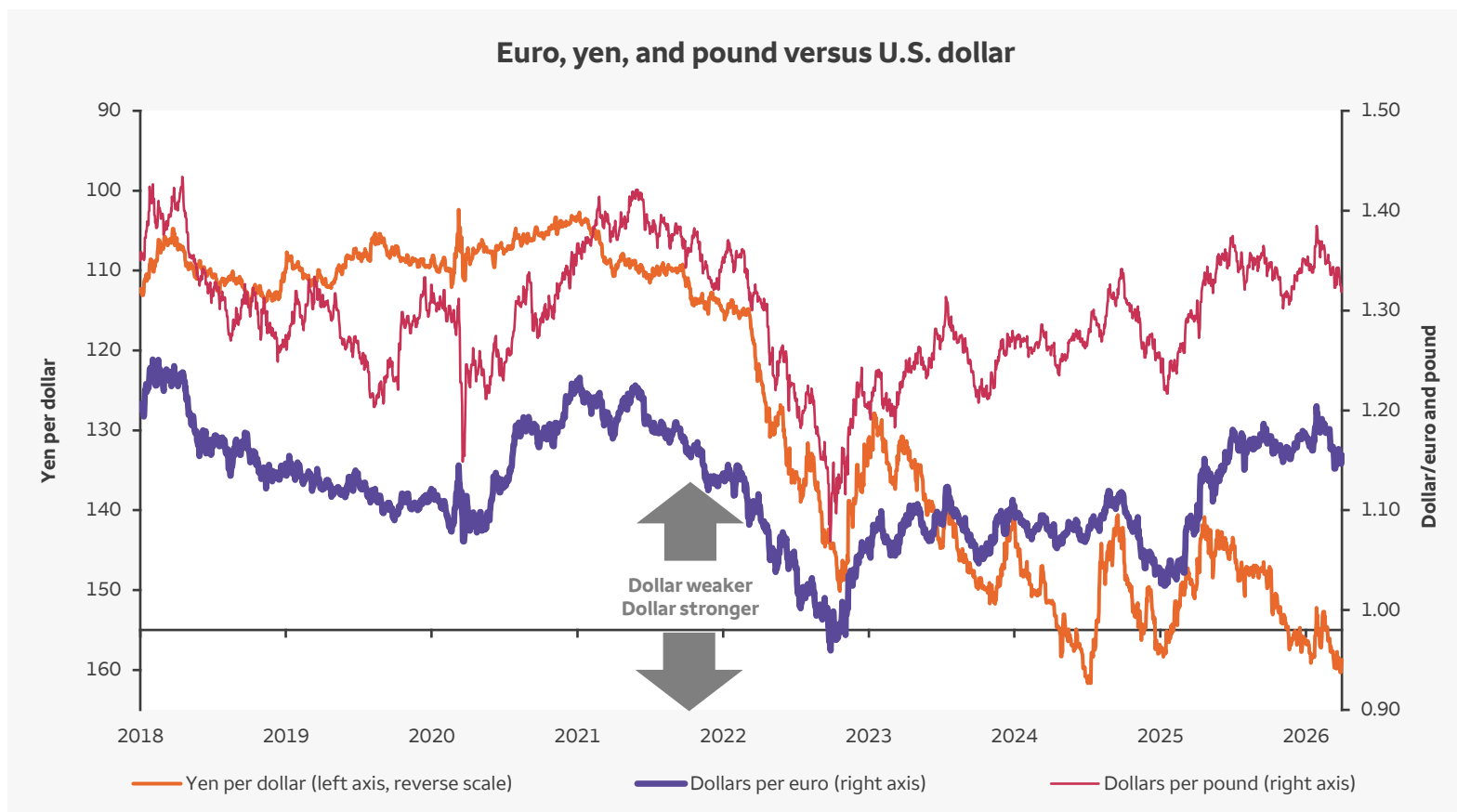


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 2014, to March 31, 2026. The DXY Index measures the value of the U.S. dollar relative to major developed market currencies, notably the euro, the Japanese yen, and the British pound. Fed = Federal Reserve. ECB = European Central Bank. QE = quantitative easing. DXY = U.S. Dollar Index. QE = quantitative easing. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

## Key takeaways

- The U.S. dollar has bounced from its low against other major currencies since late January, initially on relatively strong economic growth, attractive (though diminishing) interest-rate premiums on dollar investments, policy uncertainties among foreign central banks, and, most recently, perceived safe-haven demand triggered by the Iran war.
- We see only modest upside to the U.S. dollar in 2026 as positive forces like stronger economic growth and relatively more attractive U.S. interest rates are tempered by headwinds including lingering policy uncertainty and increased investor hedging.

# Euro and Japanese yen — A tough climb against the dollar



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 2018, to March 31, 2026. An index is not managed and not available for direct investment. **Past performance is not a guarantee of future results.**

## Key takeaways

- Volatility in the foreign-exchange market has climbed from a March 2024 low late last year to an eight-month high in early March on policy uncertainties in the U.S. and abroad, atop geopolitical tensions capped by the Iran war.
- We expect volatility to remain elevated in coming months, at least until there is greater clarity in advanced economies on monetary policy, the fallout from potential fiscal-policy changes, and, hopefully, a wind down of perceived safe-haven demand in the foreign exchange market with an expected easing of geopolitical tensions.

# Equities highlights

## General

- We expect that fiscal spending, monetary easing, and strong earnings growth should drive continued gains through year-end 2026.
- Cyclical sectors should outperform their defensive and consumer-oriented peers. We maintain a balanced outlook on performance between U.S. and international markets.

## Domestic

- Stock returns should be primarily driven by earnings growth rather than by further price-to-earnings multiple expansion.
- We prefer U.S. Large Cap Equities over U.S. Small Cap Equities. We also emphasize quality growth and cyclicity in our sector positioning.
- We view pullbacks as an opportunity for investors to add equity exposure to their portfolios that is consistent with our guidance.

## International

- The export-sensitive developed-market ex-U.S. region is constrained by tepid global trade, ongoing structural weaknesses, and tariff fears. However, we suspect sentiment has passed its nadir, and the upturn should support higher valuations.
- Improving fundamentals and trends as well as broad exposure to the artificial-intelligence secular theme are tailwinds for emerging markets; however, geopolitical and regulatory risk remain significant headwinds along with a poor historical track record.

Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Foreign investing has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging and frontier markets.

# Equity scorecard

Asset class	1Q26 total return (%)	YTD total return (%)	YOY total return (%)	Current trailing 12M P/E	20-year average trailing 12M P/E <sup>1</sup>	20-year median trailing 12M P/E	Dividend yield (%)
U.S. Large Cap Equities	-4.33	-4.33	17.80	25.55	19.26	18.22	1.22
U.S. Mid Cap Equities	1.29	1.29	15.98	21.87	21.73	21.50	1.60
U.S. Small Cap Equities	0.89	0.89	25.72	45.88	39.81	34.40	1.28
Developed Market ex-U.S. Equities	-1.12	-1.12	21.88	17.33	16.29	15.79	2.82
Emerging Market Equities	-0.10	-0.10	30.30	16.52	14.35	14.07	2.32
Frontier Market Equities	-0.85	-0.85	35.37	12.34	–	–	3.39

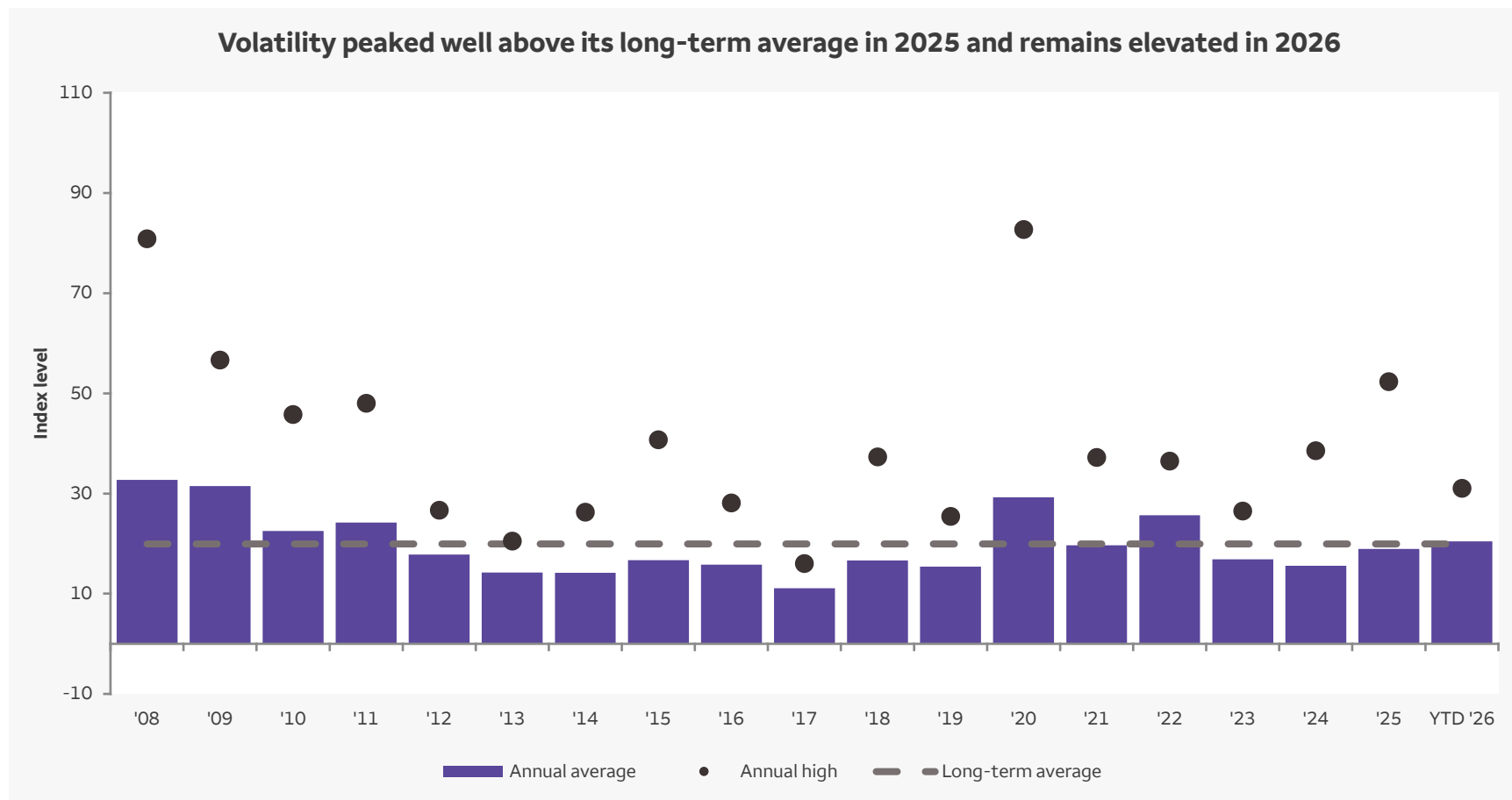
Sources: Bloomberg, Morgan Stanley Capital International (MSCI), and Wells Fargo Investment Institute, as of March 31, 2026. 1Q = first quarter. YTD = year to date. YOY = year over year. P/E = price/earnings. 12M = 12 months. Large cap = S&P 500 Index. Mid cap = Russell Midcap Index. Small cap = Russell 2000 Index. Developed market Ex-U.S. = MSCI EAFE Index. Emerging market = MSCI Emerging Markets Index. Frontier market = MSCI Frontier Markets Index. The S&P 500 Index is a market capitalization-weighted index generally considered representative of the U.S. stock market. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world. The MSCI Frontier Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of frontier markets. Yields and returns represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Foreign investing has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging and frontier markets. Mid- and small-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks.

1. March 2009 to June 2009 and September 2020 to April 2021 P/Es for U.S. Small Cap Equities have been removed due to their outlier condition.

## Key takeaways

- U.S. equity indexes were volatile in the first quarter due to a combination of a tech stock pullback, trade policy uncertainty, geopolitical concerns, and fears over slowing economic growth.
- We view pullbacks as an opportunity for investors to add equity exposure to their portfolios that is consistent with our guidance.

# Equity market volatility rising with growing uncertainties



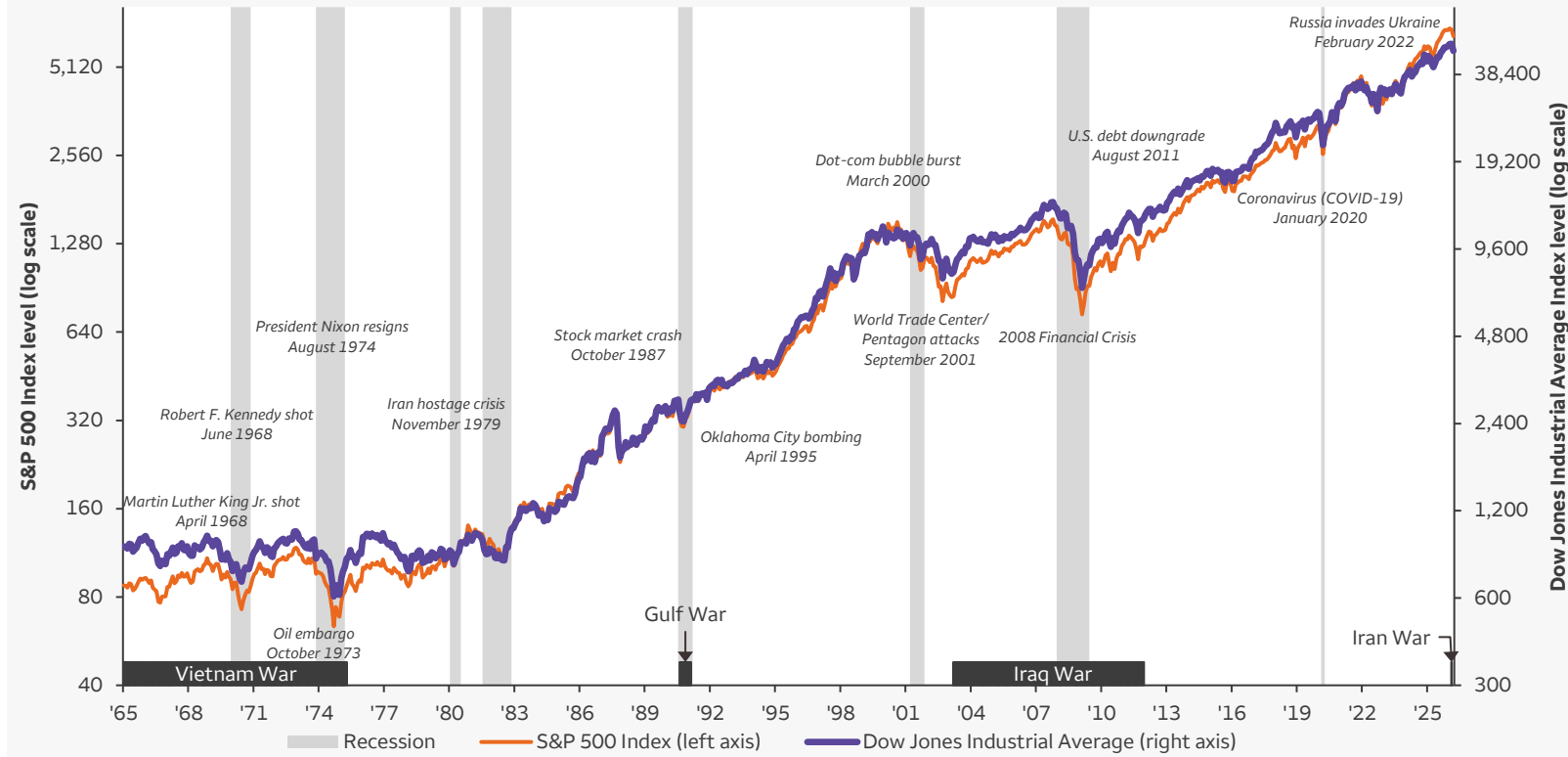
Sources: Bloomberg and Wells Fargo Investment Institute. Data from January 1, 2008, to March 31, 2026. YTD = year to date. The Chicago Board Options Exchange Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by S&P 500 Index option prices. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Stocks offer long-term growth potential but may fluctuate more and provide less current income than other investments. Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

## Key takeaways

- Volatility increased in 2025, more in line with its long-term average. In 2026, we expect that trend to continue as markets grapple with mid-term elections in the U.S. and geopolitical, monetary-policy, and economic-growth uncertainties, which may contribute to bouts of above-average volatility throughout the year.
- Volatility is a normal part of market behavior and should present opportunities to invest in markets at a lower price point.

# Market resilience

## U.S. markets have displayed resilience despite uncertain events



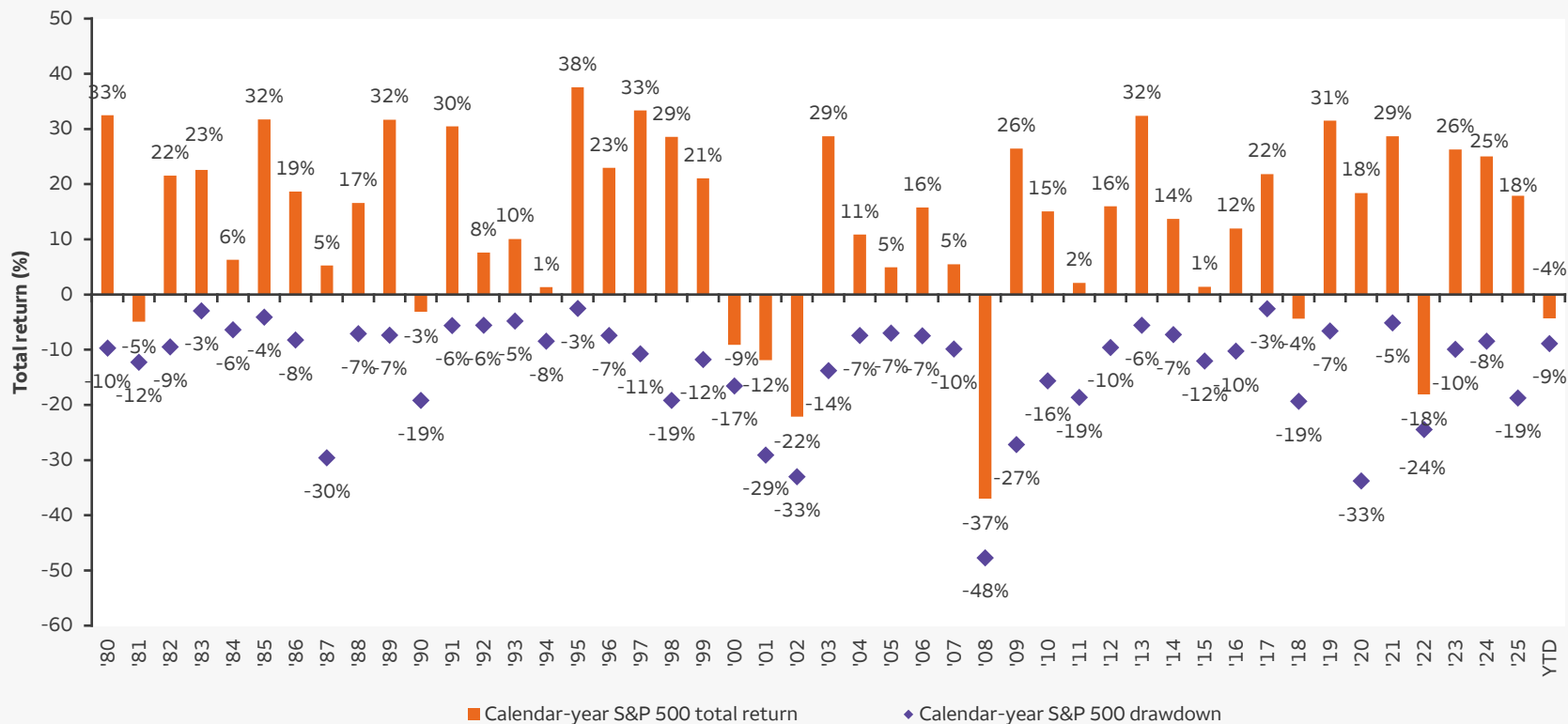
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 1965, to March 31, 2026. Shaded areas represent recessions. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. The **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market. The **Dow Jones Industrial Average** is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.

### Key takeaways

- Bear markets and volatility, while disconcerting in real time, are a normal part of market behavior and can present opportunities for long-term investors.
- Geopolitical crises, terrorist attacks, economic recessions, and policy uncertainty can trigger short-lived yet painful market disruptions.

# Staying the course

## A downturn is not necessarily a reason to exit the market

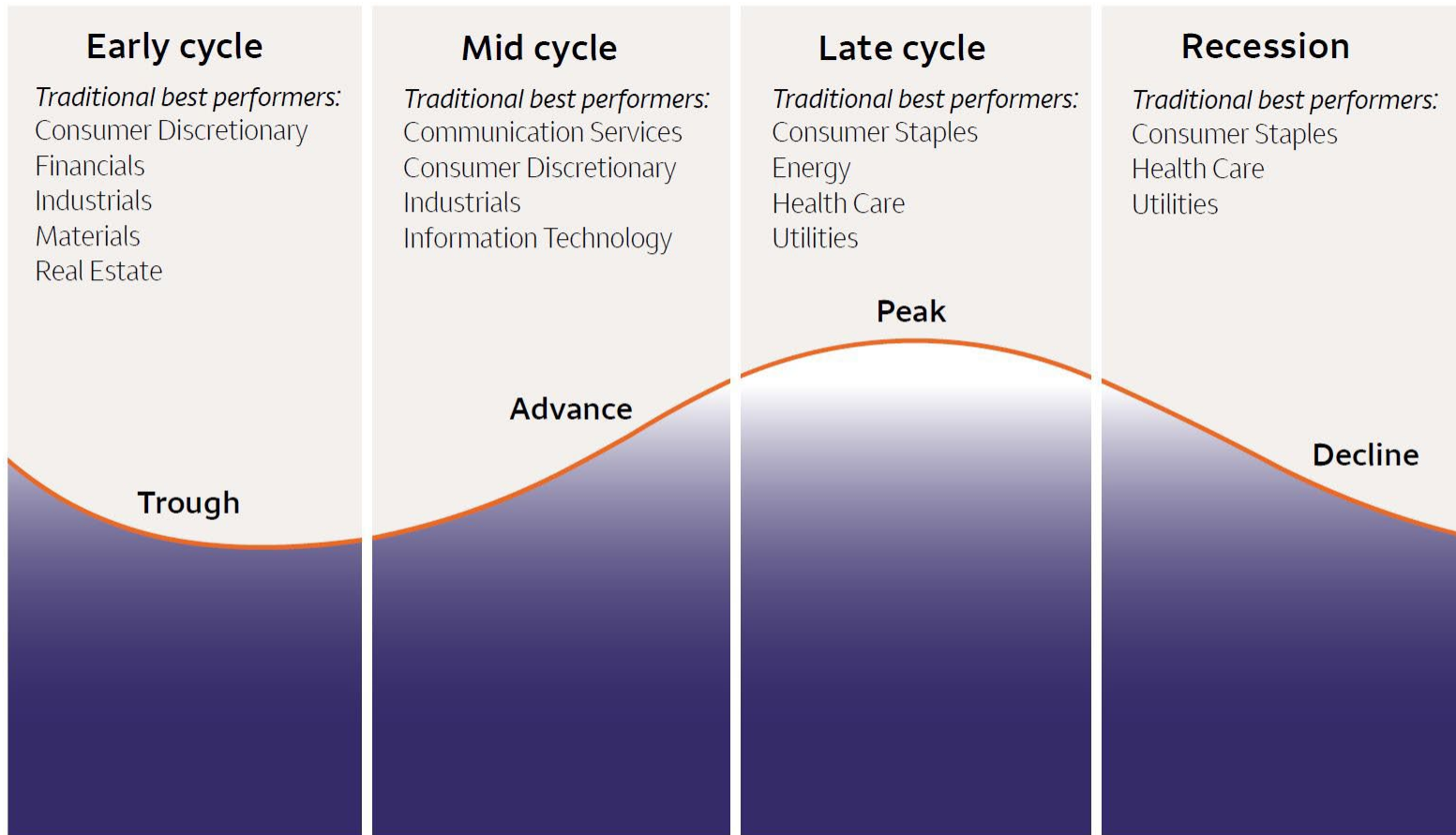


Sources: Bloomberg and Wells Fargo Investment Institute. Data from January 1, 1980, to March 31, 2026. YTD = year to date. Severe intra-year corrections do not necessarily indicate subpar performance for the calendar year. Analysis was compiled using the daily total returns of the S&P 500 Index. The S&P 500 Index is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market. Calendar year drawdowns represent the largest market drops from peak to trough for each year. Investing in stocks involve risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** All investing involves risk including the possible loss of principal.

### Key takeaways

- A market downturn does not necessarily mean that markets will perform poorly for the year. Three of the past seven bear markets have resulted in positive annual returns.
- Market corrections and downturns can be difficult to endure. However, sell-offs can potentially offer opportunities for investors to purchase high-quality stocks at reasonable prices.

# Cycle can influence sector preference

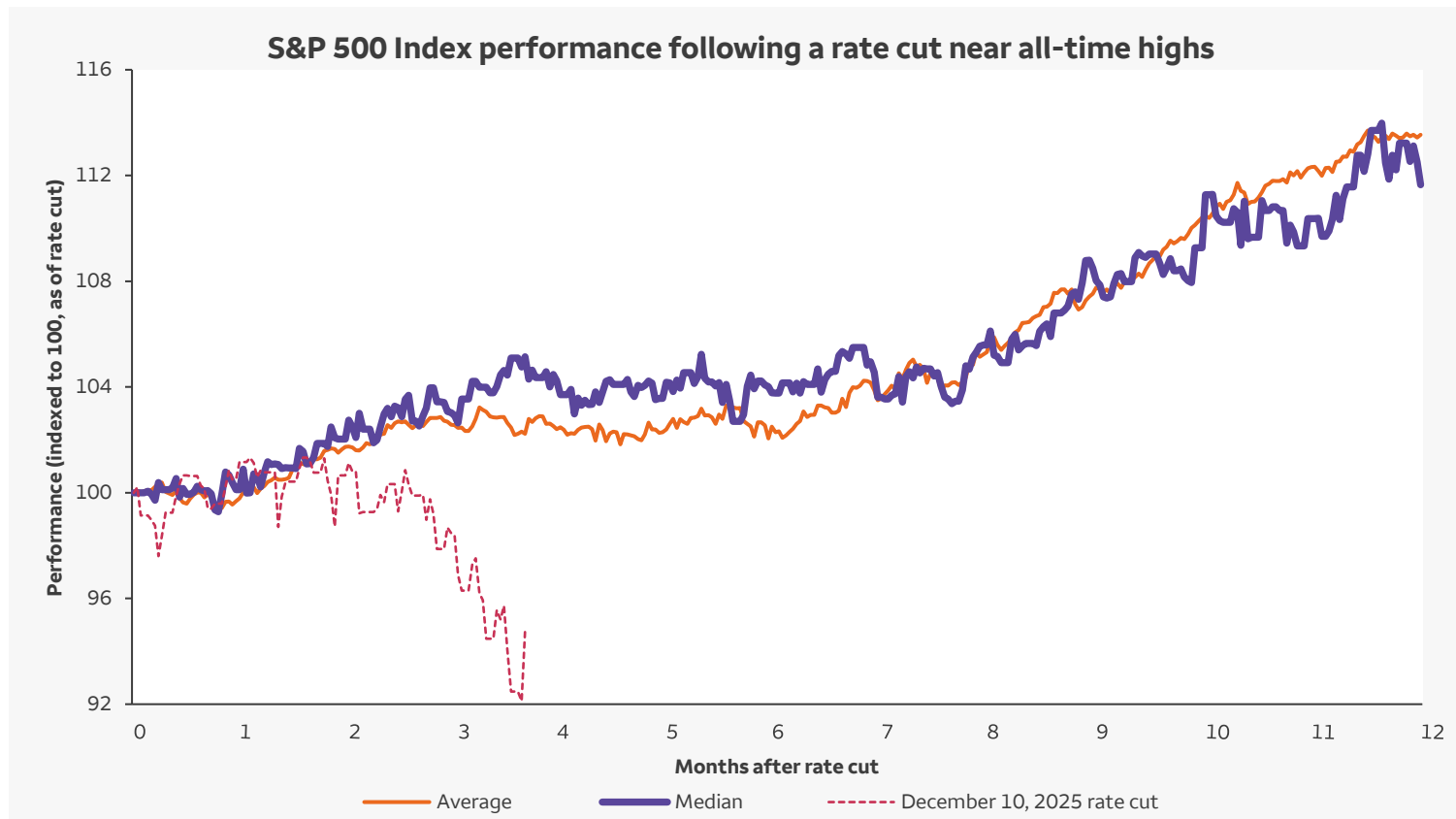


Source: Wells Fargo Investment Institute, as of March 31, 2026. **Past performance is no guarantee of future results.** Traditional best performers are based on the performance of S&P 500 Index sectors during a particular point in the economic cycle (early, mid, late, recession) since September 1989, the inception date for the S&P 500 sector indexes. Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Foreign investing has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging and frontier markets.

## Key takeaways

- The business cycle can help inform the investing decision process.

# Fed rate cuts near all-time highs historically precede additional gains

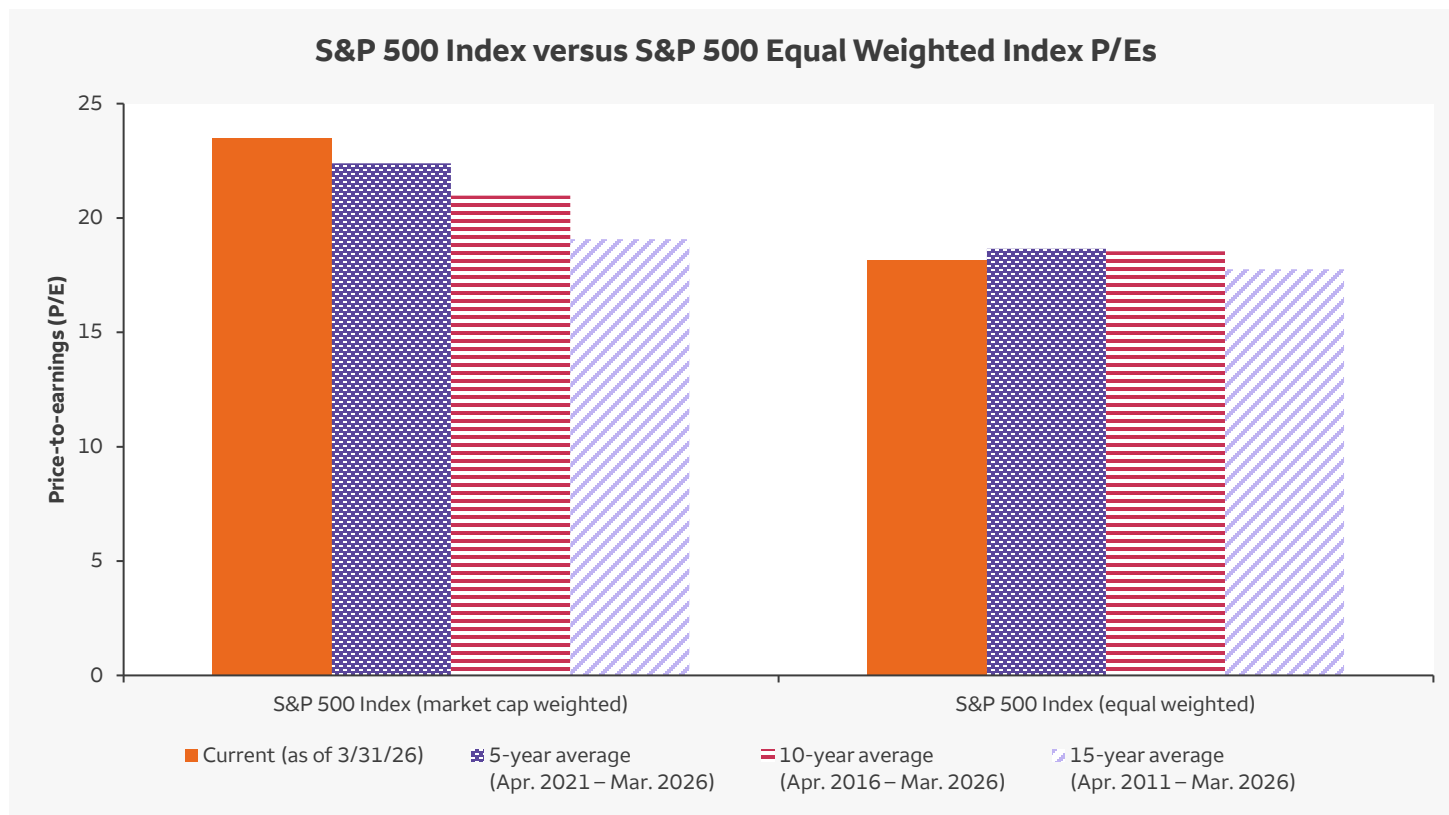


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from November 7, 1984, to March 31, 2026. Start dates are determined by the implementation of a Federal Reserve rate cut when the S&P 500 Index closed within 2% of an all-time high. The Federal Reserve cut rates when the S&P closed within 2% of an all time high on 11/7/1984, 4/16/1985, 5/21/1985, 12/17/1985, 3/7/1986, 4/21/1986, 7/26/1989, 7/13/1990, 3/8/1991, 8/6/1991, 10/31/1991, 11/6/1991, 7/2/1992, 9/4/1992, 7/6/1995, 1/31/1996, 7/31/2019, 9/18/2019, 10/30/2019, 9/18/2024, 11/7/2024, 12/18/2024, 9/17/2025, and 12/10/2025. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Stock markets volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

## Key takeaways

- Federal Reserve (Fed) rate cuts near all-time highs tend to precede continued gains.
- The Fed last cut rates near an all-time high on December 10, 2025. Current performance trends aligned with long-term historical averages, until the market moved lower due to a combination of a tech stock pullback, trade policy uncertainty, geopolitical concerns, and fears over slowing economic growth.

# Stocks are not as expensive as they appear

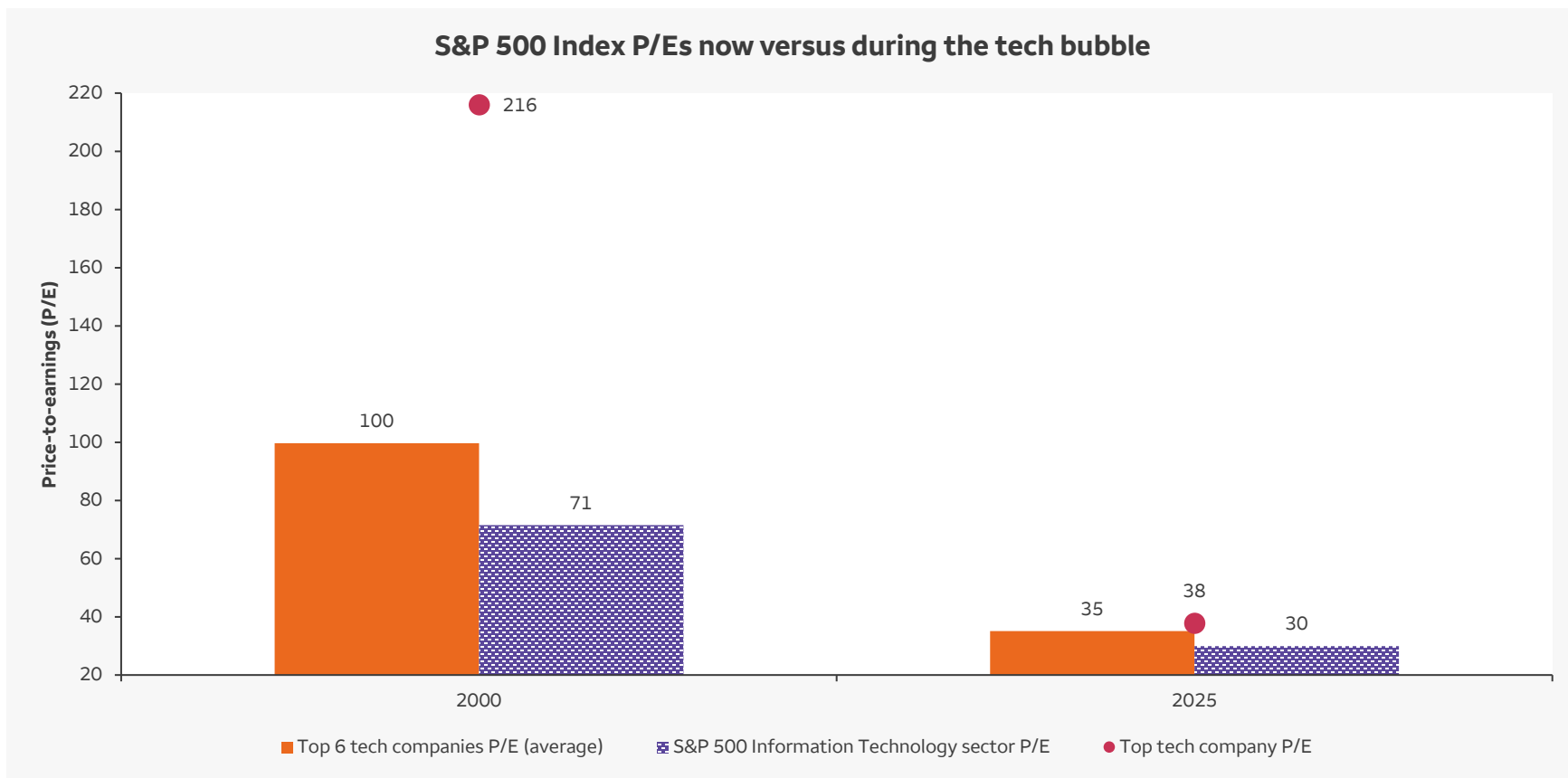


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from April 1, 2011, to March 31, 2026. P/E = price-to-earnings. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. The S&P 500 equal weighted index is the equal-weighted version of the S&P 500 that includes the same constituents of the S&P 500 allocated to an equal weight. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. All investing involves risk including the possible loss of principal.

## Key takeaways

- While the S&P 500 Index appears expensive, index valuations are heavily influenced by a few mega-cap names.
- Looking at the index on an equally weighted basis shows that stock valuations are generally in line with historical averages.

# Tech valuations are high but not extreme

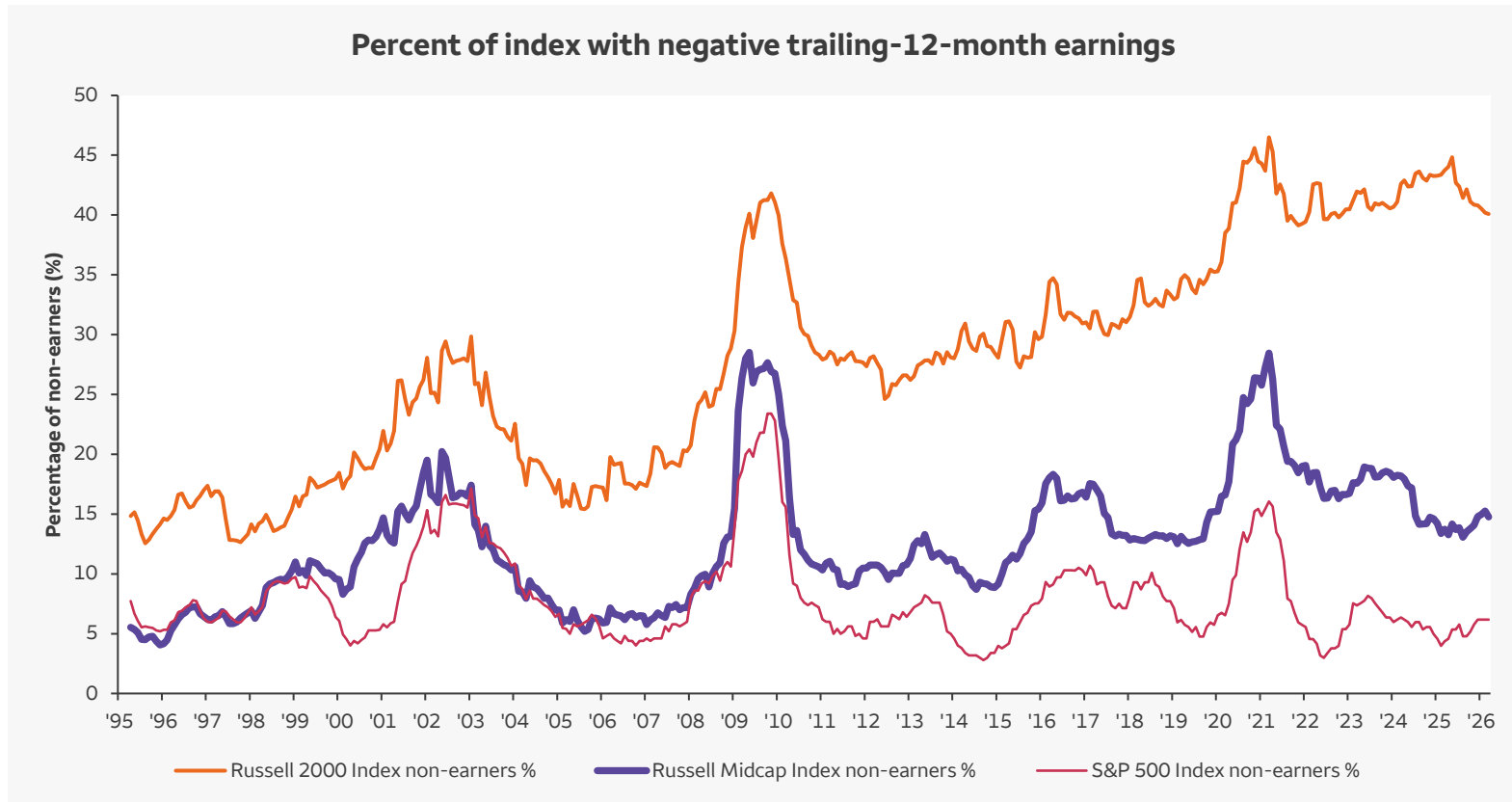


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from March 27, 2000, to March 31, 2026. P/E = price to earnings. Trailing 12-month P/E ratio is displayed. Top 6 measured as the top six tech companies by market cap as of March 27, 2000, to March 31, 2026. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. 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. **Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.**

## Key takeaways

- While market sentiment has stretched tech valuations, they are nowhere near the levels reached in 2000, at the height of the tech bubble.

# Small-cap zombies near extremes



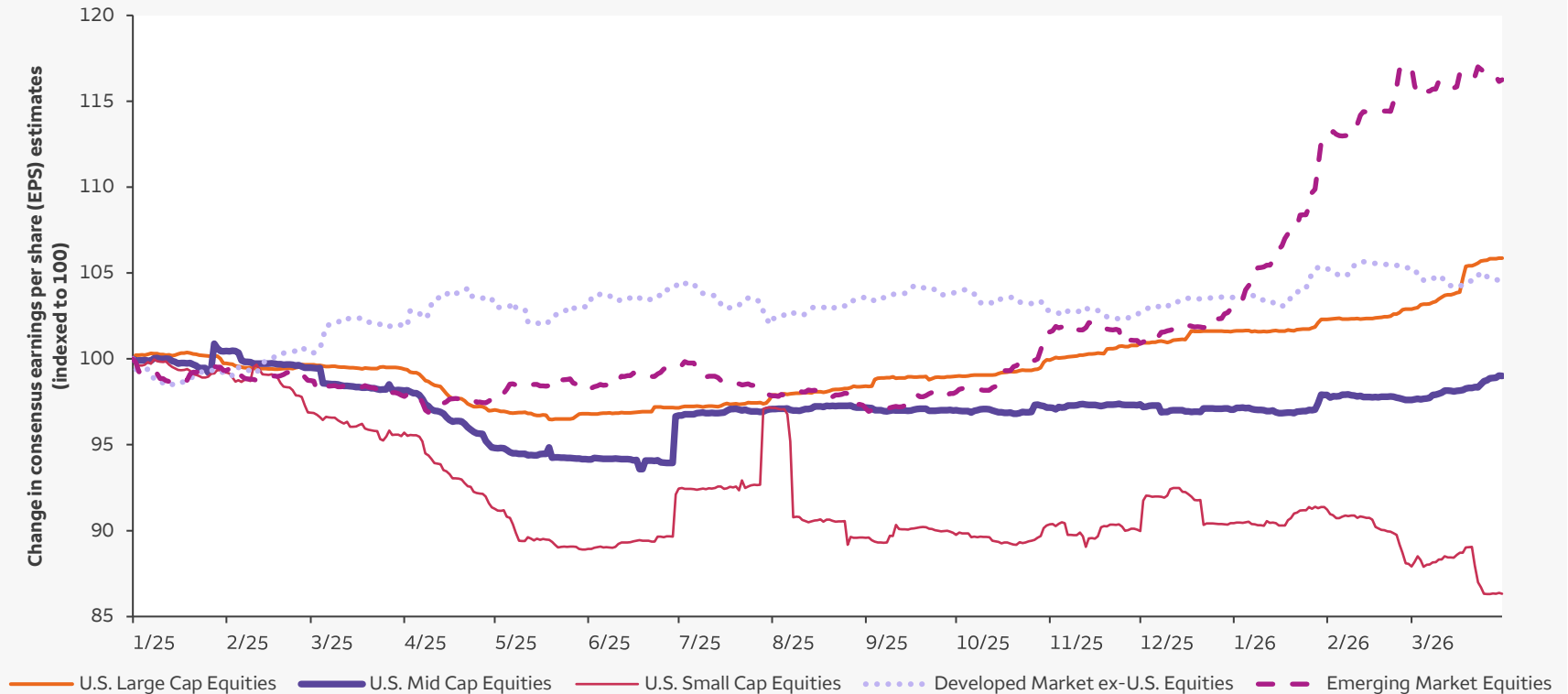
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 1995, to March 31, 2026. The S&P 500 Index is a market capitalization-weighted index generally considered representative of the U.S. stock market. The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. The prices of small and mid-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.

## Key takeaways

- The era of easy money may have passed. This likely does not bode well for the elevated number of non-earning small-cap companies.
- Quality mid-cap and large-cap companies are much less impacted by this potential risk as they likely will remain well insulated from any potential credit crunch.

# 2026 emerging-market (EM) earnings estimates strengthening

## 2026 consensus EPS estimate changes

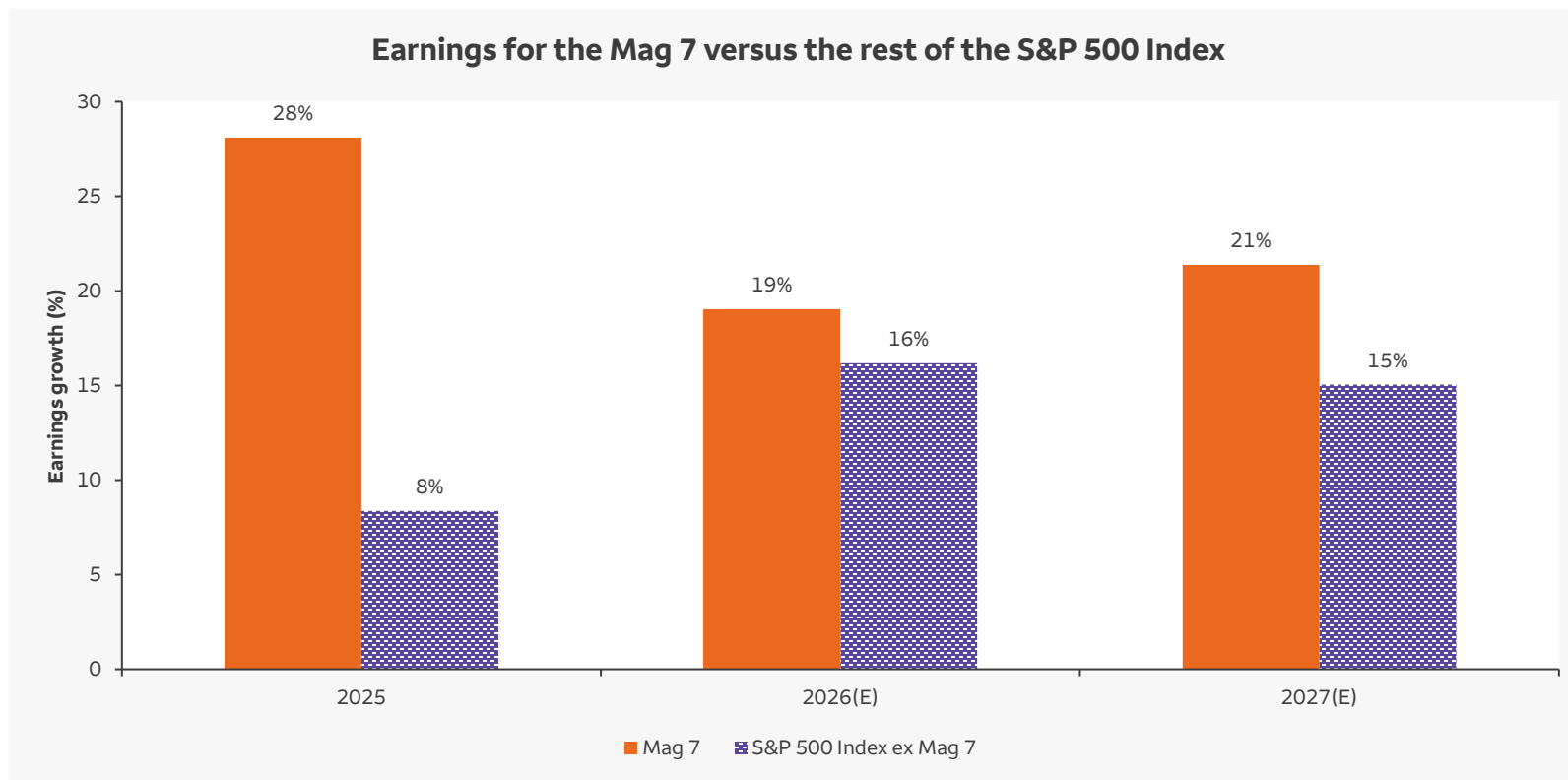


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 2025, to March 31, 2026. U.S. Large Cap Equities are represented by the S&P 500 Index, a market capitalization-weighted index generally considered representative of the U.S. stock market. U.S. Mid Cap Equities are represented by the Russell Midcap Index, which measures the performance of the 2,000 smallest companies in the Russell 3000 Index. U.S. Small Cap Equities are represented by the Russell 2000 Index, which measures the performance of the 2,000 smallest companies in the Russell 3000 Index. MSCI EAFE (Developed Market ex-U.S.) and MSCI Emerging Markets (Emerging Market) indexes are equity indexes which capture large and mid cap representation across developed market (DM) countries (excluding Canada and the U.S.) and emerging market (EM) countries around the world. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. The prices of small and mid-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 not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

### Key takeaways

- Earnings revisions for EM Equities have strengthened relative to revisions for U.S. and Developed Market ex-U.S Equities.
- We continue to favor the quality of U.S. Large Cap Equities. However, we recognize the improving sentiment and fundamentals driving EM performance and believe investors can benefit from allocations to EM.

# Mag 7 earnings growth gap expected to narrow



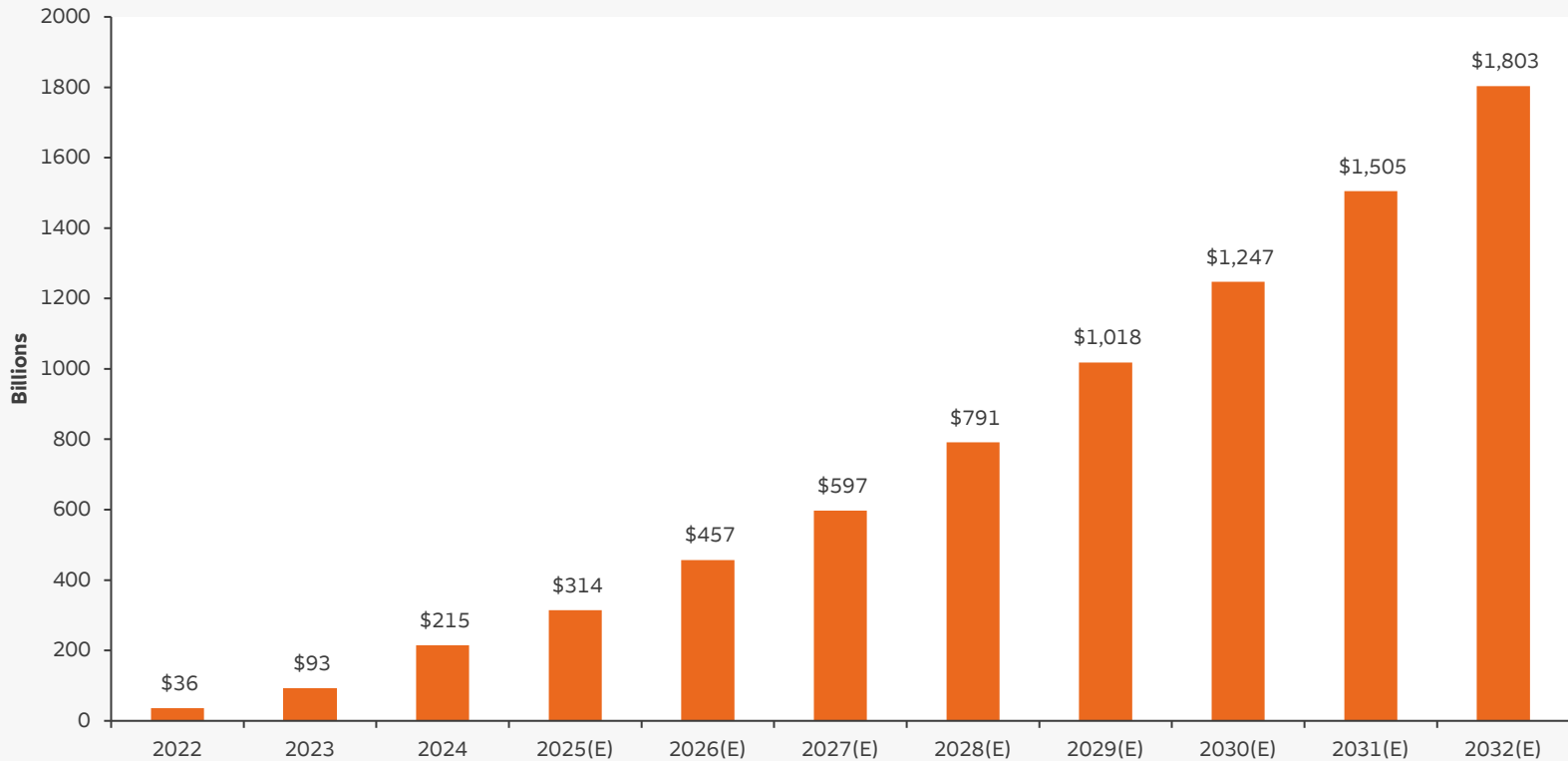
Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. Earnings are measured by net income. E = estimate. The magnificent 7 (Mag 7) is a group of 7 stocks (Tesla, Apple, Microsoft, Alphabet, Meta, Amazon, and Nvidia) that have driven market returns. The S&P 500 ex Mag 7 Index is a market capitalization-weighted index that includes all S&P 500 companies apart from the magnificent 7 stocks. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.

## Key takeaways

- Earnings growth for the Mag 7 has far outpaced the remaining S&P 500 companies, but the gap is expected to narrow.
- The narrowing gap should support the broadening of the rally through year-end 2026.

# Generative artificial intelligence (AI) market

**Generative AI spending is expected to surge over the next six years**



Sources: Bloomberg, eMarketer, International Data Corporation (IDC), Statista, and Wells Fargo Investment Institute, as of March 31, 2026. The bars represent the current and forecasted annual revenue as a result of AI. E = estimate. 2025 to 2032 data are estimates. Estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

## Key takeaways

- Investors looking to gain exposure to the AI theme can consider U.S. Large Cap Equities as well as the Information Technology, Communication Services, Industrials, and Utilities sectors.

# Sector compositions differ by index and region

Sector weights	S&P 500 Index	MSCI EAFE Index	MSCI EM Index	MSCI Europe Index	MSCI Asia Pacific Index	MSCI EM Latin America Index
Information Technology	32.91%	8.45%	31.83%	7.64%	26.18%	0.42%
Financials	12.60%	24.54%	21.45%	23.13%	21.04%	32.80%
Communication Services	10.29%	4.26%	7.89%	3.75%	7.05%	3.93%
Consumer Discretionary	9.87%	8.51%	10.22%	6.59%	12.12%	1.99%
Health Care	9.47%	11.17%	3.00%	13.77%	4.59%	0.70%
Industrials	9.02%	19.40%	7.14%	18.77%	13.60%	8.97%
Consumer Staples	5.25%	7.26%	3.51%	9.01%	3.33%	11.21%
Energy	4.01%	4.43%	4.28%	5.82%	2.50%	10.77%
Utilities	2.54%	4.17%	2.37%	5.34%	1.85%	8.39%
Materials	2.09%	5.99%	7.13%	5.52%	5.51%	19.37%
Real Estate	1.95%	1.81%	1.17%	0.68%	2.22%	1.46%

Sources: Bloomberg, Morgan Stanley Capital International (MSCI), and Wells Fargo Investment Institute, as of March 31, 2026. EM = emerging markets. An index is unmanaged and not available for direct investment. See following page for index definitions and equity sector risks. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

## Key takeaways

- Sector compositions can help explain relative performance differences.
- A lower weighting to the Information Technology sector in the MSCI EAFE Index may have contributed to its relative underperformance in most years since the financial crisis.
- The heavier weighting to Financials has been driving recent outperformance in the MSCI EAFE Index.

# Sector compositions differ by index and region cont'd

## Index definitions

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

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

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

**MSCI EM Latin America Index** captures large and mid cap representation across 6 Emerging Markets countries in Latin America. With 108 constituents, the index covers approximately 85% of the free float-adjusted market capitalization. in each country.

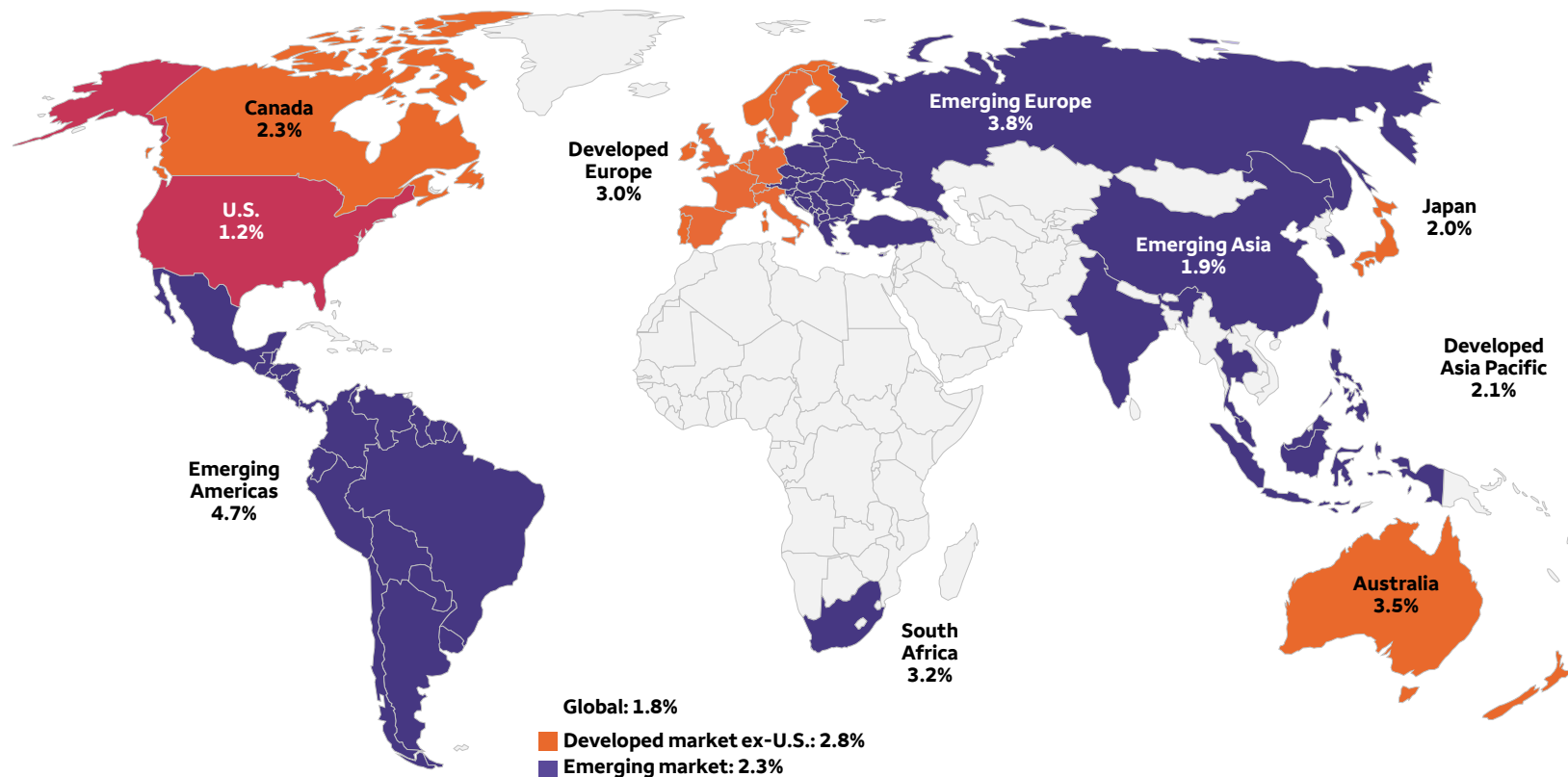
**MSCI Europe Index** captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 438 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

**MSCI Asia Pacific Index** captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets. countries in the Asia Pacific region. With 1,335 constituents, the index covers approximately 85% of the free float-adjusted market. capitalization in each country.

## Equity sector risks

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. *Communication Services* companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by rapid technology changes, pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the *Consumer Discretionary* sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players, reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases. *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. Key risks to the *Financials* sector include maturation of the credit cycle resulting in higher credit losses and tighter lending standards, lower interest rates leading to a reduction in profitability, and capital market weakness reducing assets under management as well as constraints around accessing the markets for growth capital. 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 *Industrial* 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 condition. *Utilities* are sensitive to changes in interest rates and the securities within the sector can be volatile and may underperform in a slow economy.

# Dividend yields outside of the U.S. are currently attractive



Sources: Morgan Stanley Capital International (MSCI) and Wells Fargo Investment Institute, as of March 31, 2026. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted. **Past performance is no guarantee of future results.** Canada: MSCI Canada Index, U.S.: MSCI U.S. Index, Emerging Americas: MSCI Emerging Markets (EM) Latin America Index, Developed Europe: MSCI Europe Index, Emerging Europe: MSCI EM Europe Index, Emerging Asia: MSCI EM Asia Index; Japan: MSCI Japan Index, Developed Asia Pacific: MSCI Asia Pacific, Australia: MSCI Australia Index, South Africa: MSCI South Africa Index, Global: MSCI ACWI Index, Developed Markets: MSCI World ex USA Index, and Emerging Markets: MSCI Emerging Markets. An index is unmanaged and not available for direct investment. See risks and index definitions on following page.

## Key takeaways

- We view dividend yields in many regions outside of the U.S. as attractive.
- Dividends remain an important source of income for some investors.

# Dividend yields outside of the U.S. are currently attractive cont'd

## Risk considerations

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. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets. Dividends are not guaranteed and are subject to change or elimination.

## Index definitions

**MSCI Canada Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of Canada.

**MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the U.S. market. With 628 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the U.S.

**MSCI EM Latin America Index** captures large and mid cap representation across 6 Emerging Markets countries in Latin America. With 108 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**MSCI Europe Index** captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 438 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

**MSCI EM Europe Index** captures large and mid cap representation across 6 Emerging Markets countries in Europe. With 72 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**MSCI EM Asia Index** captures large and mid cap representation across 9 Emerging Markets countries in Asia. With 912 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. With 323 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

**MSCI Asia Pacific Index** captures large and mid cap representation across 5 Developed Markets countries and 9 Emerging Markets countries in the Asia Pacific region. With 1,335 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**MSCI Australia Index** is designed to measure the performance of the large and mid cap segments of the Australia market. With 68 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Australia.

**MSCI South Africa Index** is designed to measure the performance of the large and mid cap segments of the South African market. With 46 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in South Africa.

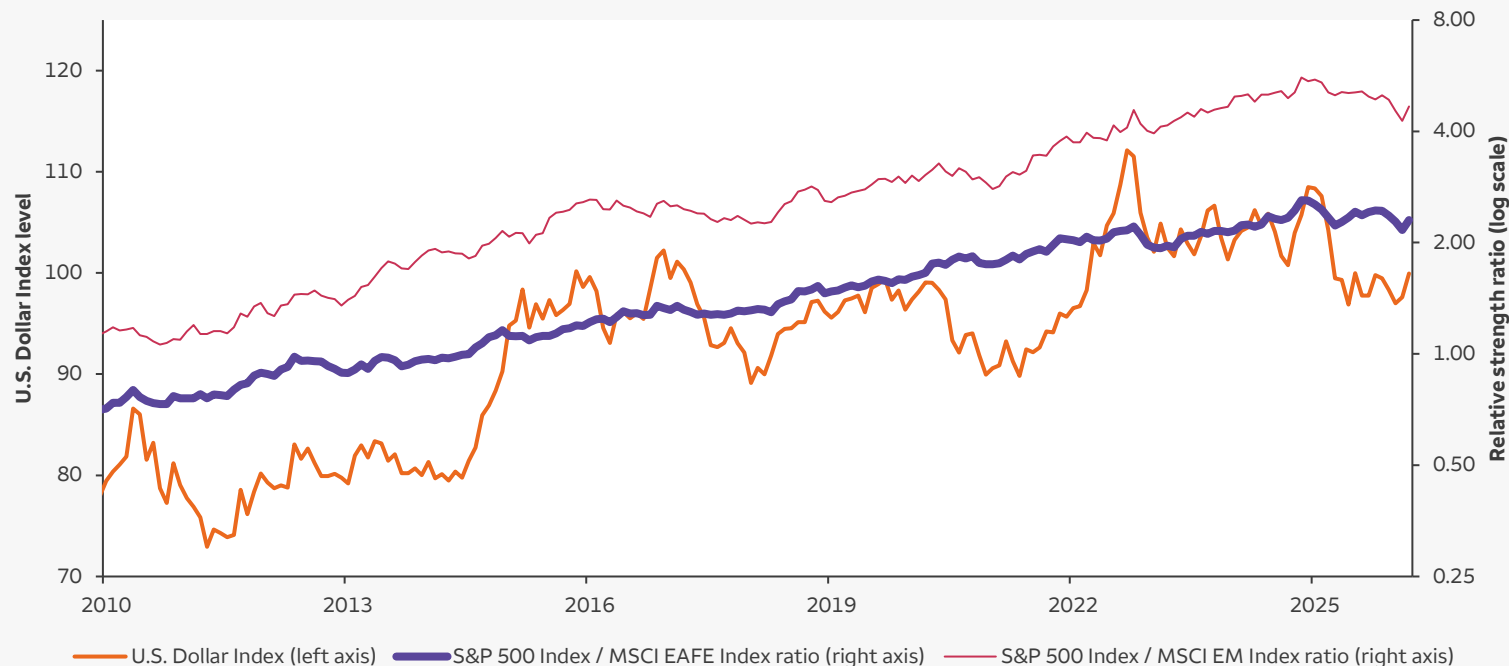
**MSCI All Country World Index (ACWI)** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

**MSCI World ex USA Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of 22 developed markets excluding the United States.

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

# Dollar weakness — A tailwind for international equity

## International equities relative performance versus the U.S. dollar



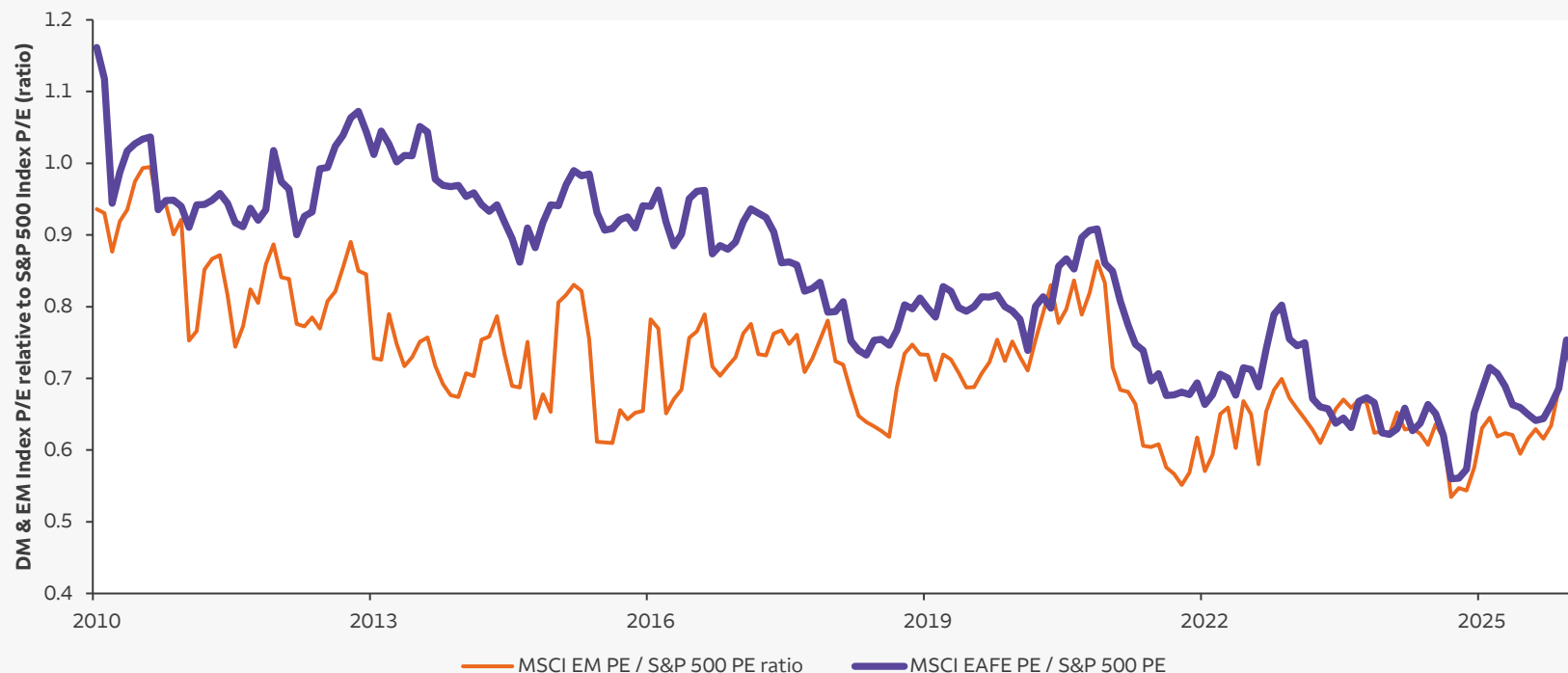
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2010, to March 31, 2026. MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes are equity indexes which capture large and mid cap representation across developed market (DM) countries (excluding Canada and the U.S.) and emerging market (EM) countries around the world. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. The U.S. Dollar Index measures the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** 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. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets. A logarithmic scale (or log scale) displays data spanning a wide range of values, using powers of a base number (in this instance 2) to represent the values.

### Key takeaways

- U.S. dollar weakness was a tailwind for international equity prices in 2025. Recent gains in the dollar have eroded some of the international strength but may be temporary.
- The last time the U.S. dollar weakened materially (2001 to 2008) was the most recent period of sustained international equities outperformance.

# International equity valuations are attractive

## International equity valuations are near 15-year lows



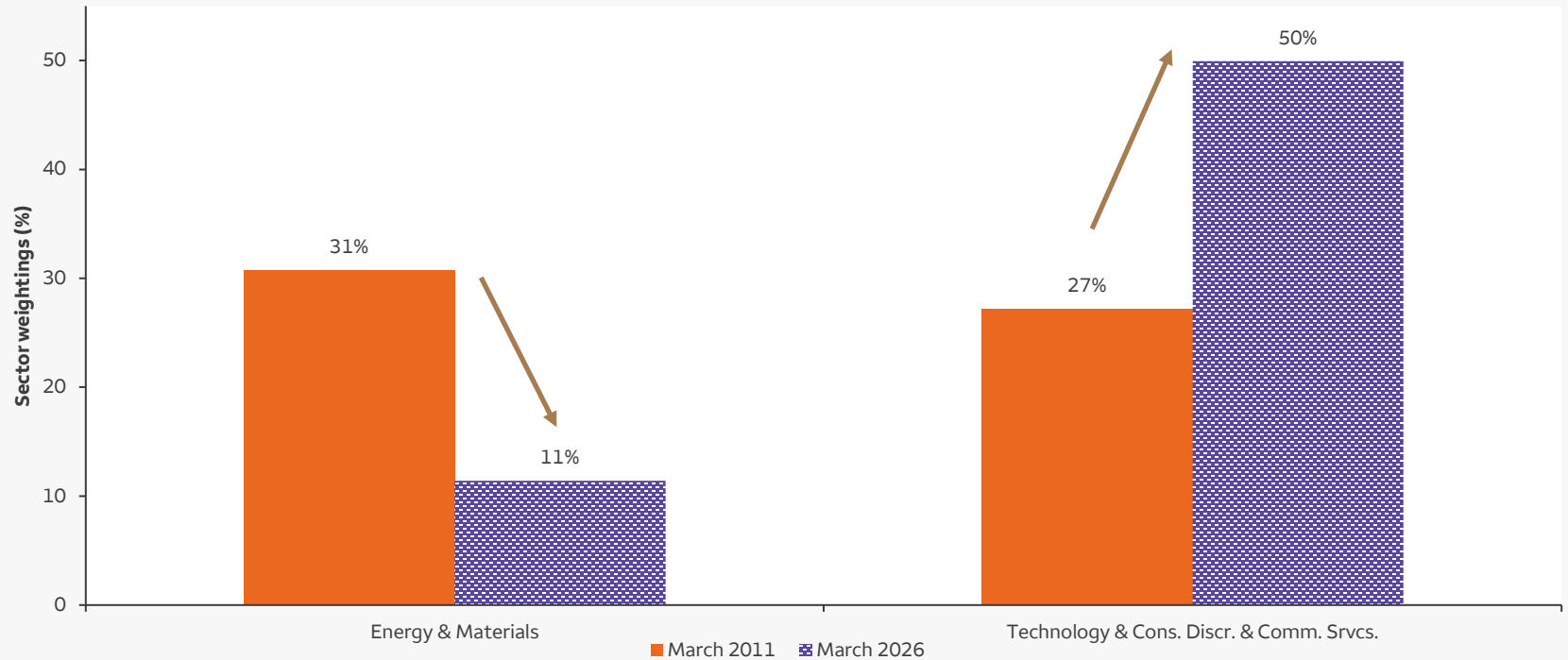
Sources: Bloomberg and Wells Fargo Investment Institute. Weekly data from March 1, 2010, to March 31, 2026. P/E = price to earnings. The MSCI EAFE Index capture large- and mid-cap representation across developed market countries (excluding the U.S. and Canada) around the world. The MSCI EM Index captures the large- and mid-cap representation across emerging market countries. DM & EM represent Developed Market and Emerging Market. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** 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. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

### Key takeaways

- Developed Market ex-U.S. Equities' relative valuations recently touched historically low levels. However, we suspect that investor sentiment has passed its nadir, and that upturn should support valuations.
- Emerging Market Equities' relative valuations declined, reflecting heightened geopolitical and regulatory risks, among other factors. While these risks persist, the asset class has shown an improvement in fundamentals on the heels of the artificial-intelligence narrative.

# Emerging markets (EMs): What has changed?

## EM Equities Index has transitioned toward tech



Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. Energy & Materials represent the sum of the weightings of the Energy and Materials sectors in the MSCI Emerging Markets Index. Technology & Cons. Discr. & Comm. Svcs. represents the sum of the weightings of the Technology, Consumer Discretionary, and Communications Services Sectors within the MSCI Emerging Markets Index. MSCI Emerging Markets Index is a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of emerging markets. Index returns do not represent investment performance or the results of actual trading. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** 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. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

### Key takeaways

- Over the past 15 years our EM Equities benchmark, the MSCI Emerging Markets Index, has been reconstituted into a tech-heavy index.
- As investors look elsewhere for artificial-intelligence exposure at cheaper valuations than those available in U.S. markets, we expect EM Equities to benefit.

# Fixed-income highlights

## General

- Most strategic fixed-income asset classes declined in the first quarter as yields ended the quarter higher. Our view is that U.S. Intermediate Term Taxable Fixed Income currently provides an attractive yield and is less rate sensitive should interest rates remain volatile.
- High quality investment-grade (IG) corporate issuers have remained resilient and have had strong fundamentals and credit metrics. Our expectation for a growing economy throughout most of 2026 should continue to support credit-oriented asset classes and sectors.

## Domestic

- There are several events in the second quarter that will influence the Federal Reserve's board composition, especially as a new Chair gets confirmed and current Chair Jerome Powell decides if he will remain on the board after his Chair term expires.
- Due to uncertainty surrounding sustained progress on inflation, we believe that the bar for Federal Reserve rate cuts in 2026 is quite high.
- Credit spreads in IG and high-yield corporates were also volatile during the first quarter but generally remained at historically tight levels. Overall credit conditions remain favorable in spite of a slight widening in IG credit spreads, supporting our favorable rating on IG Corporate Securities.

## International

- We believe developed-market bond yields could remain volatile, especially if fiscal concerns remain while major developed-market central banks pivot towards a less dovish bias due to inflation threats.
- Emerging-market (EM) credit spreads (as measured by JPMorgan EMBI Global<sup>1</sup>) continued to move higher over the quarter. EM Index yields also moved higher, presenting better entry opportunities. We continue to believe that higher relative EM debt yields should attract inflows.

Investments in fixed-income securities are subject to 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. This risk is higher when investing in high yield bonds, also known as junk bonds, which have lower ratings and are subject to greater volatility. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

1. JPMorgan Emerging Markets Bond Index Global (EMBI Global) currently covers 27 emerging market countries. Included in the EMBI Global are U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities. An index is unmanaged and not available for direct investment.

# Fixed-income scorecard

Asset class	1Q26 total return (%)	YTD total return (%)	YOY total return (%)	Duration (years)	Yield to worst (%)
U.S. Short Term Taxable Fixed Income	0.32	0.32	4.03	1.91	3.99
U.S. Intermediate Term Taxable Fixed Income	-0.14	-0.14	4.96	5.08	4.58
U.S. Long Term Taxable Fixed Income	-0.76	-0.76	2.36	13.52	5.35
High Yield Taxable Fixed Income	-0.50	-0.50	7.01	3.37	7.40
Developed Market ex-U.S. Fixed Income	-2.69	-2.69	1.07	7.28	3.53
Emerging Market Fixed Income	-1.14	-1.14	9.59	6.44	7.06

Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. 1Q = first quarter. YTD = year to date. YOY = year over year. Duration is a measure of a bond's sensitivity to interest rates. Short term taxable = Bloomberg U.S. Aggregate 1-3 Year Bond Index. Intermediate term taxable = Bloomberg U.S. Aggregate 5-7 Year Bond Index. Long term taxable = Bloomberg U.S. Aggregate 10+ Year Bond Index. High Yield taxable = Bloomberg U.S. Corporate High Yield Bond Index. Developed market ex-U.S. = J.P. Morgan GBI Global Ex U.S. (Unhedged). Emerging market = J.P. Morgan EMBI Global (USD). Yields and returns represent past performance and fluctuate with market conditions. Current performance may be higher or lower than that quoted above. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See following page for index definitions. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets.

## Key takeaways

- Most strategic fixed-income asset classes posted negative returns in the first quarter, with the income component helping to offset significant volatility in the yield curve.
- We favor credit selectivity and a diversified income approach across fixed-income asset classes.

# Fixed-income scorecard cont'd

## Index definitions

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

**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.

**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 longer.

**Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

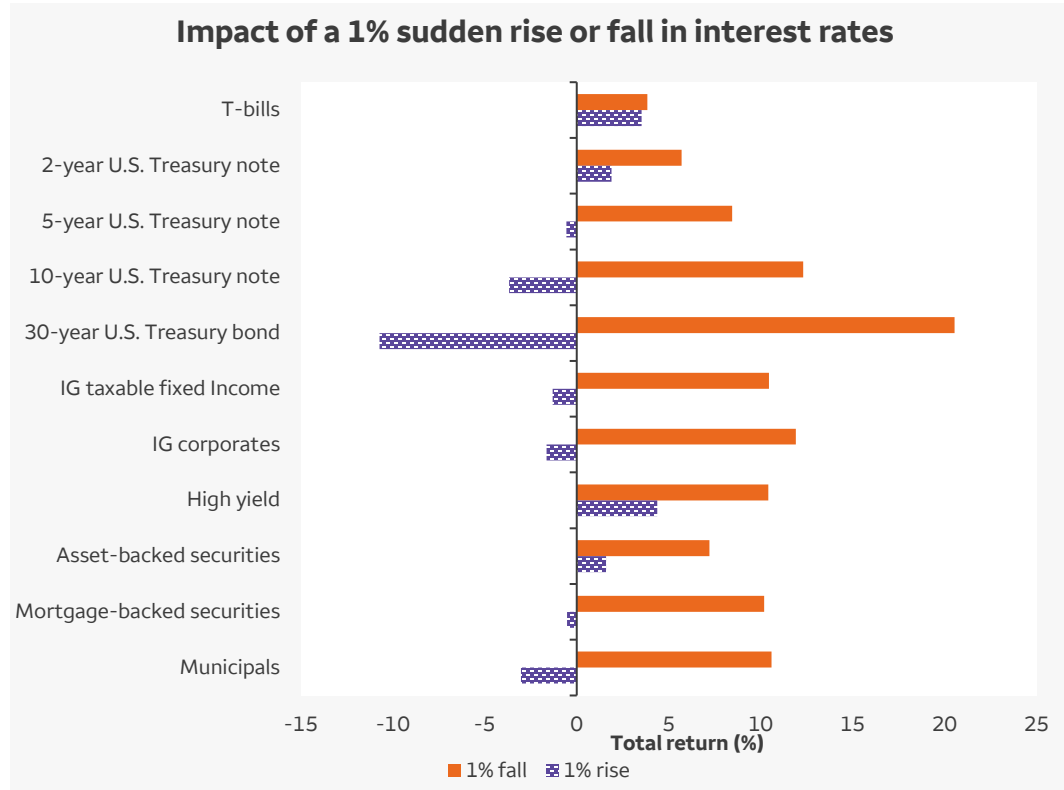
**J.P. Morgan Government Bond Index (GBI) Global ex-U.S. (Unhedged) in USD** is an unmanaged index market representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

**J.P. Morgan Emerging Market Bond Index (EMBI) Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt.

An index is unmanaged and not available for direct investment.

# Unequal return potential as rates move higher or lower

Fixed income asset	Yield as of Mar. 31, 2026
T-bills	3.69%
2-year U.S. Treasury note	3.79%
5-year U.S. Treasury note	3.94%
10-year U.S. Treasury note	4.32%
30-year U.S. Treasury bond	4.91%
IG taxable fixed Income	4.57%
IG corporates	5.14%
High yield	7.4%
Asset-backed securities	4.4%
Mortgage-backed securities	4.83%
Municipals	3.77%



Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. T-bills (Treasury bills): Bloomberg U.S. Treasury Bills (1–3M) Index, Investment-grade (IG) taxable fixed income: Bloomberg U.S. Aggregate Bond Index. IG corporates: Bloomberg U.S. Corporate Bond Index, High yield: Bloomberg U.S. Corporate High Yield Bond Index, Asset-backed securities: Bloomberg U.S. Asset Backed Securities Index, Mortgage-backed securities: Bloomberg U.S. Mortgage-Backed Securities Index, Municipals: Bloomberg Municipal Index. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See index definitions on following page. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. 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. In addition to the risks associated with investment in debt securities, investments in mortgage-backed and asset-backed securities will be subject to prepayment, extension and call risks. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. Municipal bonds offer interest payments exempt from federal taxes, and potentially state and local income taxes. 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.

## Key takeaways

- Many fixed-income asset classes, along with cash, are yielding more than our long-term inflation expectation of 2.5%.
- Diversifying income streams can potentially dampen portfolio volatility and reduce the probability of wide swings in income levels.
- It is important for investors to evaluate and compare the potential upside and downside return of their bond holdings as rates move in either direction.

# Unequal return potential as rates move higher or lower cont'd

## Index definitions

**Bloomberg U.S. Aggregate 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.

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

**Bloomberg U.S. Corporate Bond Index** measures the performance of the investment-grade corporate bond market.

**Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

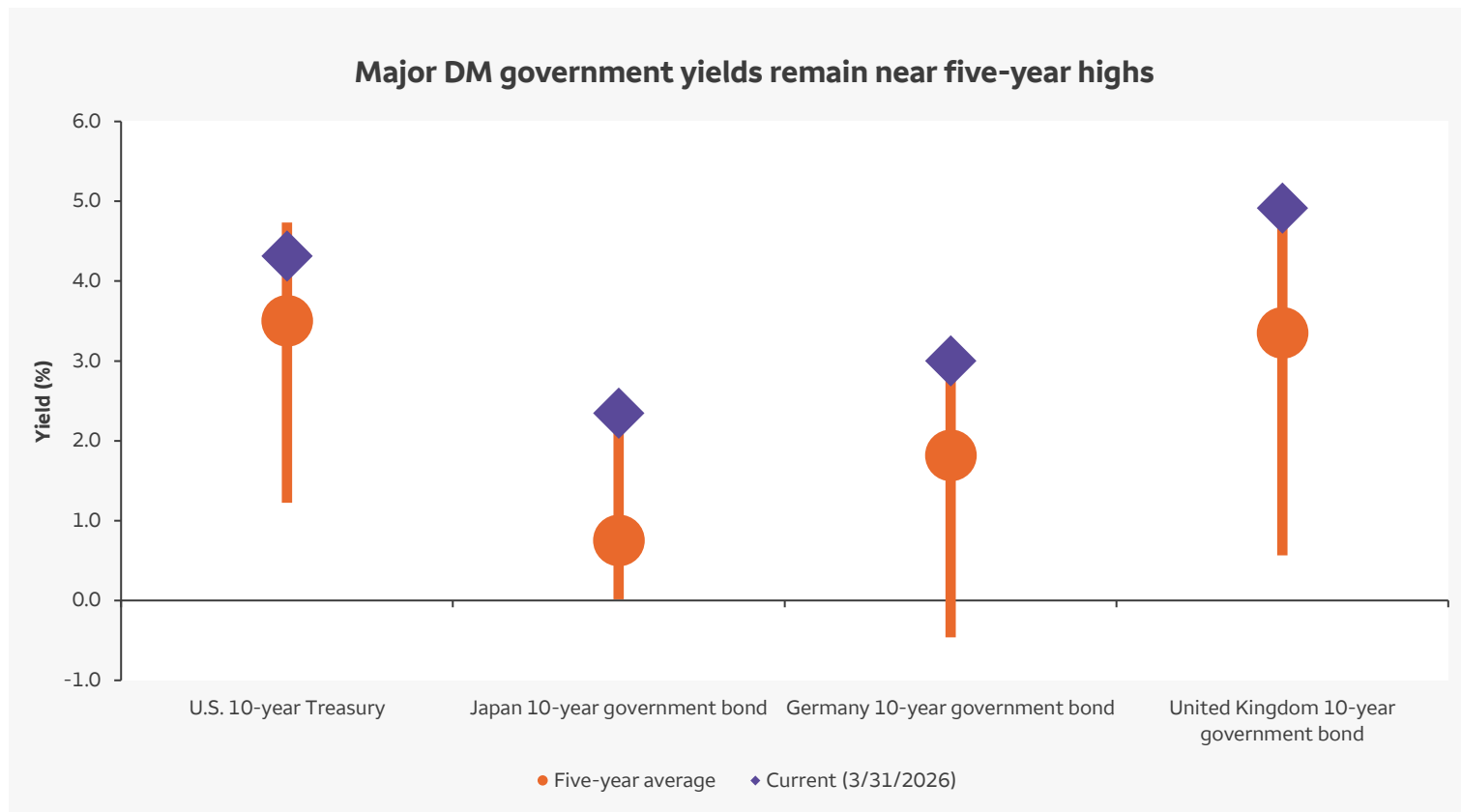
**Bloomberg U.S. Mortgage-Backed Securities Index** includes agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

**Bloomberg Municipal Bond Index** is an index of a broad range of investment-grade municipal bonds that measures the performance of the general municipal bond market.

**Bloomberg U.S. Treasury Bills (1-3 Month) Index** is representative of money markets.

An index is unmanaged and not available for direct investment.

# Most developed-market (DM) bonds struggled in the first quarter

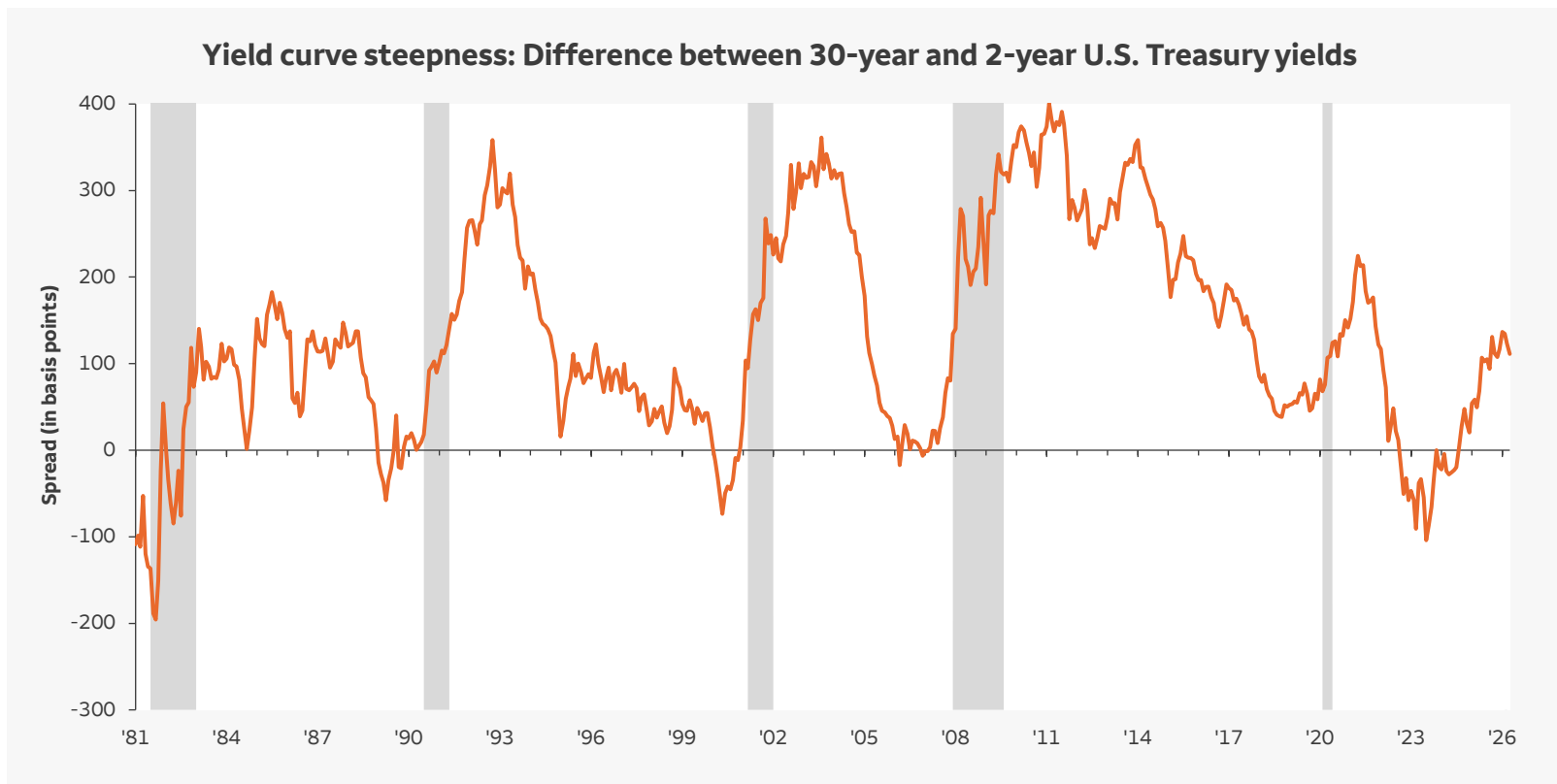


Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.** Bonds are subject to interest rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. 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. Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility.

## Key takeaways

- 10-year U.K. gilts displayed negative performance in the first quarter as yields climbed. 10-year German and Japanese government bonds were also modestly negative due to concerns of rising inflation driven by the potential for an oil shock.
- We believe DM bond yields could remain volatile, especially if fiscal concerns remain while major DM central banks pivot towards a less dovish bias due to inflation threats.

# Yield curve has flattened given the uncertain near-term outlook



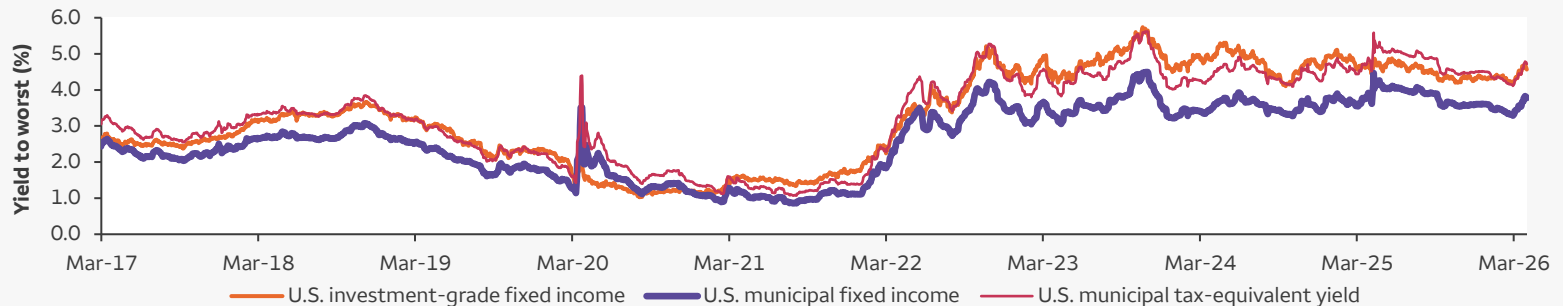
Sources: Bloomberg, and Wells Fargo Investment Institute. Monthly data from January 1, 1981, to March 31, 2026. Thirty-Year Treasury Constant Maturity and the Two-Year Constant Maturity Indexes are published by the Federal Reserve Board and are based on the average yield of a range of Treasury securities, all adjusted to the equivalent of a 30-year maturity and the equivalent of a two-year maturity. Shaded area represents time frame of a U.S. economic recession. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.** 100 basis points equal 1%. 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.

## Key takeaways

- The yield curve has been largely influenced by current fiscal and monetary policy, but in the first quarter, it also experienced downward and upward shifts due to geopolitical and war concerns.
- We expect short-maturity bond yields to remain modest and long-maturity yields to remain elevated, driven by strong U.S. economic growth, sticky inflation, and rising term premiums.

# Municipal bond yields and default rates

## Municipal bonds offer tax benefits



## Municipal bonds have lower historical default rates versus corporates

Credit rating	Municipal bonds (%)	Corporate bonds (%)
<b>Aaa</b>	0.00	0.34
<b>Aa</b>	0.02	0.71
<b>A</b>	0.10	1.84
<b>Baa</b>	1.04	3.42
<b>Ba</b>	3.23	15.32
<b>B</b>	16.44	33.59
<b>Caa-C</b>	24.36	47.96
<b>Investment-grade</b>	0.09	2.14
<b>Speculative-grade</b>	6.69	29.71

Sources: Top chart: Bloomberg and Wells Fargo Investment Institute. Yield to worst: monthly data from January 1, 2017, to March 31, 2026. Bottom table: Moody's Investor Service, "U.S. municipal bond default and recovery rates, 1970-2024." Municipal and corporate bond default rates: 10-year average cumulative default rates, yearly data from 1970 to 2024. Investment grade represented by Bloomberg U.S. Aggregate Bond Index. Municipal represented by Bloomberg Municipal Bond Index. Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Bloomberg Municipal Bond Index is an index of a broad range of investment-grade municipal bonds that measures the performance of the general municipal bond market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. Yields represent past performance and fluctuate with market conditions. An index is unmanaged and not available for direct investment. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

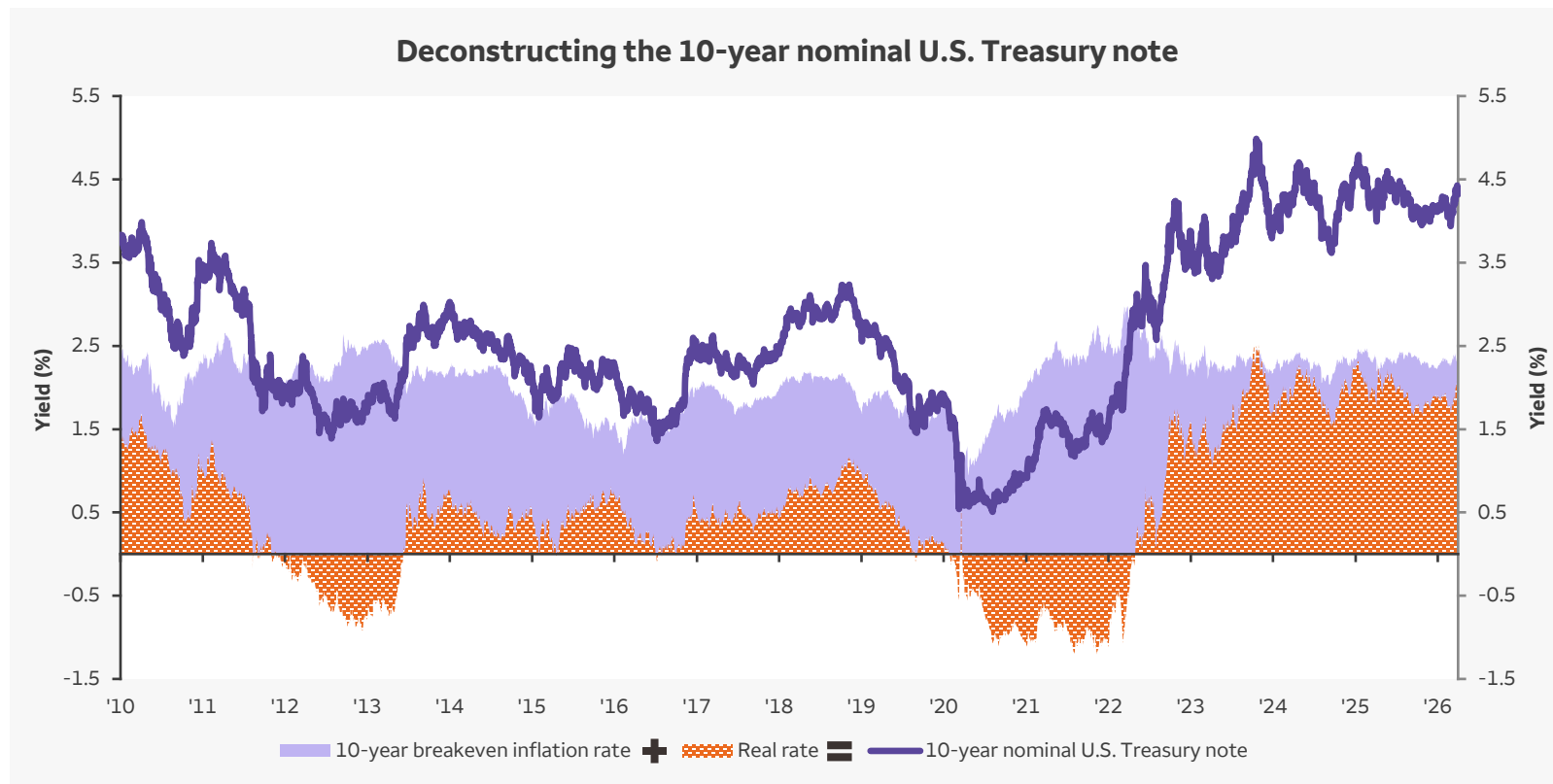
Standard & Poor's uses upper-case letters to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality and are commonly referred to as "junk bonds". Moody's uses a lettering system consisting of upper and lower case, as well as numeric modifiers. 'Aaa' and 'Aa' (high credit quality) and 'A' and 'Baa' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('Ba', 'B', 'Caa', etc.) are considered low credit quality and are commonly referred to as "junk bonds". Investment Grade bonds: A rating that indicates that a bond has a relatively low risk of default. Speculative Grade bonds: Issued by companies perceived to have a lower level of credit quality compared to more highly rated, investment-grade companies.

### Key takeaways

- We expect municipal bond demand to remain strong given the ongoing supply-demand imbalance.
- The pace of municipal defaults has accelerated over the past decade, especially for lower-rated sectors. Still, default rates between municipals and corporates remain divergent in the speculative-grade (high-yield) space.

Tax equivalent yield assumes a 20% effective tax rate. Yield to worst is the lowest potential yield that can be received on a bond without the issuer actually defaulting. The tax equivalent yield is the yield a taxable bond would have to earn to match the yield available on a tax-exempt municipal bond excluding AMT. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Municipal bonds offer interest payments exempt from federal taxes, and potentially state and local income taxes and may be subject to the alternative minimum tax, and legislative and regulatory risk.

# Real rates: In positive territory

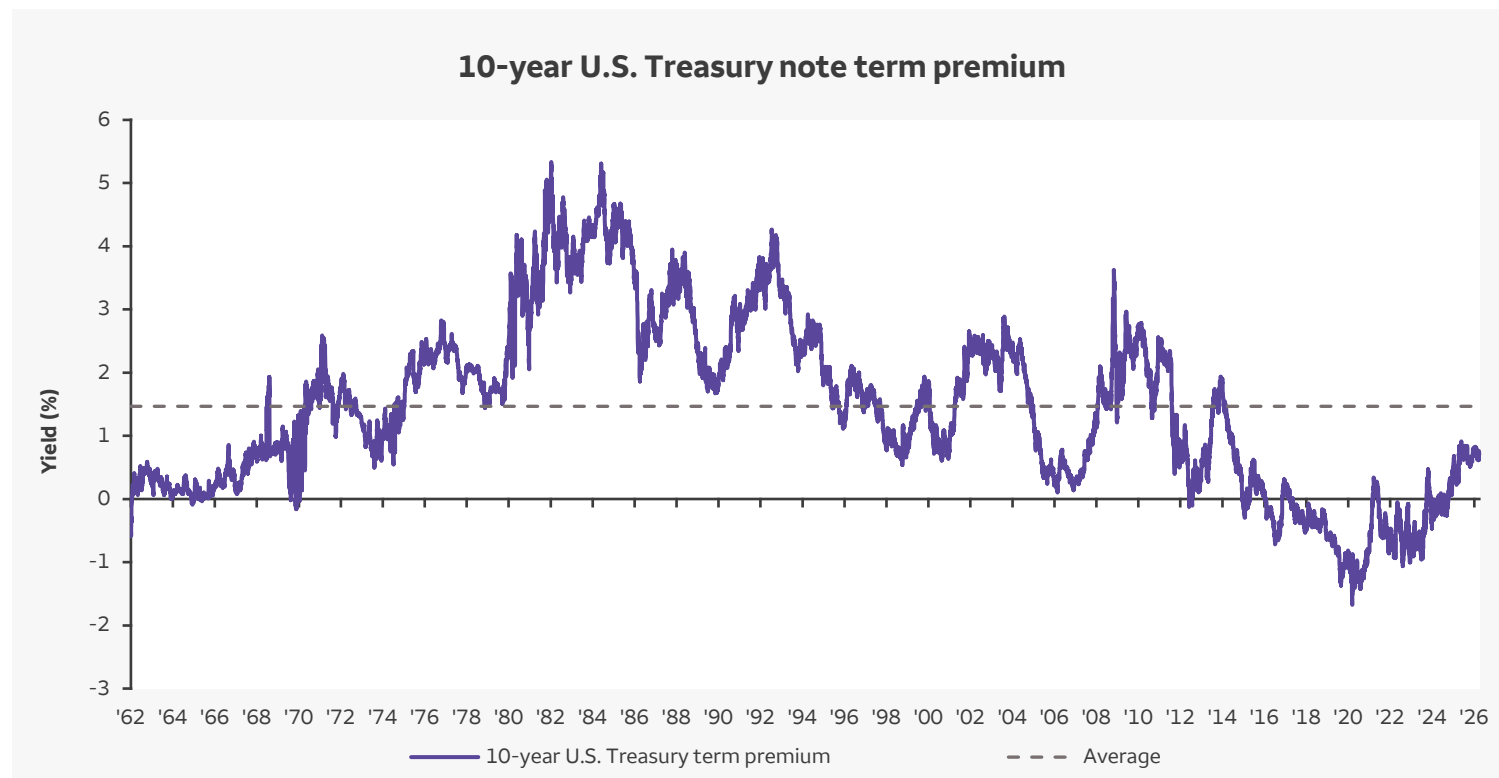


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 2010, to March 31, 2026. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.** Although 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.

## Key takeaways

- Real rates on the 10-year U.S. Treasury have been in positive territory since May 2022 as 10-year breakeven inflation rate readings fell below nominal rates. We expect real rates to remain positive, especially if nominal rates remain elevated.
- It may be a good time to consider locking in higher interest rates on bonds with longer maturities, especially in the intermediate portion of the curve (three- to seven-year maturities).

# Term premium: In positive territory



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 1962, to March 31, 2026. Term Premium: the additional yield investors require to compensate them for the risk of holding long-term bonds over short-term debt. **Past performance is no guarantee of future results.** 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. New York Federal Reserve economists Tobias Adrian, Richard Crump, and Emanuel Moench (or 'ACM') present Treasury term premia estimates for maturities from one to ten years from 1961 to the present. ACM further estimates fitted yields and the expected average short-term rates for the same set of maturities. The analysis is based on a five-factor, no-arbitrage term structure model.

## Key takeaways

- A confluence of crosscurrents — including variable inflation and economic growth, additional U.S. Treasury issuance, the amount of U.S. debt outstanding, and likely wider federal deficits particularly following tariff repeals and war — is expected to have a larger influence on the term premium.
- We believe the term premium will continue moving gradually higher, remaining in positive territory and staying away from the negative prints displayed for much of the prior 10 years.

# Potential winds of change ahead for the Federal Reserve (Fed)

## Federal Open Market Committee (FOMC) composition in 2026

Name	Position	Vote leaning	Potential for change
Jerome H. Powell	Chairman	Neutral	Term as Chair expires in May, but can remain on the Board until January 2028; awaiting Powell's decision
Philip N. Jefferson	Board of Governors Vice Chariman	Neutral	
Stephen I. Miran	Board of Governors	Dovish	Official term has expired, and his spot expected to be replaced by Kevin Warsh* once he is confirmed
Christopher J. Waller	Board of Governors	Dovish	
Michelle W. Bowman	Board of Governors	Dovish	
Lisa D. Cook	Board of Governors	Neutral	Pending resolution from the Supreme Court on whether she can be removed "for cause" by the president
Michael S. Barr	Board of Governors	Neutral	
Beth M. Hammack	Cleveland Federal Reserve	Hawkish	
Lorie K. Logan	Dallas Federal Reserve	Hawkish	
Neel T. Kashkari	Minneapolis Federal Reserve	Neutral	
John C. Williams	New York Federal Reserve	Neutral	
Anna Paulson	Philadelphia Federal Reserve	Dovish	

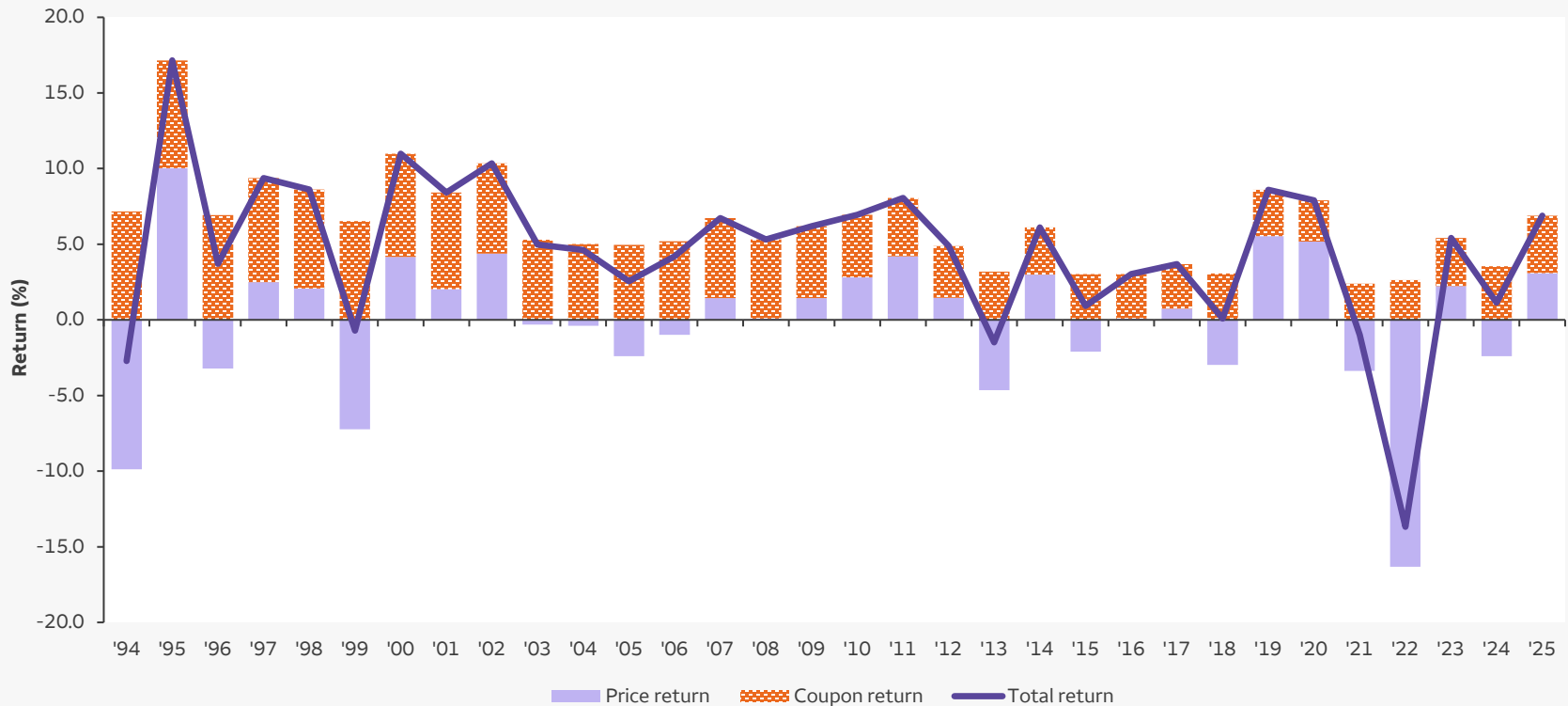
Sources: Bloomberg and Wells Fargo Investment Institute (WFII), as of March 31, 2026. Vote leaning expectation assumptions done by WFII as of March 31, 2026. \*Kevin Warsh has been nominated as Federal Reserve Governor and Chair, still pending Senate confirmation.

### Key takeaways

- It takes a simple majority (7) of the 12 FOMC voting members to decide on monetary policy actions.
- In our view, we have entered a show-me environment, where the Fed is not in a rush to make changes and can afford to stay or hold longer than financial markets expect, especially given renewed threats of rising inflation.

# Yield stability over headline price hype

Total return matters for fixed income investors

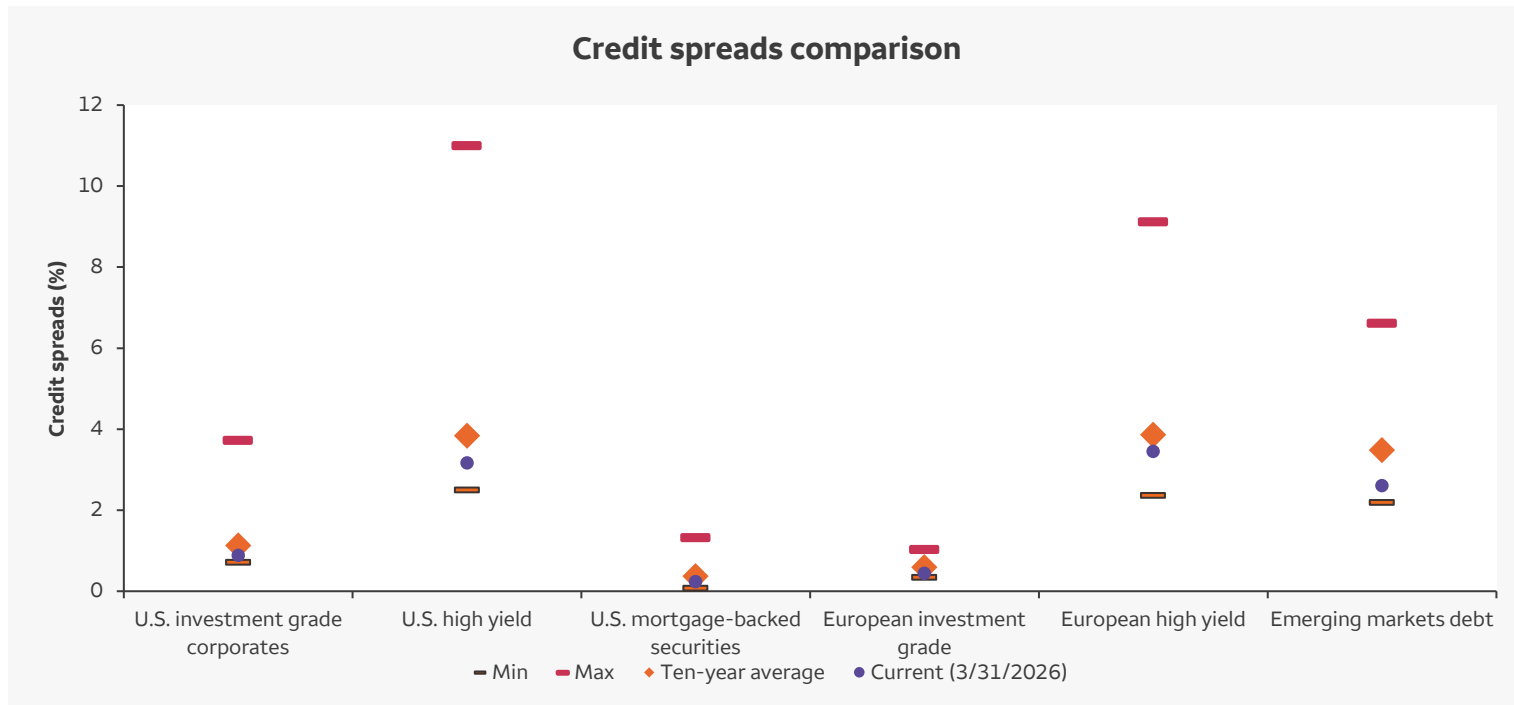


Sources: Bloomberg U.S. Aggregate Bond Index and Wells Fargo Investment Institute. Annual data from January 1, 1994, to December 31, 2025. Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. An index is unmanaged and not available for direct investment. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quotes above. Past performance is no guarantee of future results. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks.

## Key takeaways

- We think the income component of fixed income, also known as yield, should remain the central metric for investors in 2026.
- Income generation should serve as a key driver of total return, and active management is crucial, in our view, to capture relative value within fixed-income sectors and sub-sectors.

# Credit market spreads



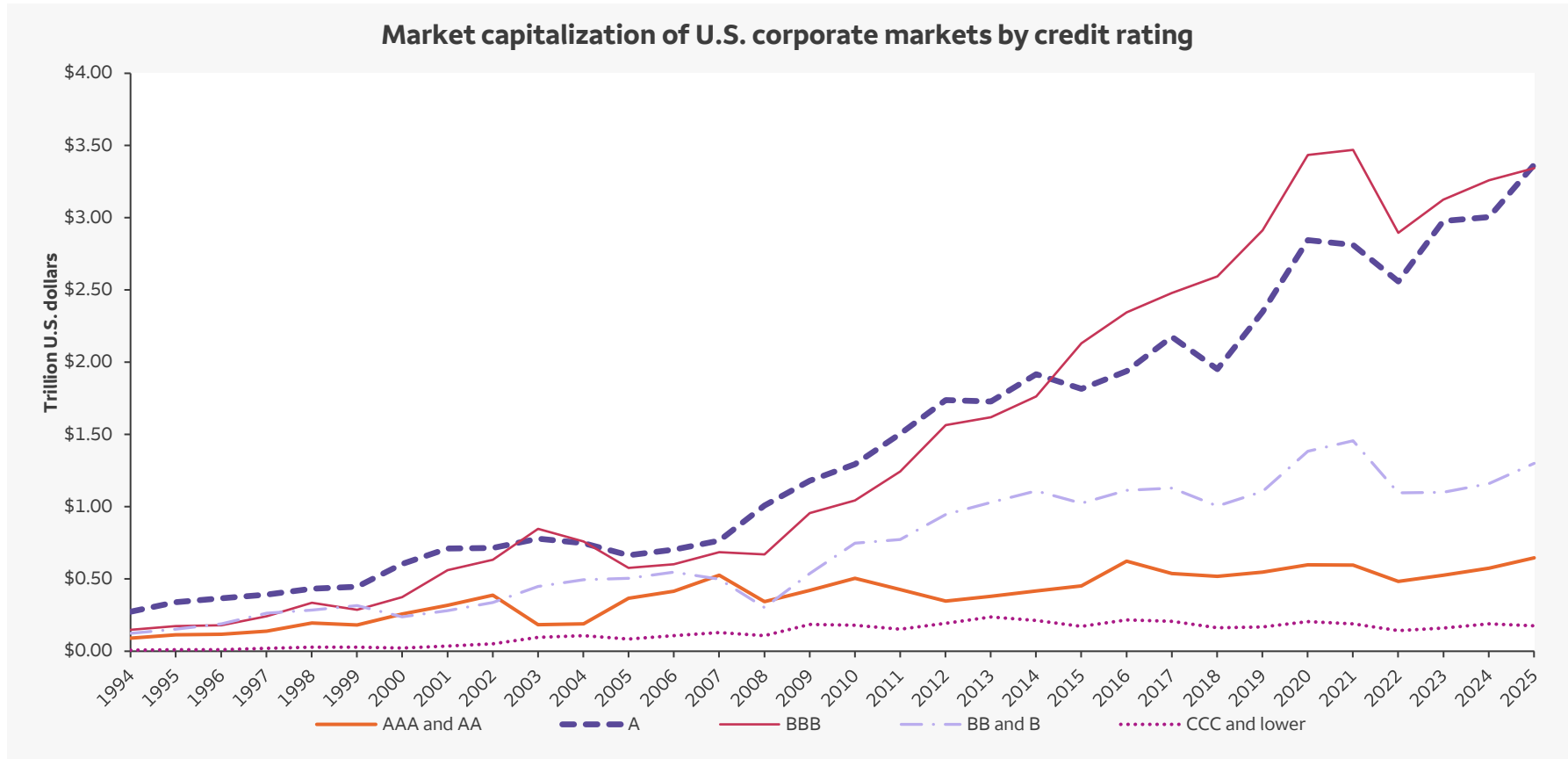
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from April 1, 2016, to March 31, 2026. Option-adjusted spread is the difference in yield over equivalent-duration Treasuries. Duration is a measure of interest rate sensitivity. U.S. investment grade corporates: Bloomberg U.S. Corporate Bond Index. U.S. high yield : Bloomberg U.S. Corporate High Yield Bond Index. U.S. mortgage-backed securities: Bloomberg U.S. Mortgage-Backed Securities Index. European investment grade: Bloomberg Pan-European Aggregate Index. European high yield: Bloomberg Pan-European High Yield Index. Emerging markets debt: J.P. Morgan Emerging Markets Bond Index Global (USD). Bloomberg U.S. Corporate Bond Index measures the performance of the investment-grade corporate bond market. Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Bloomberg Pan-European Aggregate Index tracks fixed-rate, investment-grade securities issued in the following European currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, Czech Koruna, Hungarian Forint, Slovakian Koruna, Polish Zloty, Russian Ruble, and Swiss franc. Bloomberg Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. J.P. Morgan EMBI Global (USD) is a U.S.-dollar-denominated, investible, market-cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Foreign investing has additional risks including currency, transaction, volatility, and political and regulatory uncertainty. These risks are heightened in emerging markets.

## Key takeaways

- Credit spreads in investment-grade and high-yield corporates were volatile during the first quarter but remain relatively tight. In our view, overall credit risks remain contained, which should benefit Investment Grade Credit and Corporate Securities.
- We expect spreads to remain near current levels given our expectation for an economic recovery throughout 2026. At this time, we believe credit selectivity is key.

# Large increase in corporate market issuance



Sources: Bloomberg and Wells Fargo Investment Institute. Annual data from January 1, 1994, to December 31, 2025. S&P credit ratings. Market capitalization considers only bonds included in the Bloomberg U.S. Corporate Bond Index and Bloomberg U.S. Corporate High Yield Bond Index. The 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. The Bloomberg U.S. Corporate High Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities.

## Key takeaways

- Corporate bond issuance has expanded materially over the past 15 years, led overwhelmingly by investment-grade issuers.
- Strong investor appetite for high-quality corporates has reinforced this trend. In a world of persistent uncertainty and income demand, investors have increasingly favored investment-grade corporates for their balance of yield and credit quality.

# Real assets highlights

## General

- Because of its typically low correlation as an asset class with both stocks and bonds, we believe including an allocation to Commodities in a diversified portfolio can potentially help reduce volatility and mitigate downside risk without materially sacrificing return.

## Oil

- Crude oil prices have been on a roller coaster recently as investors weigh geopolitical risks against expectations for mounting supply constraints.
- Headwinds from OPEC+1 supply growth tempers our expectations for oil prices postwar.
- Moving forward, we expect a higher geopolitical risk premium and a moderate restrengthening of macro conditions to support performance.

## Gold

- Central banks across the globe have been purchasing record amounts of gold since 2022. We believe that gold's unique quality as a reserve asset that carries no counterparty risk (that is, the risk of being devalued by another nation's debt) is a key reason for higher purchasing activity.

## Real estate investment trusts (REITs)

- REITs come in all shapes and sizes — a REIT that specializes in data centers differs wildly from a REIT that specializes in malls or office buildings — and their returns can vary widely as a result.
- In our view, monitoring the fundamentals, valuations, trends, and performance of these different REIT sub-sectors can reveal opportunities for 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.

1. Organization of the Petroleum Exporting Countries plus allies.

# Real assets scorecard

Asset class	1Q26 total return (%)	YTD total return (%)	YOY total return (%)	Yield (%)
Commodities	24.41	24.41	32.29	–
Energy commodities	60.03	60.03	29.19	–
Agricultural commodities	8.04	8.04	3.48	–
Precious metals commodities	8.56	8.56	65.34	–
Industrial metals commodities	4.57	4.57	16.90	–
Global REITs	1.30	1.30	10.10	4.00
U.S. REITs	3.76	3.76	3.28	4.06
International REITs	-4.40	-4.40	16.49	4.16

Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2026. 1Q = first quarter. YTD = year to date. YOY = year over year. REIT = real estate investment trust. Indexes in order represented by Bloomberg Commodity Index, Bloomberg Energy Subindex, Bloomberg Agriculture Subindex, Bloomberg Precious Metals Subindex, Bloomberg Industrial Metals Subindex, FTSE All Equity REITs Index, FTSE EPRA/NAREIT Developed Index, FTSE EPRA NAREIT Developed ex-U.S. REITs Index. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. Investing in commodities and REITs are not appropriate for all investors. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investments in the energy sector are subject to the adverse economic events that occur within that industry. Investing in precious and industrial metals carries additional risks and may subject an investment to greater share price volatility. Industrial metals cannot be held physically and are not easily converted to cash. Real estate has special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Foreign investing involves risks typically not associated with investing domestically, including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. See following page for index definitions.

## Key takeaways

- Commodity prices surged in the first quarter and have risen over the past year, most recently due to significant gains from energy.
- Precious-metal prices performed well over the past year as concerns surrounding economic growth and the volatile market environment provided support for gold prices. Heightened geopolitical tensions in the Middle East remain a catalyst for volatility in prices of energy commodities.

# Real assets scorecard cont'd

## Index definitions

**Bloomberg Commodity (BCOM) indexes** are a family of financial benchmarks designed to provide liquid and diversified exposure to physical commodities via futures contracts. The index currently represents 20 commodities which are weighted to account for economic significance and market liquidity and 22 exchange-traded futures contracts. The index takes exposure to an equally weighted basket of Underlying indexes (subindexes). The Underlying indexes includes the following: BCOM Energy, BCOM Agriculture, BCOM Precious Metals, and BCOM Industrial Metals.

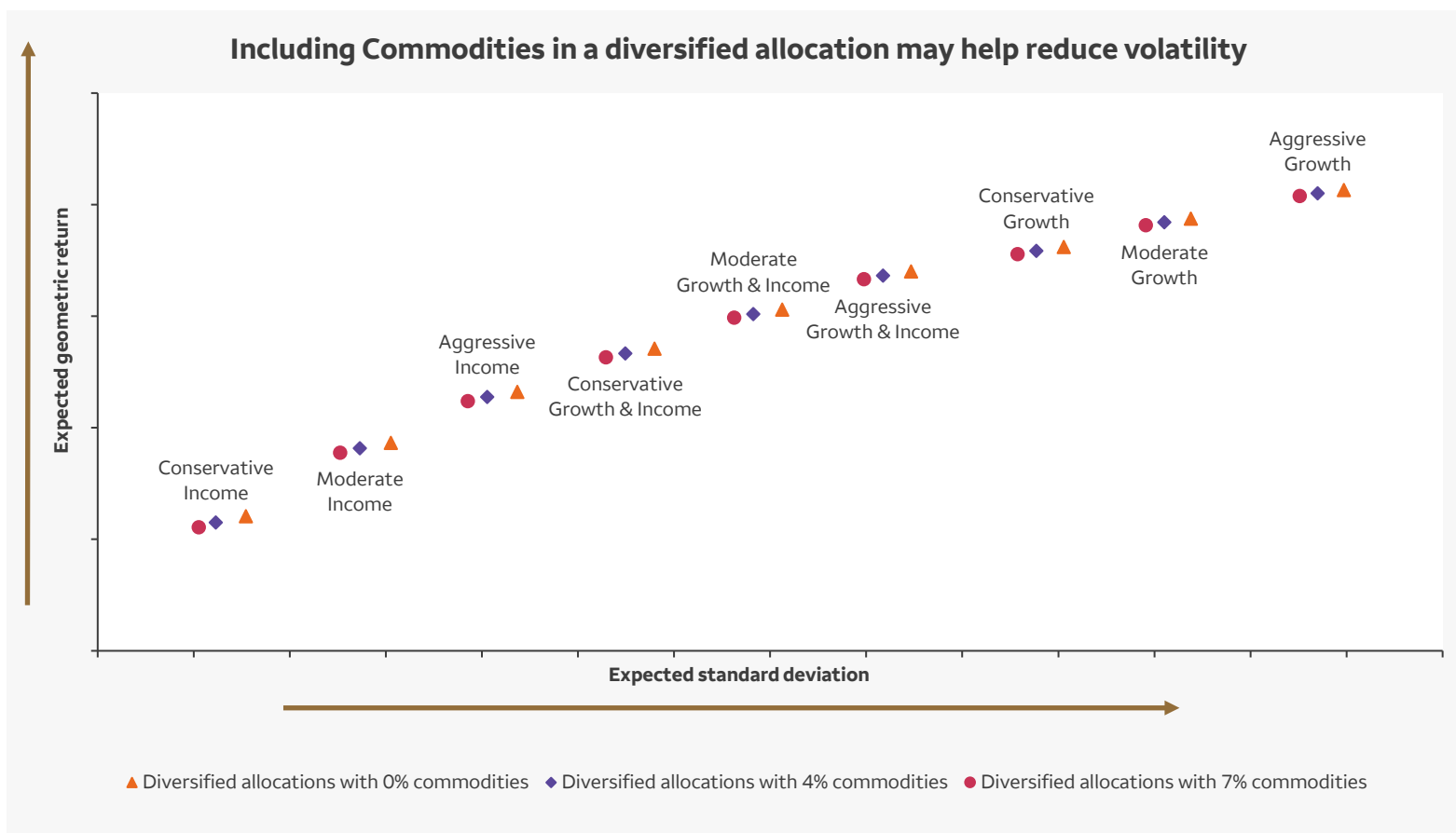
**FTSE NAREIT All Equity REITs Index**, a subset of the All REITs Index, is designed to track the performance of REITs representing equity interests in (as opposed to mortgages on) properties. It represents all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets,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

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

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

An index is unmanaged and not available for direct investment.

# Diversification with Commodities



Source: Wells Fargo Investment Institute. Strategic (long-term) return and standard deviation assumptions are as of July 16, 2025. Forecasts are not guaranteed and are subject to change. Asset allocation and diversification cannot eliminate the risk of fluctuating prices and uncertain returns. Strategic expected returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Expected returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. The composition of the diversified allocations are provided on the following slide. The allocations to commodities are added to or removed from the U.S. Large Cap (S&P 500 Index) allocation to arrive at a 0%, 4%, or 7% commodities allocation. Standard deviation is a statistical measure of the volatility of a portfolio's returns. The higher the standard deviation, the greater volatility has been.

## Key takeaways

- Because of its typically low correlation with both stocks and bonds, we believe including even a small allocation to Commodities in a diversified portfolio should help reduce volatility and mitigate downside risk without materially sacrificing return.

# Diversification with Commodities cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

## Composition of diversified allocations

- **Conservative Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 76% Bloomberg U.S. Aggregate Bond Index, 3% Bloomberg U.S. Corporate High Yield Bond Index, 3% J.P. Morgan EMBI Global, 12% S&P 500 Index, 2% Russell Midcap Index, 2% Bloomberg Commodity Index.
- **Moderate Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 60% Bloomberg U.S. Aggregate Bond Index, 4% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 18% S&P 500 Index, 5% Russell Midcap Index, 4% MSCI EAFE Index, 2% Bloomberg Commodity Index.
- **Aggressive Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 47% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 8% J.P. Morgan EMBI Global, 21% S&P 500 Index, 7% Russell Midcap Index, 7% MSCI EAFE Index, 2% Bloomberg Commodity Index.
- **Conservative Growth & Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 39% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 25% S&P 500 Index, 8% Russell Midcap Index, 7% MSCI EAFE Index, 4% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.
- **Moderate Growth & Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.
- **Aggressive Growth & Income Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 20% Bloomberg U.S. Aggregate Bond Index, 7% Bloomberg U.S. Corporate High Yield Bond Index, 6% J.P. Morgan EMBI Global, 34% S&P 500 Index, 12% Russell Midcap Index, 9% MSCI EAFE Index, 6% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.
- **Conservative Growth Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 16% Bloomberg U.S. Aggregate Bond Index, 3% Bloomberg U.S. Corporate High Yield Bond Index, 35% S&P 500 Index, 13% Russell Midcap Index, 3% Russell 2000 Index, 14% MSCI EAFE Index, 9% MSCI Emerging Markets Index, 5% Bloomberg Commodity Index.
- **Moderate Growth Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 8% Bloomberg U.S. Aggregate Bond Index, 3% Bloomberg U.S. Corporate High Yield Bond Index, 37% S&P 500 Index, 14% Russell Midcap Index, 4% Russell 2000 Index, 15% MSCI EAFE Index, 12% MSCI Emerging Markets Index, 5% Bloomberg Commodity Index.
- **Aggressive Growth Liquid:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 39% S&P 500 Index, 16% Russell Midcap Index, 5% Russell 2000 Index, 18% MSCI EAFE Index, 15% MSCI Emerging Markets Index, 5% Bloomberg Commodity Index.

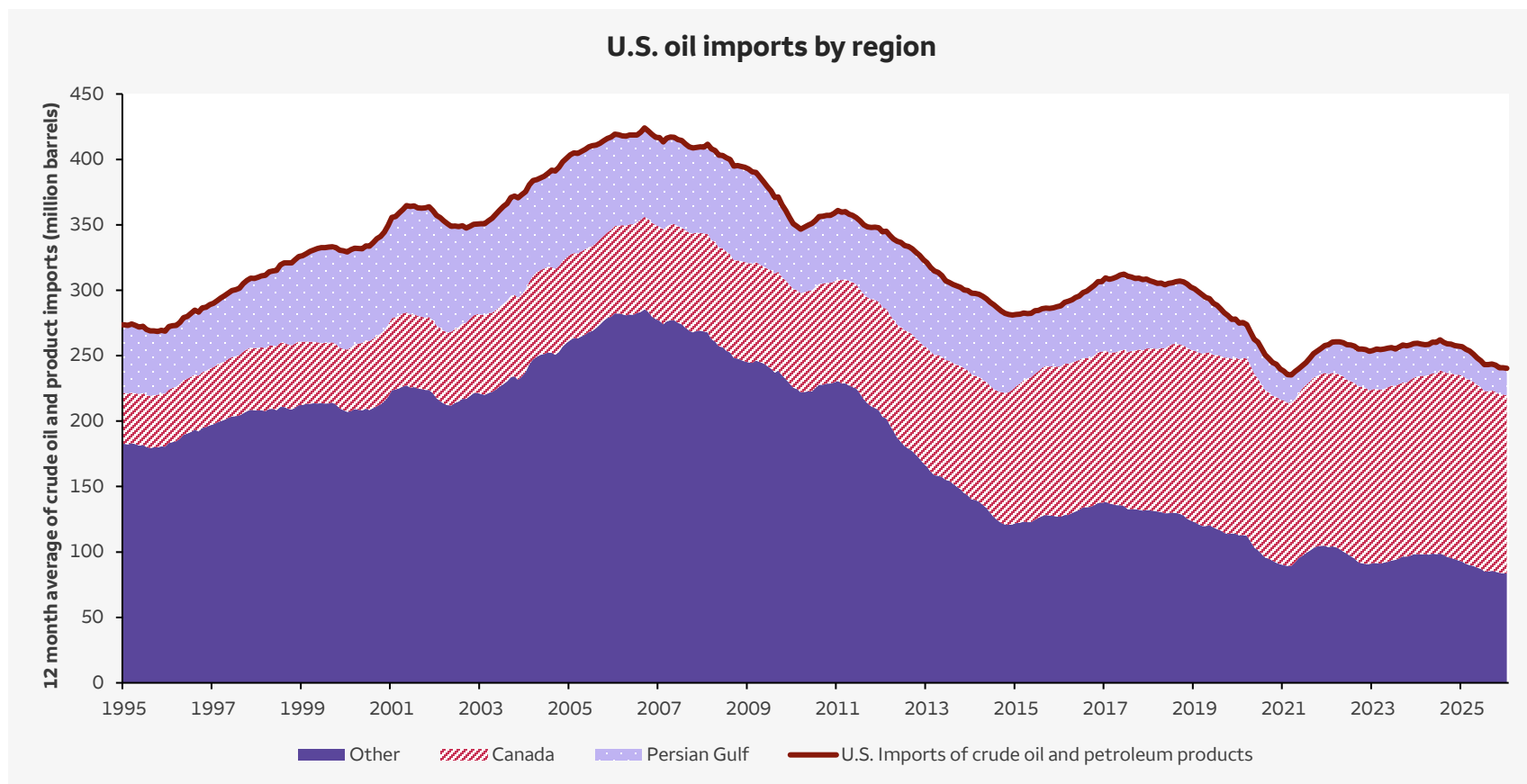
**NOTE:** The allocations to commodities are added to or removed from the U.S. Large Cap (S&P 500 Index) allocation to arrive at a 0%, 4%, or 7% commodities allocation.

## Index definitions

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **Bloomberg U.S. Treasury Bills (1-3M) Index** is representative of money markets. **Bloomberg U.S. Aggregate 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. **Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. **J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. **MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. **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. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

# Today, the U.S. relies less on Persian Gulf imports



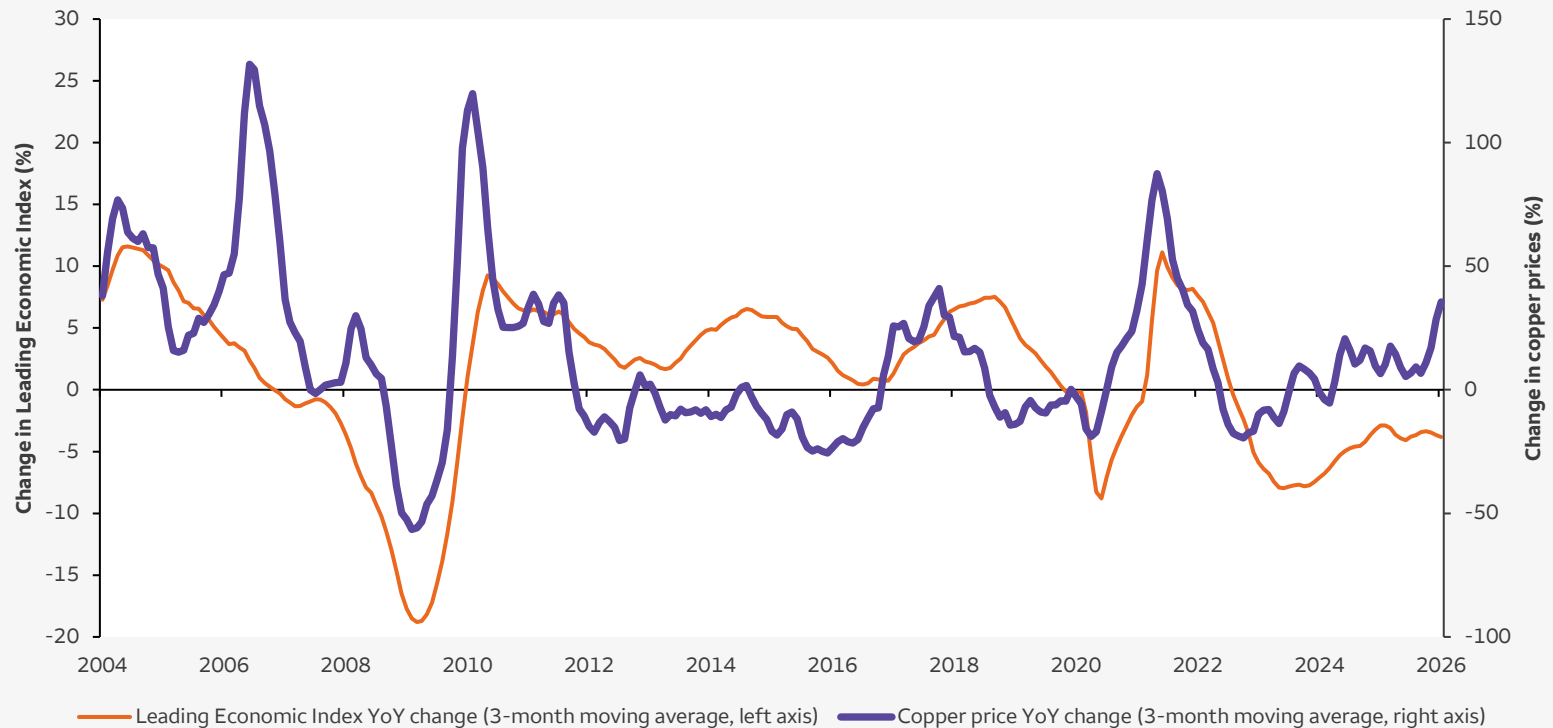
Sources: Energy Information Administration and Wells Fargo Investment Institute. Monthly data from January 1, 1995, to January 31, 2026. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in commodities is not appropriate for all investors.

## Key takeaways

- Over the past decade, the U.S. has become less reliant on imports from the Persian Gulf, which could help mitigate the direct impact of disruptions along the Strait of Hormuz.
- U.S. producers have become increasingly focused on capital discipline and operational efficiencies. These efficiencies helped boost domestic production to all-time highs in late 2025 and could continue to support a relatively low net import reliance.

# Economic growth could stimulate copper performance

## Copper prices versus leading economic indicators

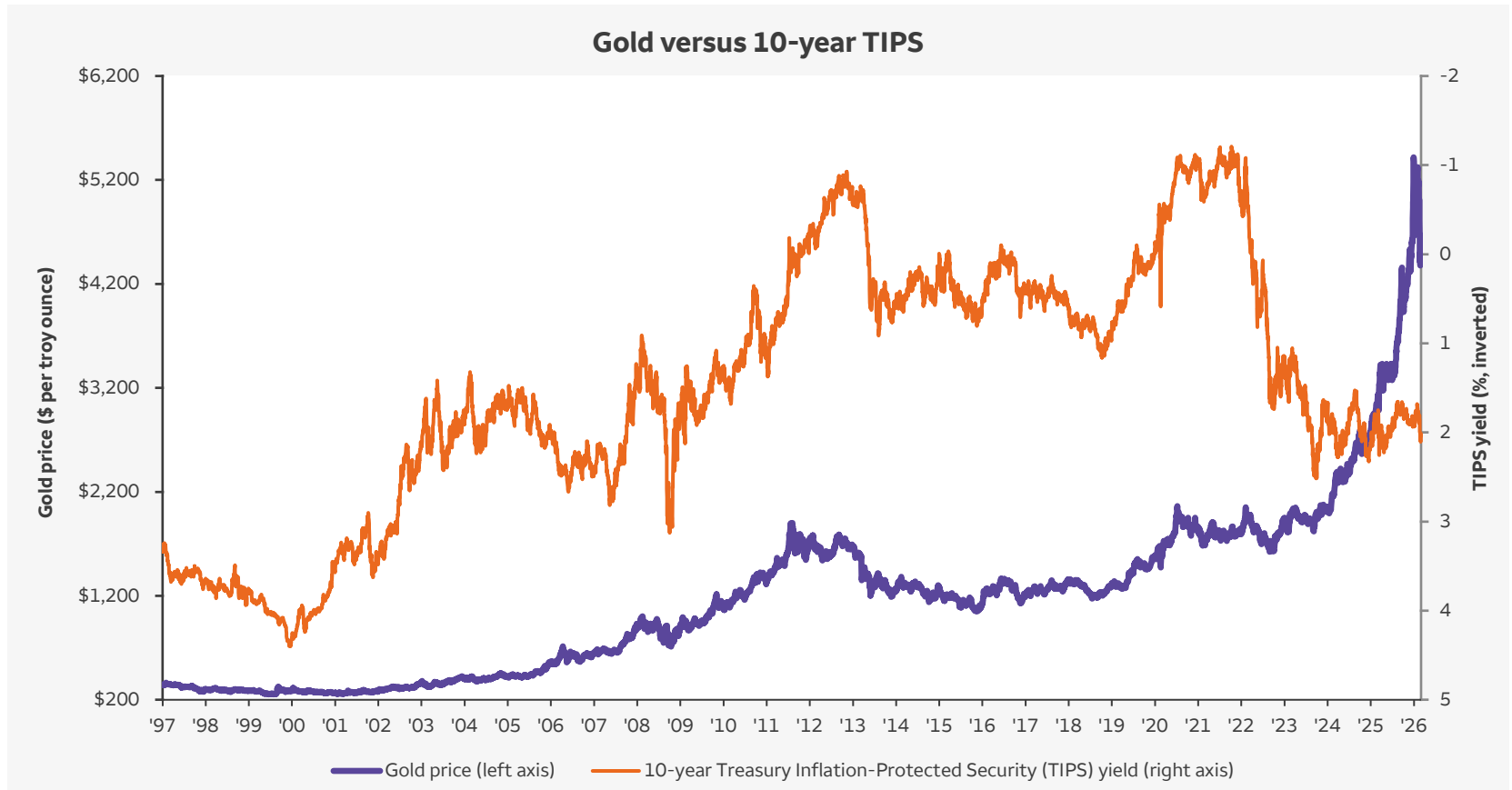


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 2, 2004, to January 31, 2026. The Conference Board Leading Economic Index® (LEI) is a composite average of 10 leading indicators in the U.S. It is one of the key elements in the Conference Board's analytic system, which is designed to signal peaks and troughs in the business cycle. The ten components of The Conference Board Leading Economic Index® for the U.S. include: Average weekly hours in manufacturing; Average weekly initial claims for unemployment insurance; Manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; Manufacturers' new orders for nondefense capital goods excluding aircraft orders; Building permits for new private housing units; S&P 500 Index of Stock Prices; Leading Credit Index™; Interest rate spread (10-year Treasury bonds less federal funds rate); Average consumer expectations for business conditions. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in commodities is not appropriate for all investors. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility.

### Key takeaways

- Copper's broad usage across the economy, from construction to manufacturing to electronics, makes it sensitive to changes in economic conditions.
- Our expectation for a moderate reacceleration in economic conditions during 2026 could be a tailwind for stronger industrial-metal demand and price performance.

# The breakdown of gold's relationship with TIPS yields

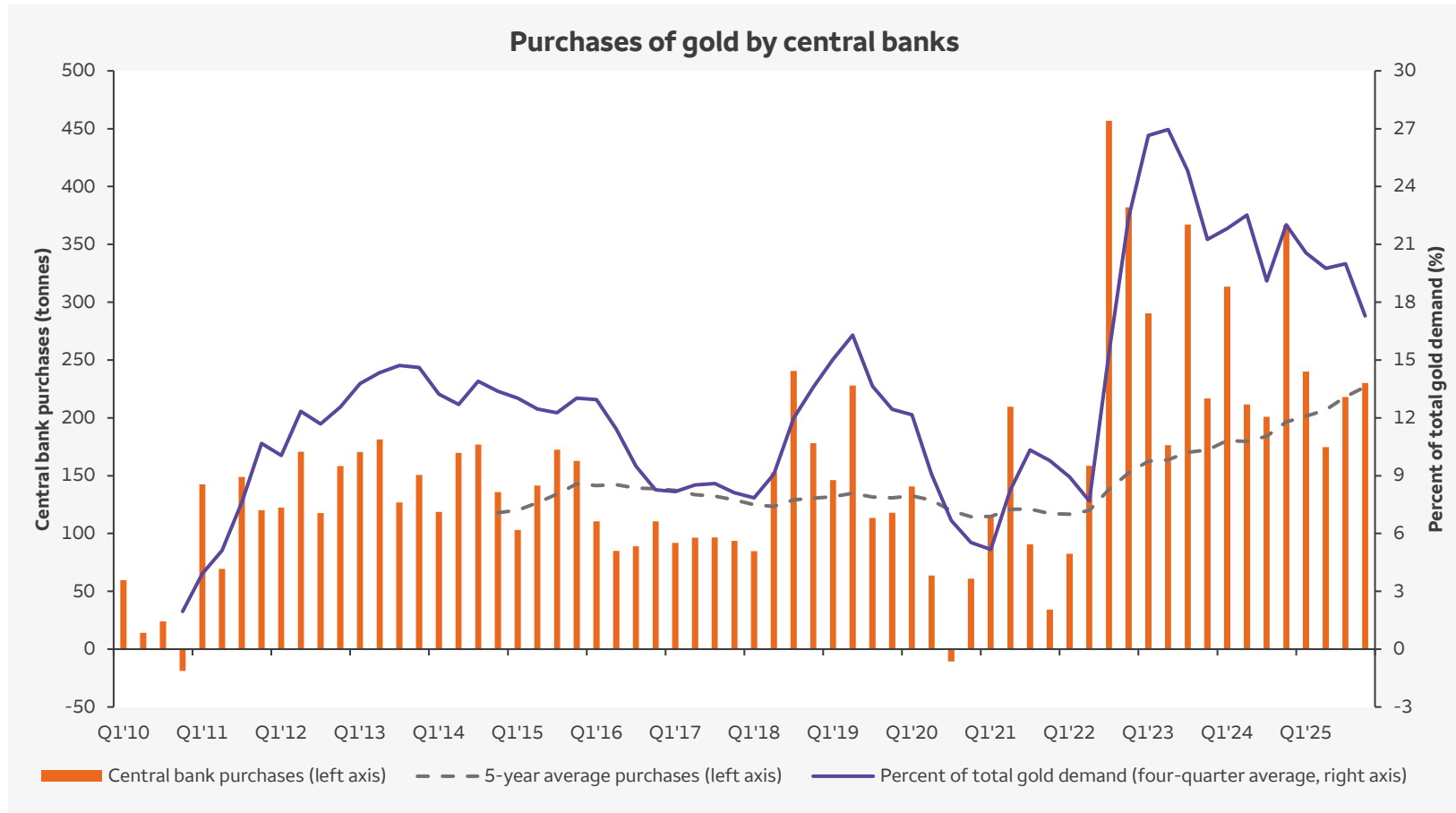


Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 31, 1997, to March 31, 2026. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in physical commodities, such as gold, exposes a portfolio to other risk considerations such as potentially severe price fluctuations over short periods of time and storage costs that exceed the custodial and/or brokerage costs associated with a portfolio's other holdings. **Past performance is not a guarantee of future results.**

## Key takeaways

- Historically, rising Treasury Inflation-Protected Security (TIPS) yields have been a headwind for gold prices, as gold becomes less attractive relative to interest-bearing assets.
- The long-standing inverse relationship between TIPS and gold prices broke in 2022. This suggests that movements in gold prices are reflecting other market drivers, such as heightened geopolitical tensions and aggressive purchasing activity by global central banks, which also arose in 2022.

# All that glitters

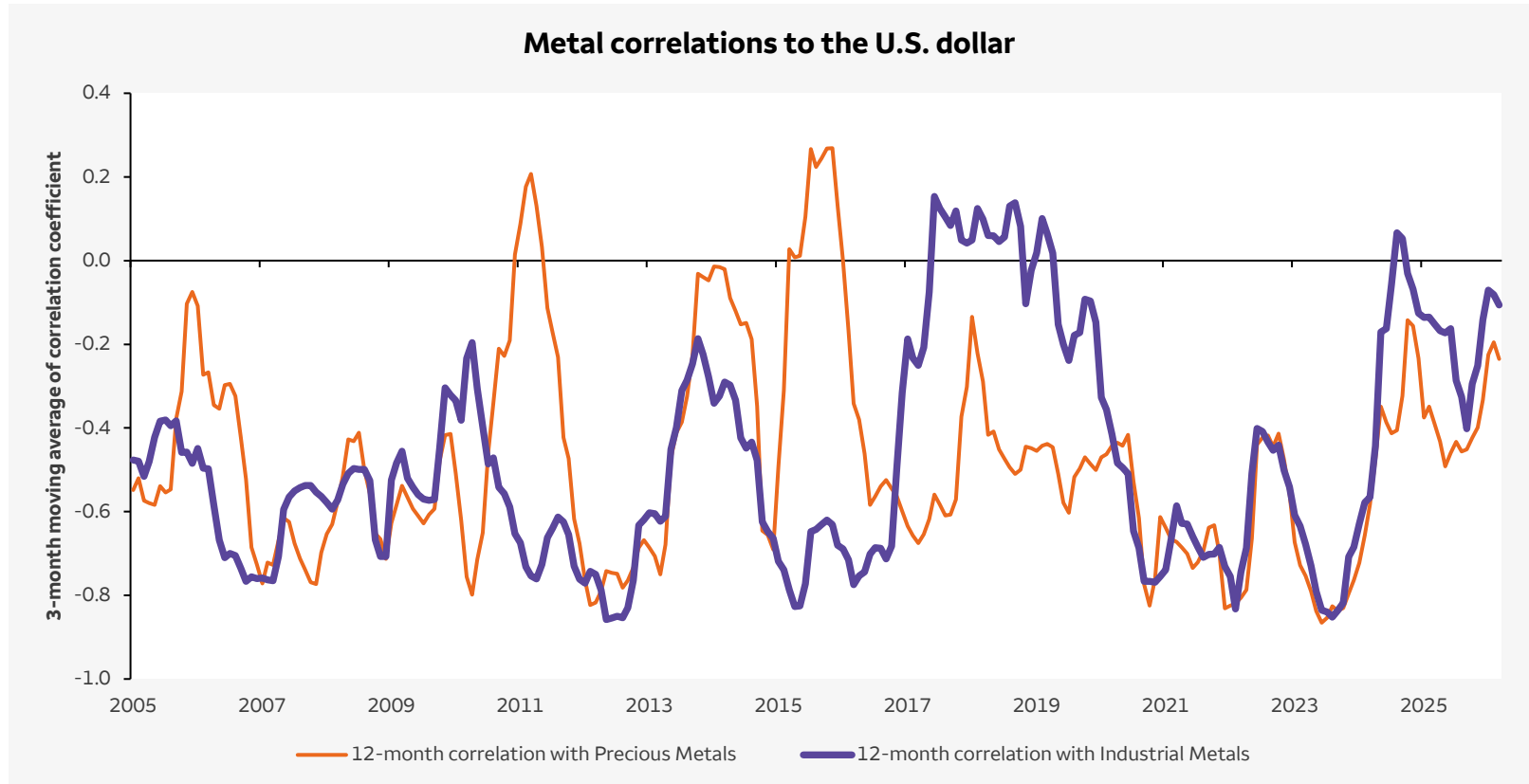


Sources: World Gold Council and Wells Fargo Investment Institute. Quarterly data from January 1, 2010, to December 31, 2025. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in physical commodities, such as gold, exposes a portfolio to other risk considerations such as potentially severe price fluctuations over short periods of time and storage costs that exceed the custodial and/or brokerage costs associated with a portfolio's other holdings.

## Key takeaways

- Central banks across the globe have been purchasing elevated amounts of gold since 2022. Central bank purchases, while normalizing, still account for nearly 20% of global gold demand. We believe gold's unique quality as a reserve asset that carries no counterparty risk (that is, the risk of being devalued by another nation's debt) is a key reason for higher purchasing activity.
- We believe that central-bank demand will continue to be a significant portion of global gold demand and drive higher gold prices over the tactical horizon.

# Subdued U.S. dollar strength could support metal prices

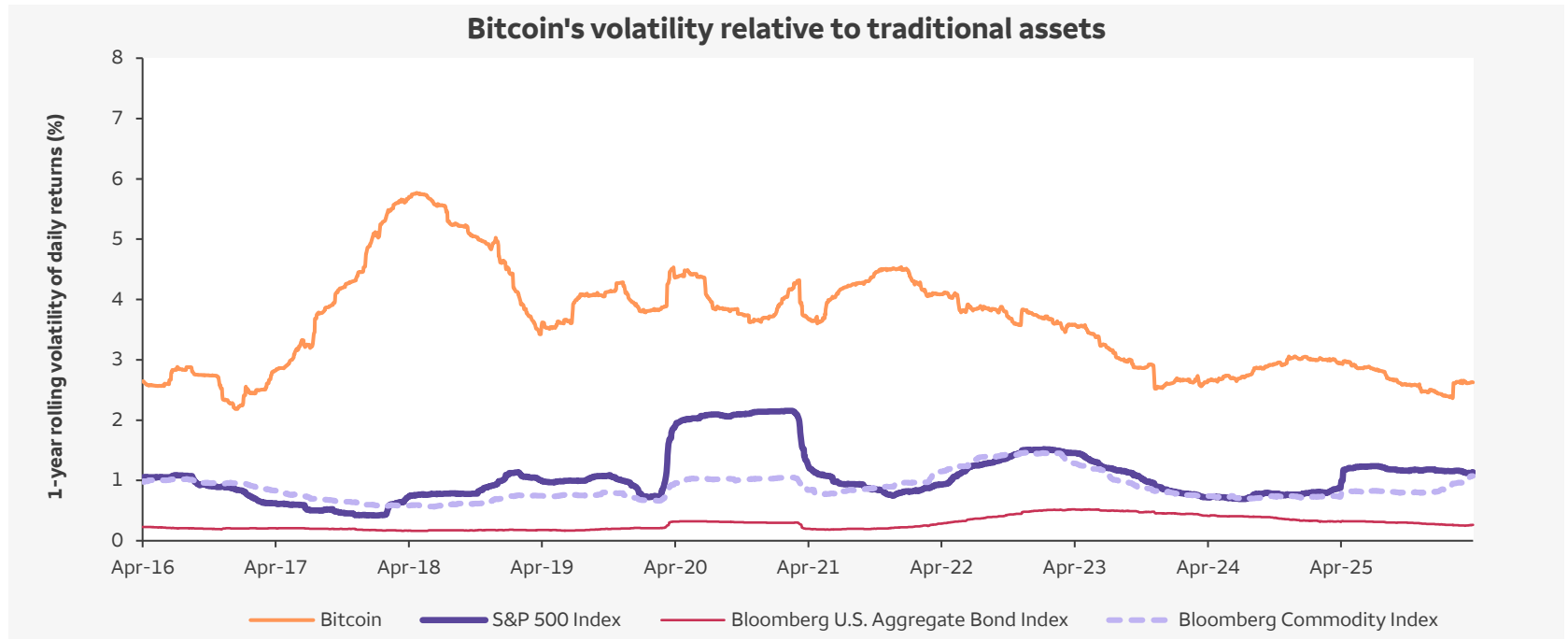


Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2005, to March 31, 2026. Bloomberg Commodity (BCOM) indexes are a family of financial benchmarks designed to provide liquid and diversified exposure to physical commodities via futures contracts. The index currently represents 20 commodities which are weighted to account for economic significance and market liquidity and 22 exchange-traded futures contracts. The index takes exposure to an equally weighted basket of Underlying indexes (subindexes). The Underlying indexes includes the following: BCOM Energy, BCOM Agriculture, BCOM Precious Metals, and BCOM Industrial Metals. The U.S. Dollar Index measures the value of the U.S. dollar relative to major developed market currencies, notably the euro, the Japanese yen, and the British pound. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in commodities is not appropriate for all investors. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in precious and industrial metals carries additional risks and may subject an investment to greater share price volatility. Industrial metals cannot be held physically and are not easily converted to cash. Correlation measures the degree to which asset classes move in sync; it does not measure the magnitude of that movement. There is no guarantee that future correlations between the Indexes will remain the same.

## Key takeaways

- Since the conflict in the Middle East began, a strengthening dollar has been a headwind for metal prices. Our 2026 U.S. dollar forecast suggests that the dollar should remain largely range bound near current pricing. Policy uncertainty remains a tailwind for the dollar, which could support metal's performance through year-end.
- A stronger U.S. dollar can disincentivize demand growth for purchasers outside the U.S., which has typically resulted in weaker commodity prices in general as the dollar strengthens.

# Bitcoin has low, but rising, correlation to traditional assets



Asset/Index	Bitcoin	S&P 500 Index	Bloomberg U.S. Aggregate Bond Index	Bloomberg Commodity Index
Bitcoin	1.00			
S&P 500 Index	0.26	1.00		
Bloomberg U.S. Aggregate Bond Index	0.03	0.01	1.00	
Bloomberg Commodity Index	0.11	0.27	-0.03	1.00

Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from April 1, 2016, to March 31, 2026. Bitcoin represented by the bitcoin spot exchange rate versus the U.S. dollar. Negative values are shaded in red in correlations table. Correlation measures the degree to which asset classes move in sync; it does not measure the magnitude of that movement. There is no guarantee that future correlations between the Indexes will remain the same. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. Index correlations represent past performance. **Past performance is no guarantee of future results.** See following page for risks and index definitions.

## Key takeaways

- Bitcoin’s low correlation with U.S. Large Cap Equities, U.S. Investment Grade Taxable Fixed Income, and Commodities may present an opportunity for inclusion in a diversified allocation.
- Bitcoin’s substantially higher volatility and recent, near-term higher correlation with growth equities remains a risk of which investors should be aware.

# Bitcoin has low but rising correlation to traditional assets cont'd

## Risk considerations

Virtual or cryptocurrency is not a physical currency, nor is it legal tender. Bitcoin and other cryptocurrencies are a very speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment, and a potential total loss of their investment. An investor could lose all or a substantial portion of his/her investment. Cryptocurrency has limited operating history or performance. Fees and expenses associated with a cryptocurrency investment may be substantial. Cryptocurrencies are sometimes exchanged for U.S. dollars or other currencies around the world, but they are not backed or supported by any government or central bank. Their value is completely derived by market forces of supply and demand, and they are more volatile than traditional fiat currencies.

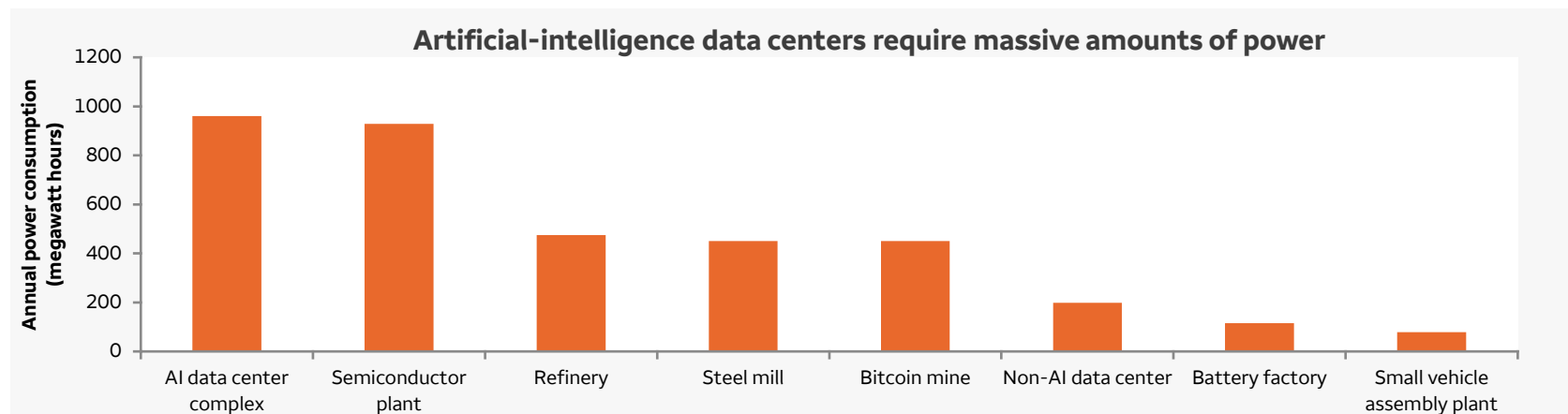
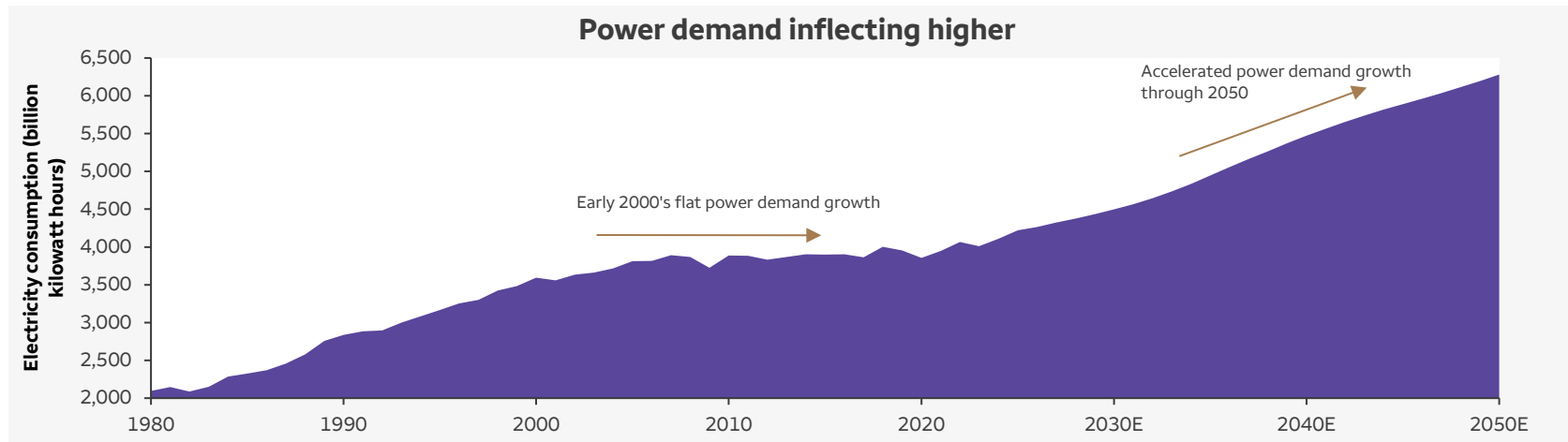
Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

## Index definitions

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **Bloomberg U.S. Aggregate 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. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

# The growing need for more power

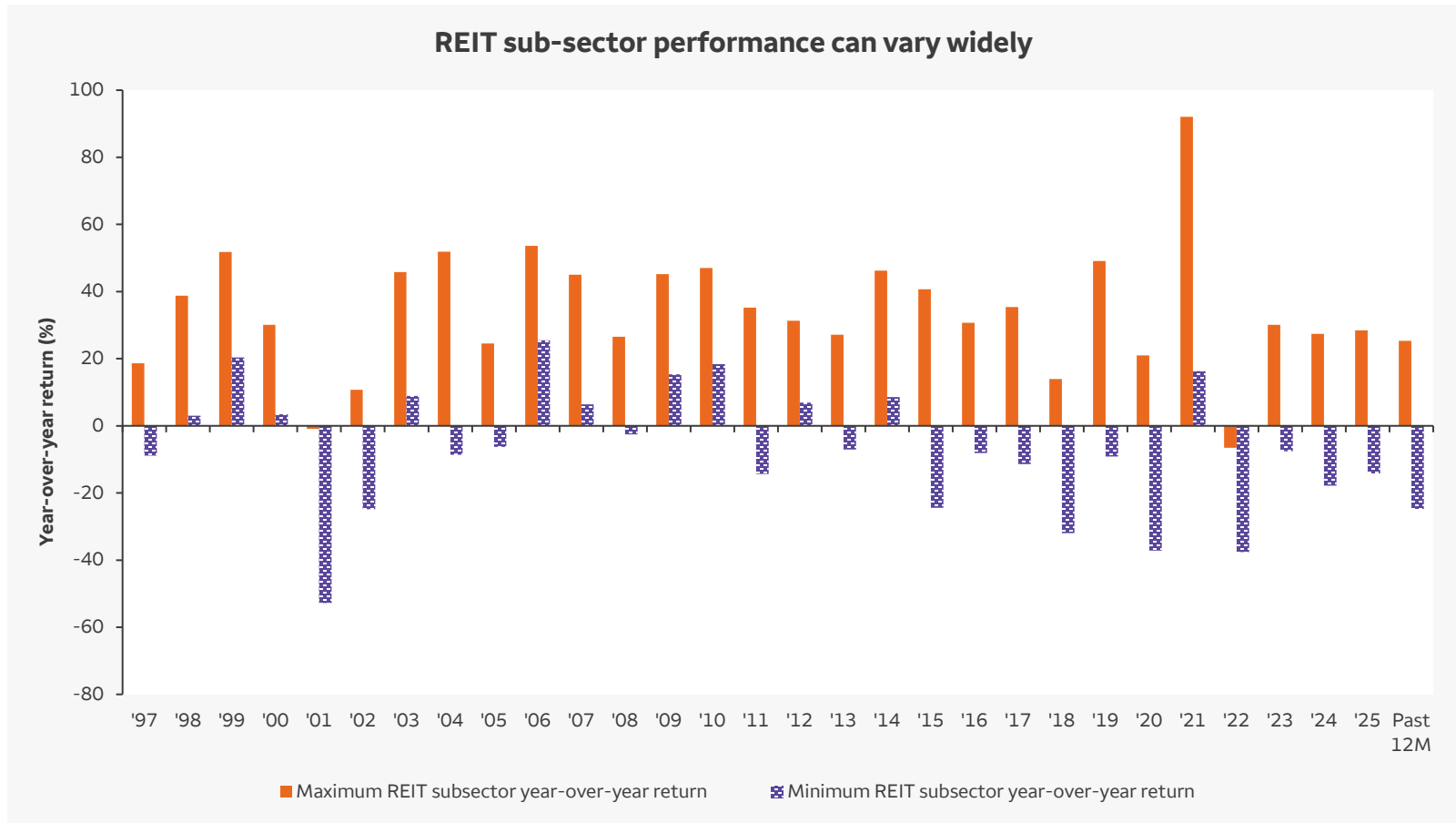


Sources: Top chart: U.S. Energy Information Administration (EIA) and Wells Fargo Investment Institute. Annual data from January 1, 1980, to December 31, 2024. EIA forecast data from 2025 – 2050 as of March 31, 2026. Total renewables includes hydro, geothermal, wind, solar, and biomass primary energy consumption. E = estimate. Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change. Bottom chart: Company reports, Syracuse website, wvmetronews website, KERANews, AFL Hyperscale, Assembly Magazine, Energy Star, and Wells Fargo Investment Institute. Data as of March 31, 2026.

## Key takeaways

- The adoption of emerging technologies such as artificial intelligence, and the required data centers and electrification for them, are driving higher demand for power generation.
- Following over a decade of minimal power demand growth, we believe demand for power generation will be a strong tailwind for Energy sector performance as the buildout of these energy-intensive technologies continues to grow.

# A REIT is a REIT is a REIT, right? No.



Sources: Bloomberg, NAREIT, and Wells Fargo Investment Institute. Data from January 1, 1997, to March 31, 2026. REIT = real estate investment trust. 12M = 12 months. Relative performance is measured by the FTSE NAREIT subsector indexes versus FTSE NAREIT All Equity REITS Index. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. FTSE NAREIT All Equity REITS Index, a subset of the All REITS Index, is designed to track the performance of REITs representing equity interests in (as opposed to mortgages on) properties. Real estate has special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Investing in REITs is not appropriate for all investors.

## Key takeaways

- REITs come in all shapes and sizes — a REIT that specializes in data centers differs wildly from a REIT that specializes in malls or office buildings — and returns can vary widely as a result.
- We believe monitoring the fundamentals, valuations, trends, and performance of these different REIT sub-sectors can provide opportunities for investors in REITs.

# Alternative investments highlights

## Hedge funds

- Over a full market cycle, we believe hedge funds can help decrease risk and improve diversification.
- As we prepare for our expectation of a gradual economic recovery in 2026, we favor opportunistic sub-strategies such as Equity Hedge – Long/Short Equity and Macro – Discretionary that may participate in a rising equity market and help navigate geopolitical uncertainty.
- We remain favorable on Relative Value – Long/Short Credit as the sub-strategy should be able to participate in an improving economic environment yet hedge against potential market pullbacks.
- We continue to believe the opportunity set for Distressed Credit sub-strategies will remain robust as over-leveraged companies endure higher debt-service levels.

## Private capital

- While Private Equity valuations have stabilized, we remain cautious as the strategic acquisitions by corporations remain modest. Yet, we are encouraged by an improving financing environment and signs of recovery in overall dealmaking.
- In the current environment, we favor Growth Equity, Small/Mid Buyout, and Secondaries within Private Equity. We believe these sub-strategies provide resilient opportunities and long-term growth potential.
- Private Debt strategies focused on distressed and special situations remain attractive as credit stress remains elevated in the lowest-quality segment of the small and middle markets.
- While headwinds persist for Private Real Estate, we are constructive on Private Infrastructure, driven by the need to modernize aging assets and construct new facilities to support artificial intelligence and the energy transition.

Alternative investments, such as hedge funds and private equity/private debt funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. 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. 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. There may be no secondary market for alternative investment interests, and transferability may be limited or even prohibited. Hedge fund strategies, such as Equity Hedge, Event Driven, Macro, and Relative Value, may expose investors to risks such as short selling, leverage, counterparty, liquidity, volatility, the use of derivative instruments, and other significant risks.

# Alternative investments scorecard

Index	1Q26 return (%)	4Q25 return (%)	YTD return (%)	YOY return (%)	3-year return (%, annualized)
HFRI Fund Weighted Composite as of 3/31/2026	0.93	2.66	0.93	13.93	9.99
HFRI Relative Value as of 3/31/2026	1.28	1.43	1.28	7.06	7.69
HFRI Macro as of 3/31/2026	4.44	3.56	4.44	11.76	6.41
HFRI Event Driven as of 3/31/2026	-0.05	2.14	-0.05	11.67	9.86
HFRI Equity Hedge as of 3/31/2026	-0.47	2.91	-0.47	18.18	12.25
MSCI Private Equity as of 9/30/2025	–	–	9.53	10.51	7.23
MSCI Private Debt as of 9/30/2025	–	–	7.20	7.96	9.24
NCREIF Property as of 12/31/2025	–	1.14	4.92	4.92	-1.01

Sources: Bloomberg, Morgan Stanley Capital International (MSCI), National Council of Real Estate Investment Fiduciaries (NCREIF), and Wells Fargo Investment Institute. 1Q = first quarter. 4Q = fourth quarter. YOY = year over year. YTD = year to date. Index returns do not represent investment returns or the results of actual trading nor are they forecasts of expected gains or losses a fund might experience. Index returns do not represent investment performance. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. Unlike most asset class indexes, HFR Index returns reflect deduction for fees. Because the HFR indexes are calculated based on information that is voluntarily provided actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See following page for index definitions.

## Key takeaways

- Performance over the past year for Macro, Equity Hedge, and Event Driven hedge fund strategies has exceeded our expectations.

# Alternative investments scorecard cont'd

Alternative investments, such as hedge funds and private equity/private debt funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. 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. 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. There may be no secondary market for alternative investment interests, and transferability may be limited or even prohibited. Hedge fund strategies, such as Equity Hedge, Event Driven, Macro, and Relative Value, may expose investors to risks such as short selling, leverage, counterparty, liquidity, volatility, the use of derivative instruments, and other significant risks.

REITS have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions.

## Index definitions

**HFRI Fund Weighted Composite Index** is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that comprise the Index. Constituent funds must have either \$50 million under management or a track record of greater than 12 months. Sub-strategies include: HFRI Event-Driven, Distressed/Restructuring Index, and HFRI Event-Driven (Total) Index.

**HFRI Event Driven Index** maintains positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to 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. Event Driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investment theses are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

**HFRI Macro Index:** Investment Managers which trade a broad range of strategies in which the investment process is 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 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 EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis.

**HFRI Equity Hedge Index** consists of 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%, and may in some cases be substantially entirely invested in equities, both long and short.

**HFRI Relative Value Index** maintains positions in which the investment thesis 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.

The HFRI indexes 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.

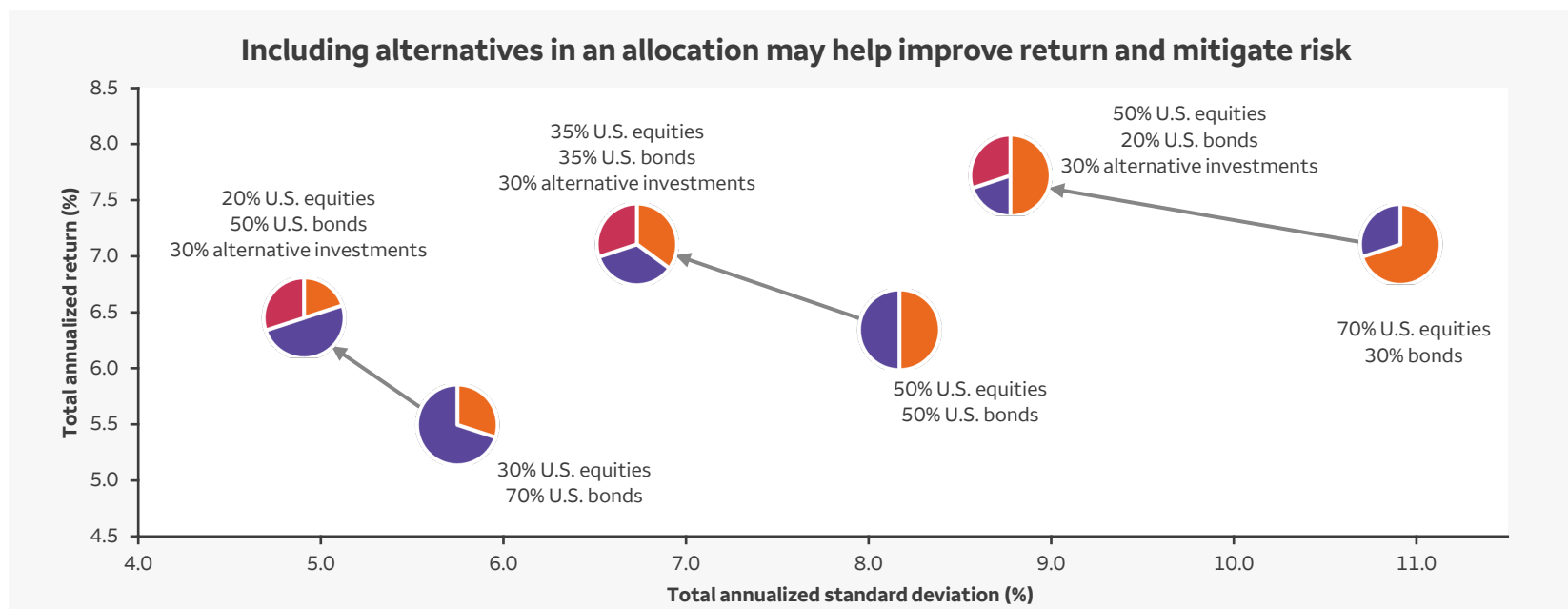
**The MSCI Private Equity Index** is based on the pool of private equity funds sourced by MSCI and is asset weighted. The index is calculated using cash flow and valuation histories of the underlying funds within MSCI manager universe. The underlying funds are classified by MSCI private capital classification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

**The MSCI Private Debt Index** is a pooled quarterly time weighted rate of return series based on data compiled by MSCI from over 800 private debt funds (generalist, senior, mezzanine, and distressed debt), including fully liquidated partnerships, formed after 1986. The return series is net of fees, expenses, and carried interest. The benchmark is issued on a quarterly basis, approximately 80 calendar days after quarter end. Index returns do not represent fund performance.

**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.

An index is unmanaged and not available for direct investment.

# Rethinking diversification with alternative investments



Sources: © Morningstar Direct, All Rights Reserved<sup>1</sup>, and Wells Fargo Investment Institute. Data from January 1, 2000, to September 30, 2025. For illustrative purposes only. U.S. bonds = Bloomberg U.S. Aggregate Bond Index. U.S. equities = S&P 500 Index. 30% alternatives investments consists of 10% hedge funds (HFRI Fund Weighted Composite Index), 10% private equity (MSCI Private Equity Index), 5% private debt (MSCI Private Debt Index), and 5% private real estate (NCREIF Property Index). Index returns do not represent investment returns or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for expenses or taxes applicable to an actual investment. Standard deviation is a measure of the volatility of returns. The higher the standard deviation, the greater volatility has been.

Diversification strategies do not guarantee investment returns or eliminate the risk of loss. See asset class risks and index definitions on following page. Risk and return results of the general portfolio blends [indexes] above do not represent investment returns or the results of actual trading, and are provided for the sole purpose of displaying potential effects of diversification in a portfolio. Index returns reflect general market results for the asset or product type, assume the reinvestment of dividends and other distributions, and do not reflect deduction for expenses or taxes applicable to an actual investment. **Indexes used to represent allocations to alternative investment products and private markets (“Private Market Indexes”) are different than indexes representing publicly traded securities. Past performance is not a guarantee of future results.** Private Market Indexes are typically comprised of information voluntarily reported by the fund managers that have chosen to participate, and therefore these indexes could reflect a bias towards funds with successful track records, leading to the appearance that the average historical fund performance was better than it actually was. Private Market Indexes used here cannot be invested in directly or indirectly, and therefore an actual investment in these product classes is not expected to be as diversified as their associated index. **Actual investments will likely carry increased volatility relative to their index.** Although adding alternative investments to an investment portfolio may further diversify the total portfolio, each alternative investment could carry higher risk than other investments within the portfolio. Investors should carefully consider the risks of each alternative investment product that they are considering for investment. Because different managers use a multitude of different strategies, an alternative index may not accurately reflect every investment in that asset class. Investors should carefully consider the asset class in which the product intends to invest to avoid inadvertently overexposing the portfolio to the risks of a particular asset class or economic sector. An investment’s offering documents will more accurately discuss all applicable risks. These offering documents should be read carefully before investing.

## Key takeaways

- Adding alternative investments to an allocation with a blend of traditional stocks and bonds has historically increased returns and decreased risk.
- Alternative investments can provide valuable diversification, especially during time periods when the correlations between U.S. stocks and bond prices have been positive.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

# Rethinking diversification with alternative investments cont'd

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. Alternative investments, such as hedge funds and private equity/private debt funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. 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. 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. There may be no secondary market for alternative investment interests, and transferability may be limited or even prohibited. Hedge fund strategies, such as Equity Hedge, Event Driven, Macro, and Relative Value, may expose investors to risks such as short selling, leverage, counterparty, liquidity, volatility, the use of derivative instruments, and other significant risks. Private real assets are not appropriate for all investors. REITS have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions.

## Index definitions

**HFRI Fund Weighted Composite Index** is 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 US Dollars and have a minimum of \$50 Million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include funds of hedge funds. HFRI Indices have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices 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 indices, and, therefore, the index may omit funds, the inclusion of which might significantly affect the performance shown).

The HFRI indexes 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.

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

The **MSCI Private Debt Index** is a pooled quarterly time weighted rate of return series based on data compiled by MSCI from over 800 private debt funds (generalist, senior, mezzanine, and distressed debt), including fully liquidated partnerships, formed after 1986. The return series is net of fees, expenses, and carried interest. The benchmark is issued on a quarterly basis, approximately 80 calendar days after quarter end. Index returns do not represent fund performance.

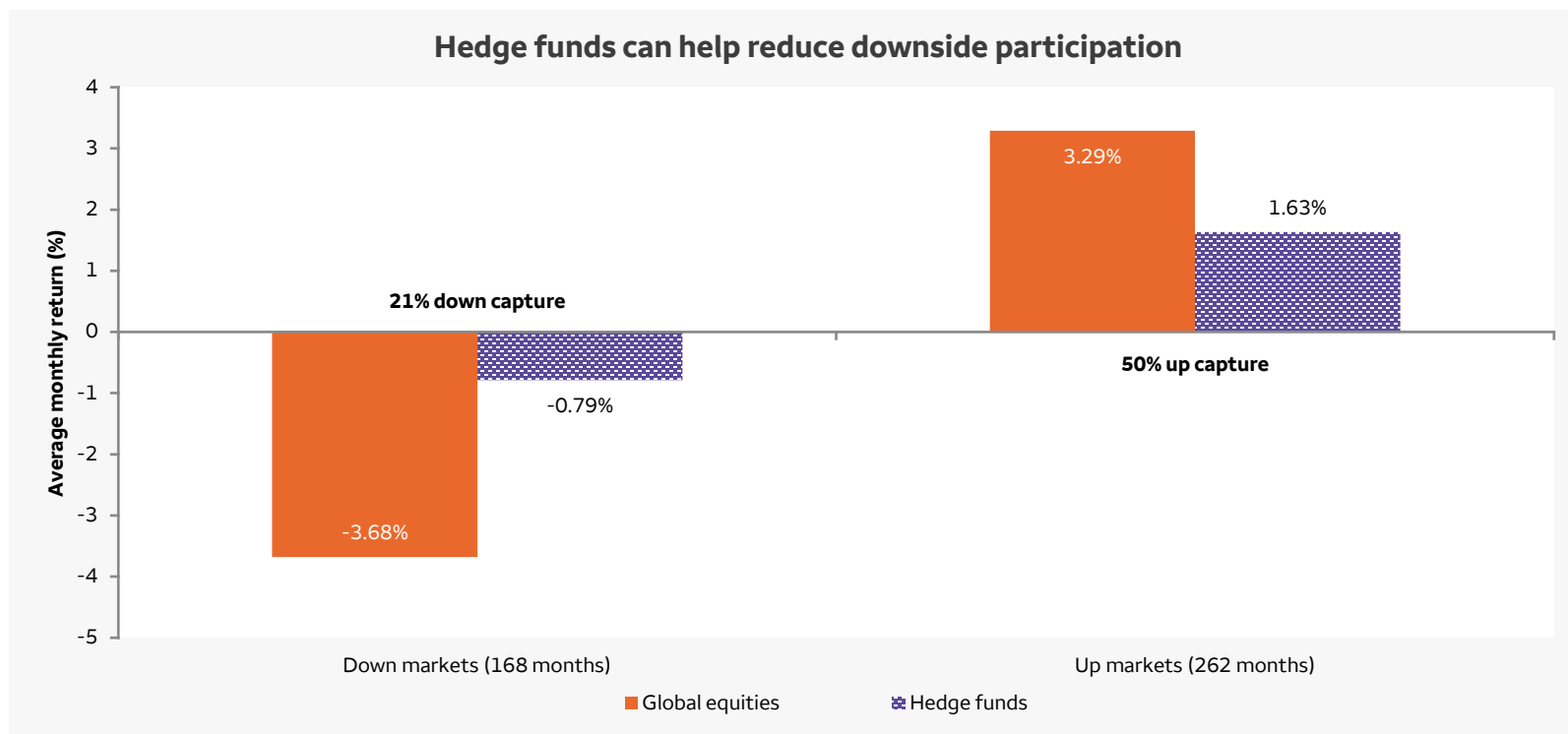
The **NCREIF Property Index** is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

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

The **S&P 500 Index** is a market capitalization-weighted index generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

# Downside risk mitigation with hedge funds



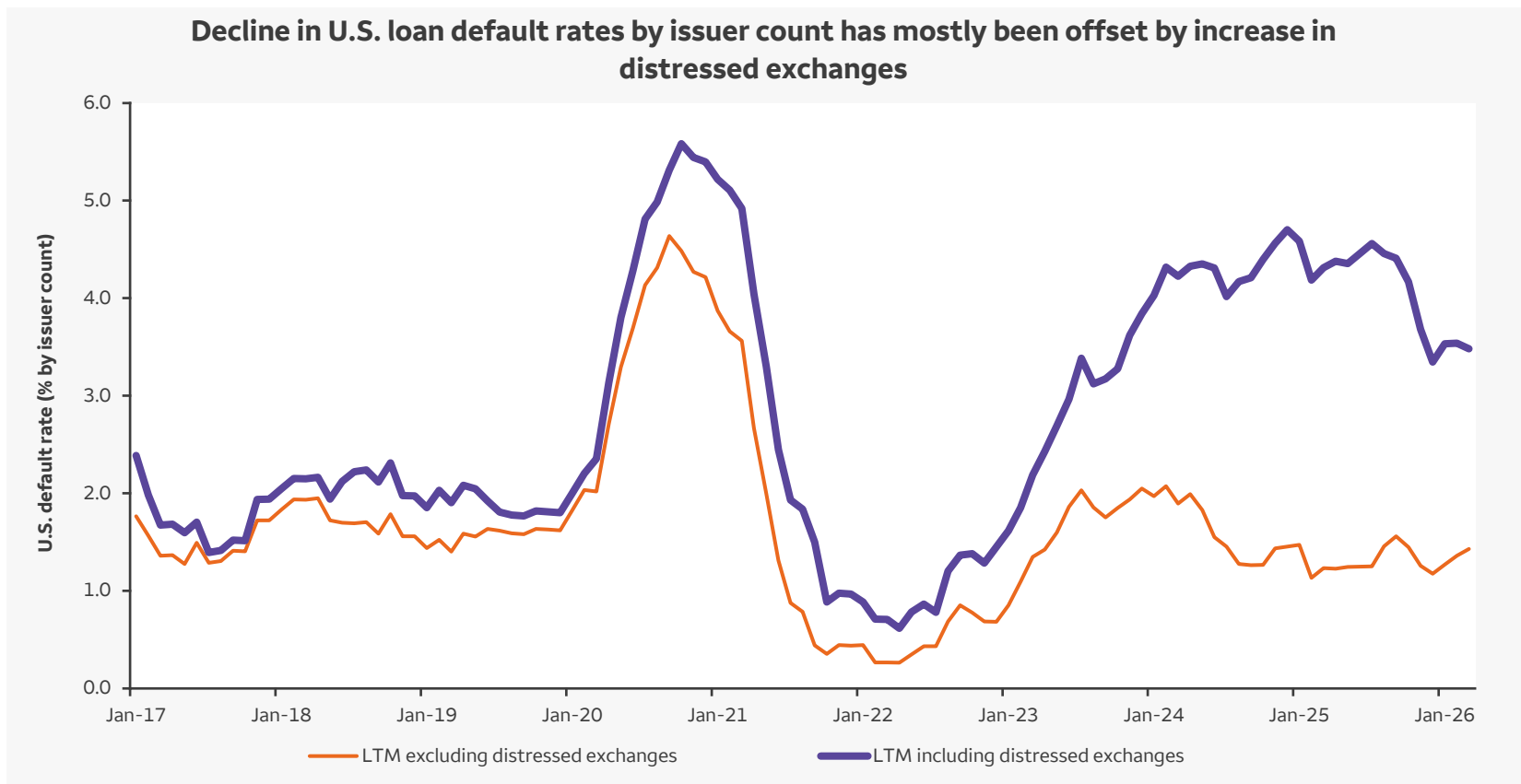
Sources: Bloomberg and Wells Fargo Investment Institute. Data from January 1, 1990, to March 31, 2026. Global equities = MSCI World Index. Hedge funds = HFRI Fund Weighted Composite Index. Index returns do not represent investment performance or the results of actual trading. Index returns do not represent investment returns or the results of actual trading nor are they forecasts of expected gains or losses a fund might experience. The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets including the United States. The HFRI Fund Weighted Composite Index is a global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Index returns do not represent investment returns or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for expenses or taxes applicable to an actual investment. Unlike most asset class indexes, HFR Index returns reflect deduction for fees and expenses. Because the HFR indexes are calculated based on information that is voluntarily provided actual returns may be higher or lower than those reported. The HFRI indexes 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. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Diversification strategies do not guarantee investment returns or eliminate the risk of loss.

## Key takeaways

- Alternative investments, like hedge funds, can help reduce downside participation and provide diversification, especially when stocks and bonds are positively correlated.

Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. 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. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty.

# Stresses in the loan market



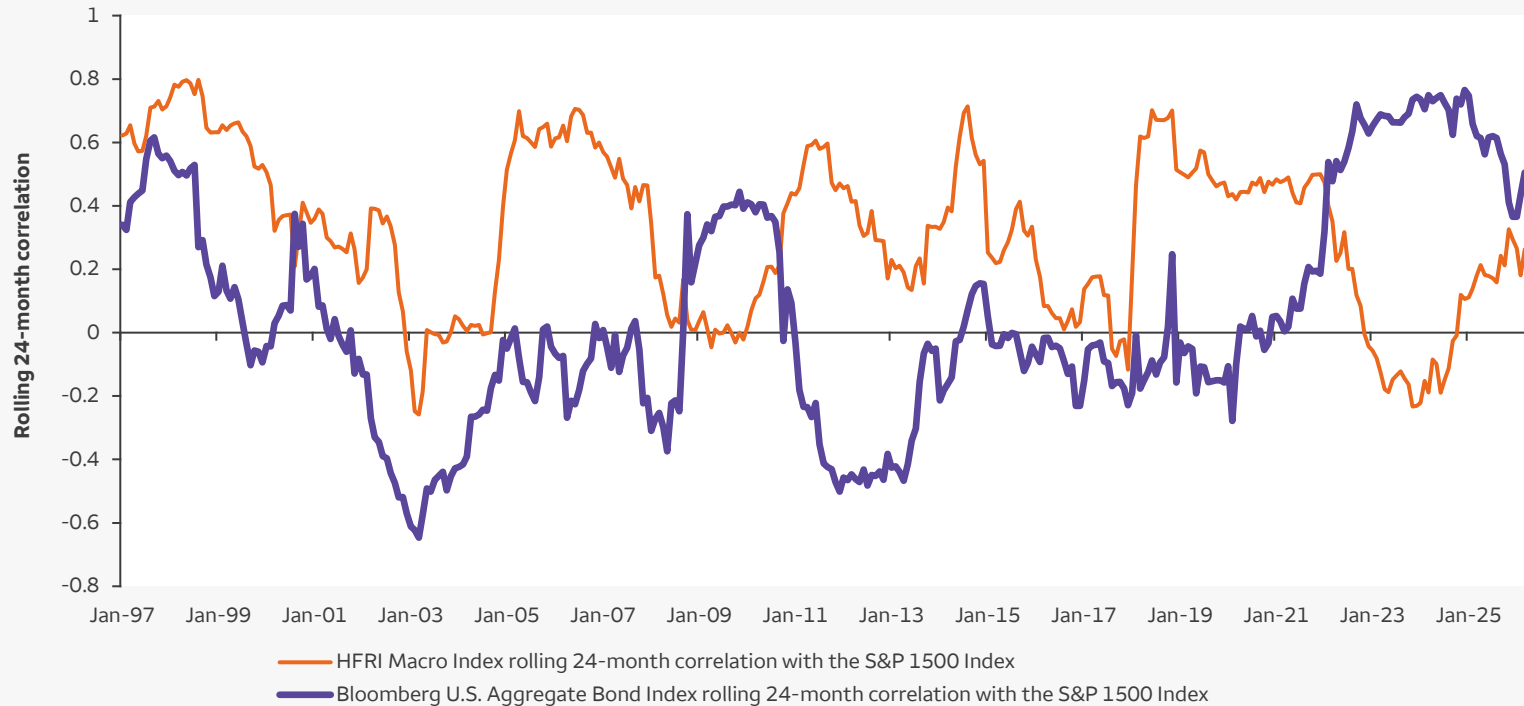
Sources: Pitchbook | LCD and Wells Fargo Investment Institute. Monthly data from January 1, 2017, to March 31, 2026. LTM = last 12 months. Distressed exchanges and number of defaults is based on the Morningstar LSTA US Leveraged Loan Index, which is designed to measure the performance of the U.S. leveraged loan market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. 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. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Leveraged loans tend to have higher interest rates than typical loans. These rates reflect the higher level of risk involved in issuing the loan.

## Key takeaways

- We believe the opportunity set for Distressed Credit sub-strategies will remain robust as over-leveraged companies endure higher debt-service levels. To preemptively restructure debts, many companies have opted into distressed exchanges to extend maturities, reduce debt levels, or manage debt service costs.
- As distressed-credit managers seek to acquire companies with strong potential but weak balance sheets, the strategies will likely perform well, particularly in the early stages of an economic recovery as firms restructure and regain financial health.

# Macro — May diversify when bonds do not

## Macro strategies have provided better diversification to equities than bonds



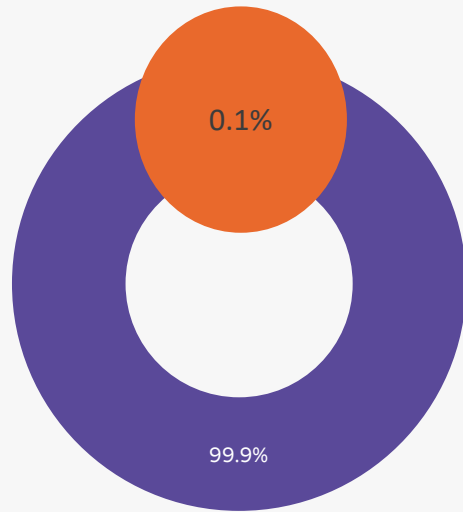
Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 1997, to March 31, 2026. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses, or taxes applicable to an actual investment. Unlike most asset class indexes, HFR Index returns are net of all fees. Because the HFR Indexes are calculated based on information that is voluntarily provided actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** The HFRI Macro Index: Investment Managers which trade a broad range of strategies in which the investment process is 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 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 EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis. The S&P 1500 Index is a broad-based capitalization-weighted index of 1500 U.S. companies and is comprised of the S&P 400, S&P 500, and the S&P 600. The Bloomberg U.S. Aggregate 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.

### Key takeaways

- Trends across equities, commodities, currencies, and interest rates have tended to drive returns for Macro strategies, which have exhibited lower correlations to equity and fixed-income investments and provided valuable diversification benefits over time.

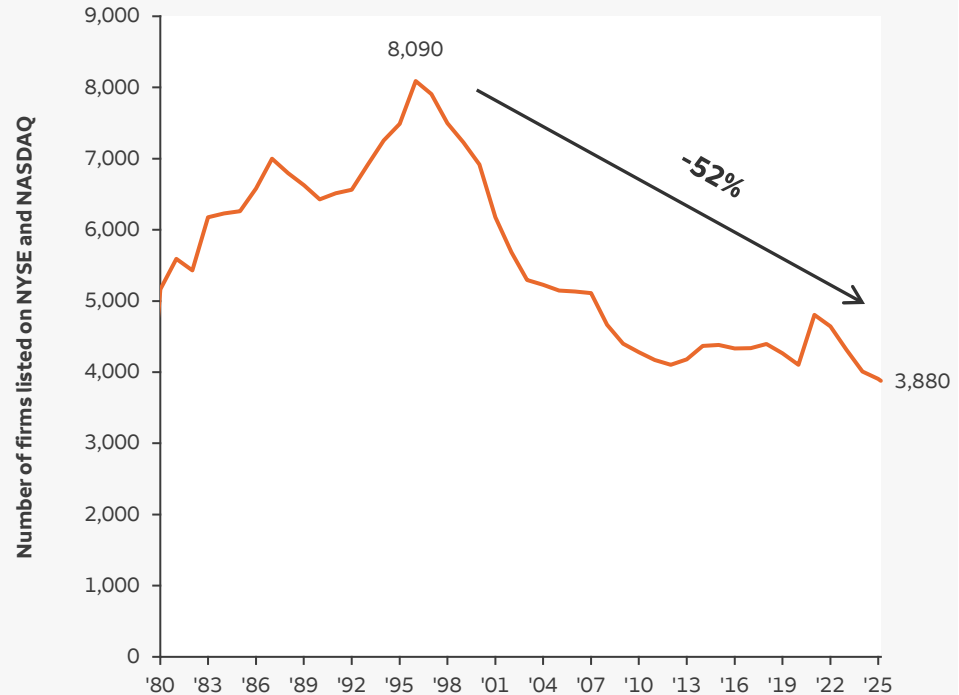
Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to accredited or qualified investors within the meaning of the U.S. securities laws. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial 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. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty.

# Opportunities in Private Equity



■ Public companies (~3,880)  
■ Private companies (~6,400,000)

### Number of publicly traded companies has fallen



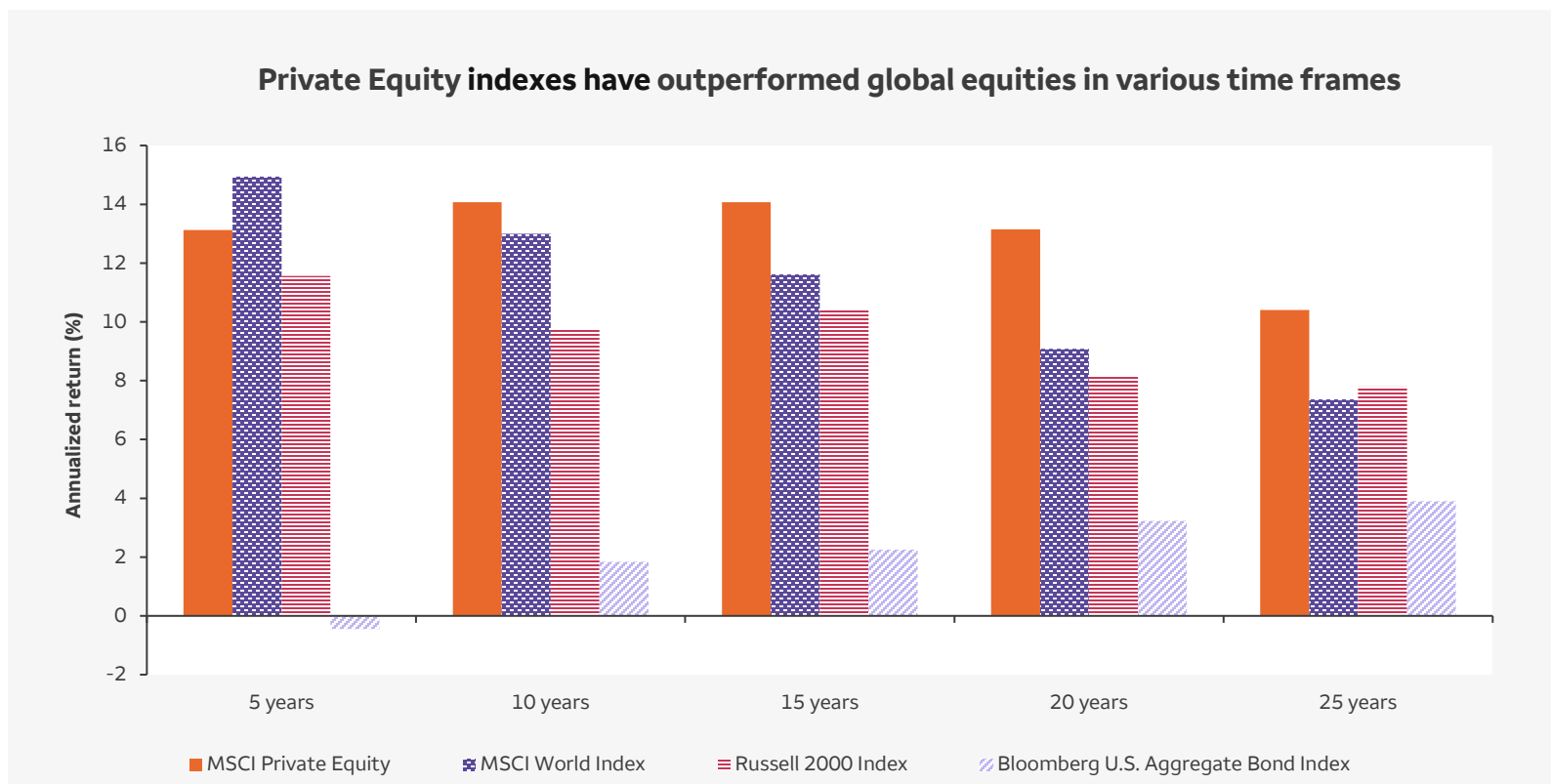
Sources: U.S. Census Bureau, World Federation of Exchanges, and Wells Fargo Investment Institute. Data from January 1, 1980, to February 28, 2026. NYSE = New York Stock Exchange. ~ = approximately. NASDAQ = National Association of Securities Dealers Automated Quotations.

Alternative investments, such as private equity funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. They are speculative and entail significant risks that are 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.

## Key takeaways

- The majority of companies remain private, which inherently offers Private Equity strategies a robust opportunity set.
- The decline in the number of publicly traded companies implies that passive public-market focused strategies are likely becoming more concentrated over time.

# Illiquidity premium for Private Equity



Sources: Bloomberg, Morgan Stanley Capital International (MSCI), and Wells Fargo Investment Institute, as of September 30, 2025. Most recent data lags up to 2 quarters for MSCI Private Equity Index. See the next slide for important disclosures.

## Key takeaways

- Private Equity strives to deliver significant capital appreciation for investors over long periods of time.
- Private Equity indexes have historically provided an illiquidity premium compared to those of publicly traded equities. This illiquidity premium accounts for the additional risk assumed by investors, due in part to the lack of ease and efficiency to trade or liquidate these assets frequently.

# Illiquidity premium for Private Equity cont'd

For illustrative purposes only. Risk and return results of the general portfolio blends [indexes] above do not represent investment returns or the results of actual trading. Index returns reflect general market results for the asset or product type, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees and/or expenses or taxes applicable to an actual investment.

Indexes used to represent allocations to alternative investment products and private markets ("Private Market Indexes") are different than indexes representing publicly traded securities. Private Market Indexes are typically comprised of information voluntarily reported by the fund managers that have chosen to participate, and therefore these indexes could reflect a bias towards funds with successful track records, leading to the appearance that historical average fund performance was better than it actually was. Private Market nor traditional indexes can be invested in directly or indirectly, and therefore an actual investment in these product classes is not expected to be as diversified as their associated index. An index is not managed and not available for direct investment. **Past performance is not a guarantee of future results.**

Actual alternative investments will likely carry increased volatility relative to their index. Although adding alternative investments to an investment portfolio may further diversify the total portfolio, each alternative investment could carry higher risk than other investments within the portfolio. Investors should carefully consider the risks of each alternative investment product that they are considering for investment. Alternative investment funds are product types and not necessarily asset classes. Because different managers use a multitude of different strategies, an alternative index may not accurately reflect every investment in that asset class. Investors should carefully consider the asset class in which the product intends to invest to avoid inadvertently overexposing the portfolio to the risks of a particular asset class or economic sector. An investment's offering documents will more accurately discuss all applicable risks. These offering documents should be read carefully before investing.

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small cap stocks are generally more volatile than large cap stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to interest rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates.

Alternative investments, such as private equity funds, are not appropriate for all investors and are only open to "accredited" or "qualified" investors within the meaning of the U.S. securities laws. 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. Private equity 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. Private equity investing involves other material risks including capital loss and the loss of the entire amount invested.

## Index definitions

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

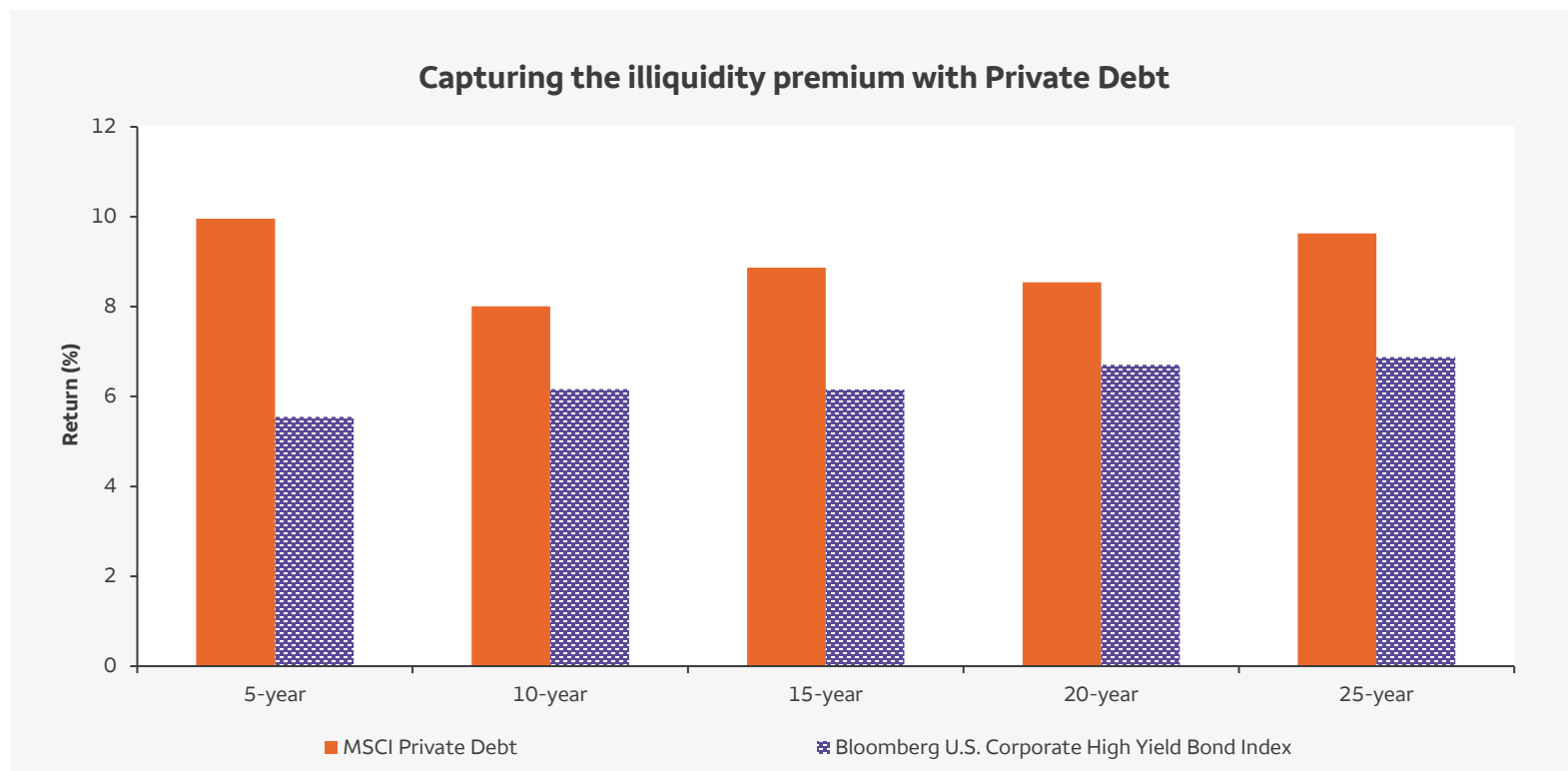
**MSCI Private Equity Index** is based on the pool of private equity funds sourced by MSCI and is asset weighted. The index is calculated using cash flow and valuation histories of the underlying funds within MSCI manager universe. The underlying funds are classified by MSCI private capital classification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

**MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets including the United States.

**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.

An index is unmanaged and not available for direct investment.

# Private Debt index returns have outpaced those of public debt



Sources: Bloomberg, Morgan Stanley Capital International (MSCI), and Wells Fargo Investment Institute, as of September 30, 2025. The MSCI Private Debt Index is a pooled quarterly time weighted rate of return series based on data compiled by MSCI from over 800 private debt funds (generalist, senior, mezzanine, and distressed debt), including fully liquidated partnerships, formed after 1986. The return series is net of fees, expenses, and carried interest. The benchmark is issued on a quarterly basis, approximately 80 calendar days after quarter end. Most recent data lags up to 2 quarters for the MSCI Private Debt Index. The Bloomberg U.S. Corporate High Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Broad-based Indexes do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses, or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** See the next slide for important disclosures.

Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Alternative investments, such as private debt funds are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. Private debt 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.

## Key takeaways

- Private Debt has historically provided an attractive premium given the complexity of lending to entities that are unable to or choose not to borrow from traditional capital-market sources.
- Although sentiment has turned more cautious lately, we continue to observe relatively stable credit conditions. In particular, Direct Lending sub-strategies have remained focused on higher-quality senior secured loans in recent years.

# Private Debt index returns have outpaced those of public debt cont'd

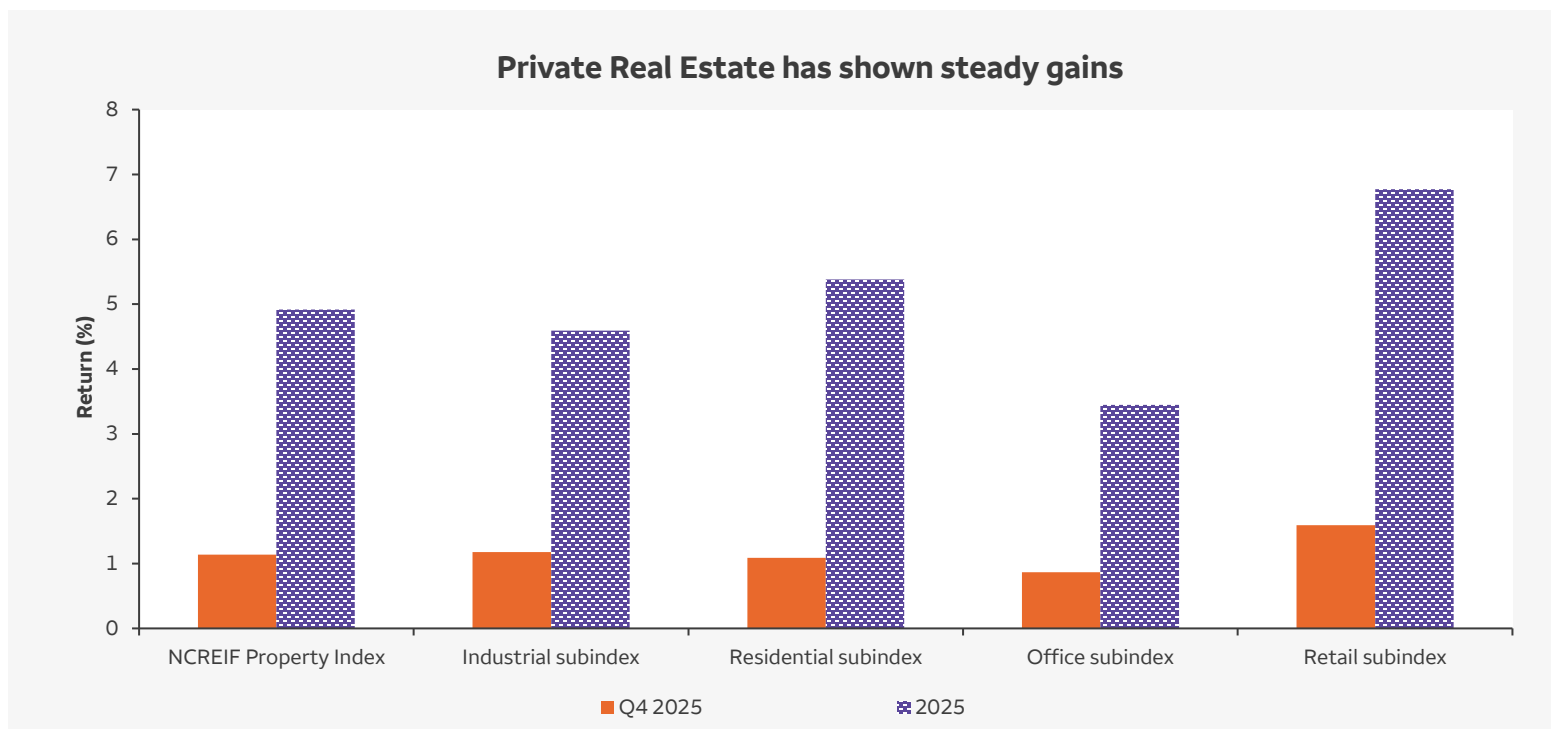
For illustrative purposes only. Risk and return results of the general portfolio blends [indexes] above do not represent investment returns or the results of actual trading, and are provided for the sole purpose of displaying potential effects of diversification in a portfolio. Index returns reflect general market results for the asset or product type, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees and/or expenses or taxes applicable to an actual investment.

Indexes used to represent allocations to alternative investment products and private markets ("Private Market Indexes") are different than indexes representing publicly traded securities. Private Market Indexes are typically comprised of information voluntarily reported by the fund managers that have chosen to participate, and therefore these indexes could reflect a bias towards funds with successful track records, leading to the appearance that historical average fund performance was better than it actually was. Private Market nor traditional indexes can be invested in directly or indirectly, and therefore an actual investment in these product classes is not expected to be as diversified as their associated index. An index is not managed and not available for direct investment. **Past performance is not a guarantee of future results.**

Actual alternative investments will likely carry increased volatility relative to their index. Although adding alternative investments to an investment portfolio may further diversify the total portfolio, each alternative investment could carry higher risk than other investments within the portfolio. Investors should carefully consider the risks of each alternative investment product that they are considering for investment.

Alternative investment funds are product types and not necessarily asset classes. Because different managers use a multitude of different strategies, an alternative index may not accurately reflect every investment in that asset class. Investors should carefully consider the asset class in which the product intends to invest to avoid inadvertently overexposing the portfolio to the risks of a particular asset class or economic sector. An investment's offering documents will more accurately discuss all applicable risks. These offering documents should be read carefully before investing.

# Opportunity potential in Private Real Estate



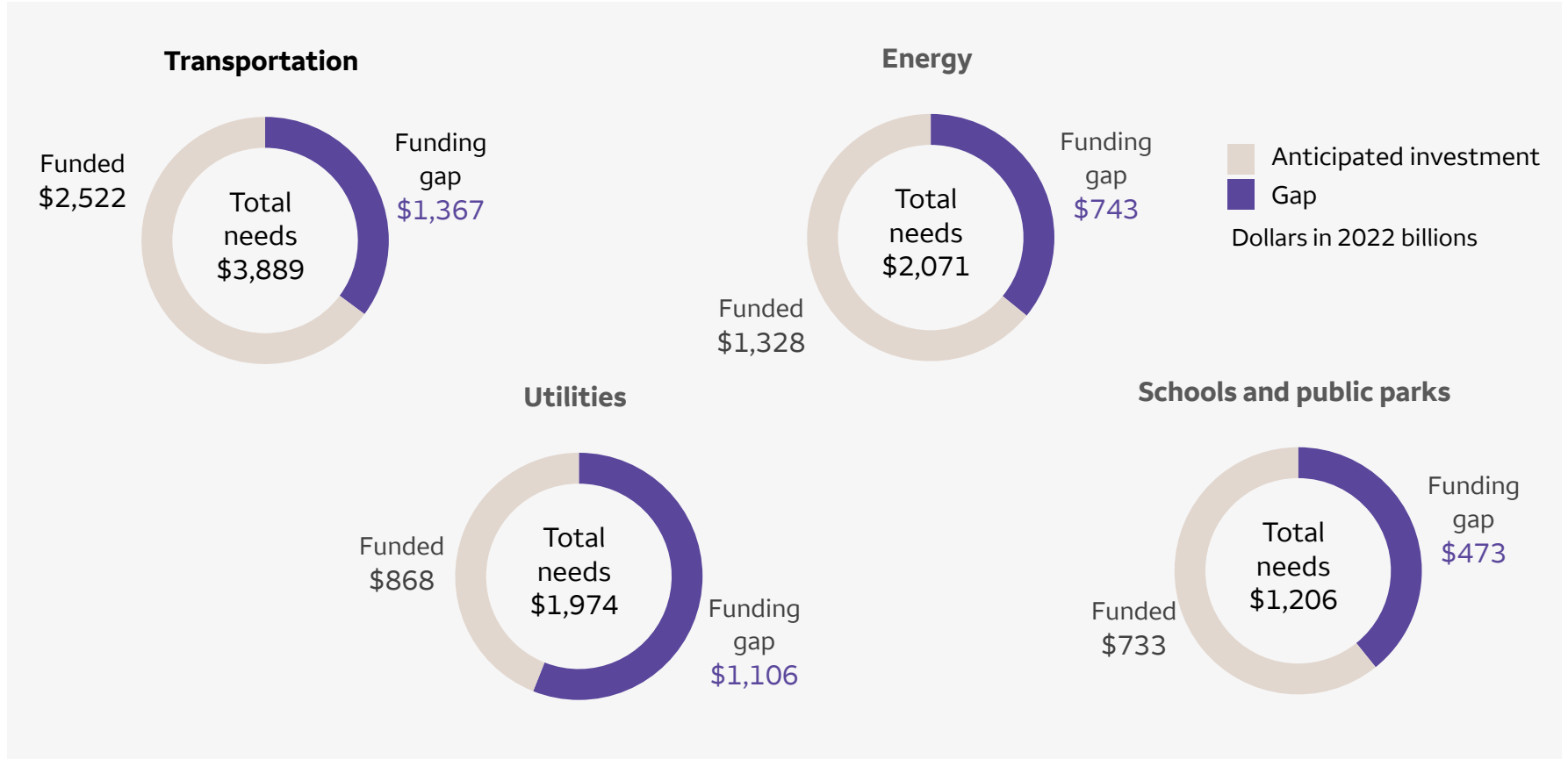
Sources: Bloomberg, National Council of Real Estate Investment Fiduciaries (NCREIF), and Wells Fargo Investment Institute, as of December 31, 2025. REIT = real estate investment trust. Q4 = fourth quarter. The NCREIF property index (NPI) measures the change in market value of U.S. based investment-grade, income producing operating private real estate properties held by institutional investors. The market value is based on appraisal and quarter returns are time-weighted returns, including both income and capital appreciation before investment management fees. The index consists of 12,914 investment-grade, income-producing properties with a market value of \$906 billion, and includes property data covering over 100 markets (core-based statistical areas or CBSAs). NPI provides industrial, residential, office and retail subindexes. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Private real assets are not appropriate for all investors. REITS have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions.

## Key takeaways

- Recent Private Real Estate returns have been supported by both rental income and stabilizing property valuations.
- While headwinds remain for Private Real Estate, should rates settle below recent highs and should an economic recovery broaden, it may provide a boost in the form of easier lending conditions and a more robust job market.

# Private Infrastructure may be supported by funding gaps across industries



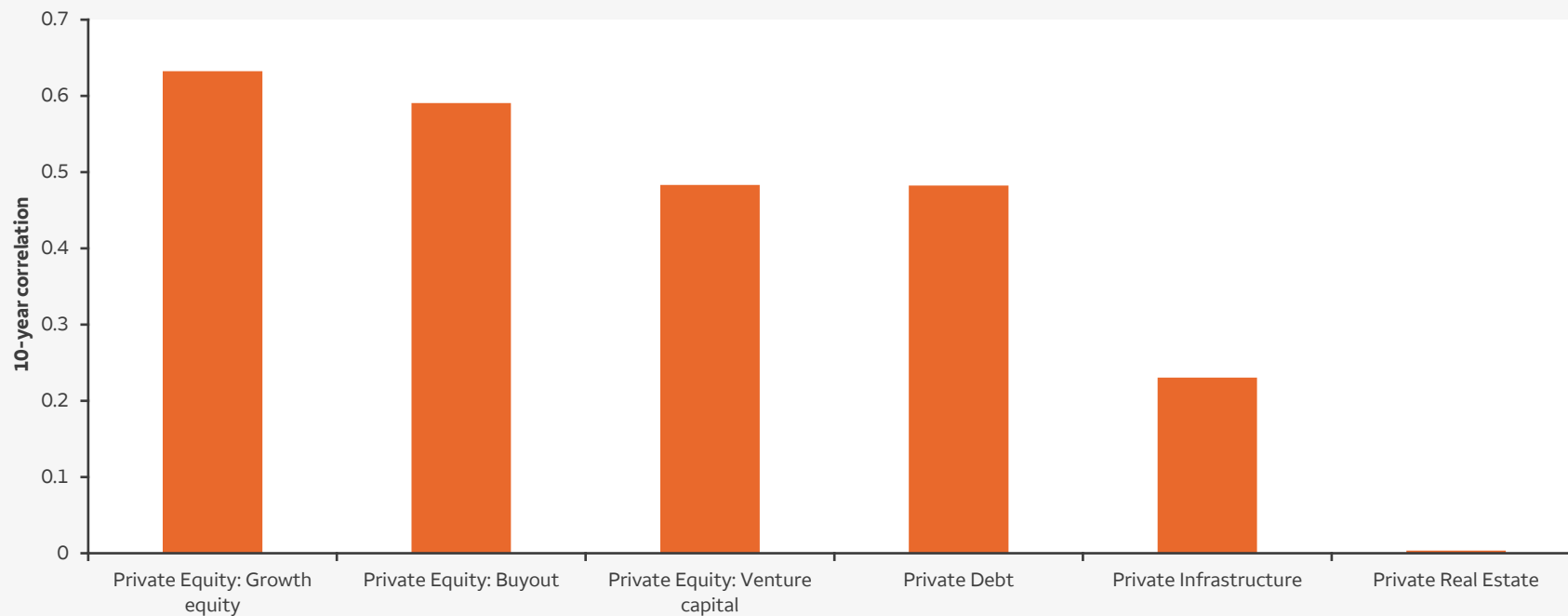
Sources: American Society of Civil Engineers (ASCE) 2025 report card. Data as of March 25, 2025. Assumes continued investment support from appropriation amounts set by the 2021 Infrastructure Investment and Jobs Act (IIJA), 2022 Inflation Reduction Act (IRA), and other legislation. Dollars in 2022 Billions. Estimates are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.

## Key takeaways

- We believe Private Infrastructure offers the potential for compelling portfolio benefits, including inflation-linked cash flows, low correlation to traditional assets, and attractive risk-adjusted returns.
- Long-term opportunities should find strength in trends, such as the emerging rebuild of energy infrastructure, more energy sources, and rising demand for digital assets.

# Private capital historically has shown low correlation to a traditional 60/40 allocation

Correlation of private capital strategies to a 60/40 allocation



Sources: Preqin and Wells Fargo Investment Institute. Data as of September 30, 2024. Correlation calculated using data from the 4th quarter 2014 to the 3rd quarter 2024. 60/40 allocation is made of 60% MSCI ACWI Index and 40% Bloomberg U.S. Aggregate Bond Index. Private capital is based on Preqin indexes. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Correlation measures the degree to which asset classes move in sync; it does not measure the magnitude of that movement. There is no guarantee that future correlations between the indexes will remain the same. See asset class risks and index definitions as well as important disclosures on following page.

## Key takeaways

- We believe private-capital strategies can add diversification to a traditional 60/40 stock-bond portfolio through their low-to-moderate historical correlations.
- Among private capital, real assets — specifically Private Real Estate and Private Infrastructure — exhibited the lowest correlations to a 60/40 allocation. Correlation analysis also indicated that Venture Capital may boost diversification benefits more than other Private Equity asset classes when added to an allocation that includes public equity.

# Private capital historically has shown low correlation to a traditional 60/40 allocation cont'd

For illustrative purposes only. Risk and return results of the general portfolio blends [indexes] above do not represent investment returns or the results of actual trading, and are provided for the sole purpose of displaying potential effects of diversification in a portfolio. Index returns reflect general market results for the asset or product type, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees and/or expenses or taxes applicable to an actual investment.

Indexes used to represent allocations to alternative investment products and private markets ("Private Market Indexes") are different than indexes representing publicly traded securities. Private Market Indexes are typically comprised of information voluntarily reported by the fund managers that have chosen to participate, and therefore these indexes could reflect a bias towards funds with successful track records, leading to the appearance that historical average fund performance was better than it actually was. Private Market nor traditional indexes can be invested in directly or indirectly, and therefore an actual investment in these product classes is not expected to be as diversified as their associated index. An index is not managed and not available for direct investment. **Past performance is not a guarantee of future results.**

Actual alternative investments will likely carry increased volatility relative to their index. Although adding alternative investments to an investment portfolio may further diversify the total portfolio, each alternative investment could carry higher risk than other investments within the portfolio. Investors should carefully consider the risks of each alternative investment product that they are considering for investment.

Alternative investment funds are product types and not necessarily asset classes. Because different managers use a multitude of different strategies, an alternative index may not accurately reflect every investment in that asset class. Investors should carefully consider the asset class in which the product intends to invest to avoid inadvertently overexposing the portfolio to the risks of a particular asset class or economic sector. An investment's offering documents will more accurately discuss all applicable risks. These offering documents should be read carefully before investing.

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. Stock markets, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Private capital investments are complex, speculative investment vehicles not appropriate for all investors. They are not subject to the same regulatory requirements as registered investment products and engage in leverage and other aggressive investment practices. There is often limited (or even non-existent) liquidity and a lack of transparency regarding the underlying assets.

## Index definitions

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

**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.

**Private Equity: Growth equity: Preqin Growth Equity Index** is a time-weighted index that allows investors to compare the returns of growth equity fund to the returns of other asset classes and indices. Growth equity includes funds that make minority (non-control) equity investments. The index is built by calculating the change in Net Asset Value of active funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included.

**Private Equity: Buyout: Preqin Buyout Index** was built by calculating the change in Net Asset Value of active buyout funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included. Buyout includes equity funds that primarily focus on purchasing at least a controlling percentage of a company's stock to take over its assets and operations.

**Private Equity: Venture capital: Preqin Venture Capital Index** is built by calculating the change in Net Asset Value of active venture capital funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included. Venture capital is defined as pools of capital raised for the purpose of investing in the equity of startup companies. Preqin also includes funds raised by any institution with the primary intent stated as new companies with high growth rates.

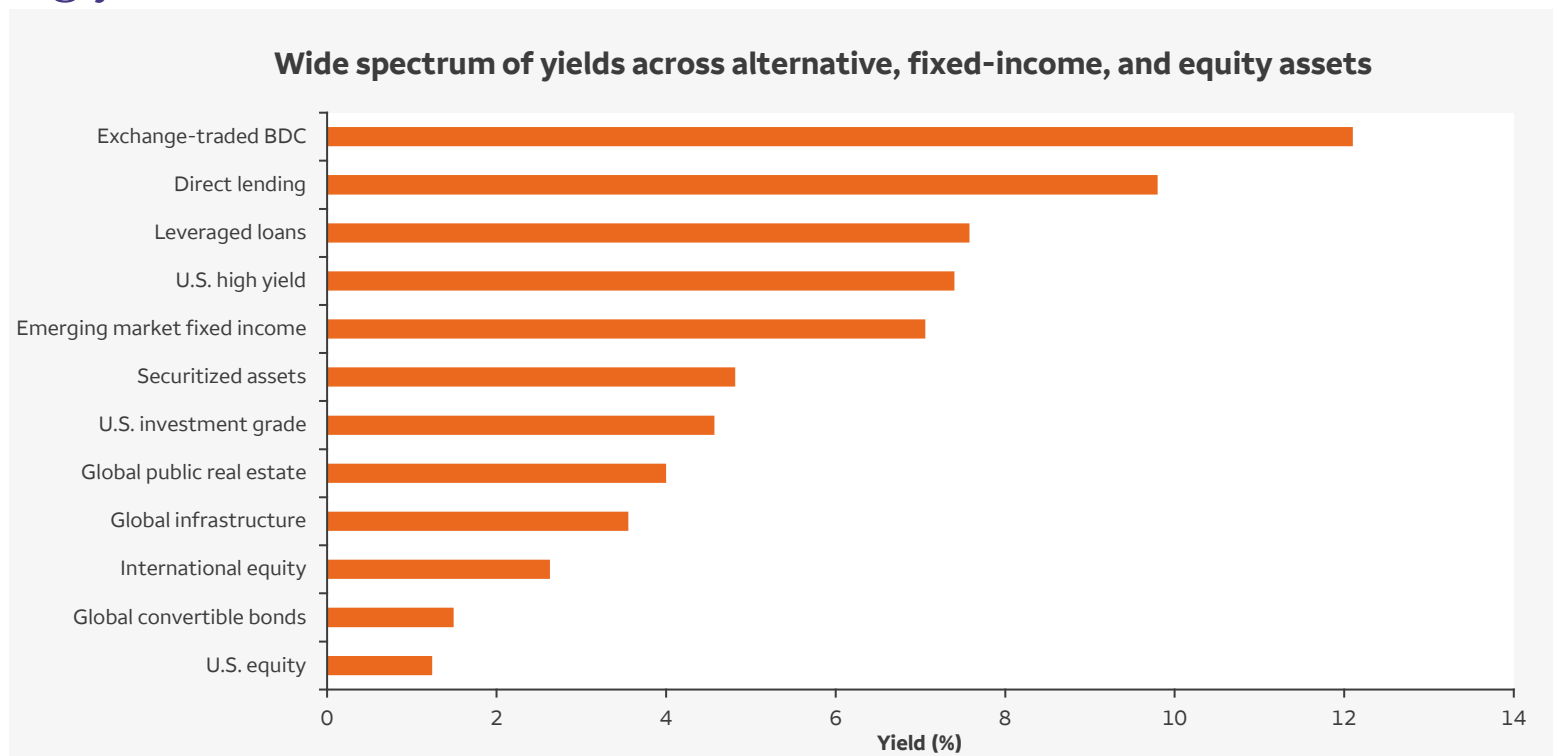
**Private Debt: Preqin Private Debt Index** is built by calculating the change in Net Asset Value of active private debt funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included. Private debt is defined as pools of capital raised for the purpose of lending to private companies, including those held by private equity funds, venture capital funds, real estate funds and infrastructure funds.

**Private Infrastructure: Preqin Private Infrastructure Index** is built by calculating the change in Net Asset Value of active infrastructure funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included. Private Infrastructure includes funds that invest specifically in infrastructure, including roads, canals, airports, power lines, etc.

**Private Real Estate: Preqin Private Real Estate Index** includes funds investing in high quality properties for rental purposes. The index is built by calculating the change in Net Asset Value of active funds in a given quarter, plus/minus aggregate cash flows for the cohort of funds included.

An index is unmanaged and not available for direct investment.

# Finding yield in alternative sources



Sources: Bloomberg, Cliffwater, Morgan Stanley Capital International (MSCI), and Wells Fargo Investment Institute, as of March 31, 2026. Direct lending yield is as of December 31, 2025. BDC = Business Development Companies. REIT = real estate investment trust. Direct lending: Cliffwater Direct Lending Index; BDC: Cliffwater BDC Index; Emerging market fixed income: J.P. Morgan EMBI Global; U.S. high yield: Bloomberg U.S. Corporate High Yield; Leveraged loans: S&P/LSTA U.S. Leveraged Loan 100 Index; Global infrastructure: S&P Global Infrastructure Index; Global public real estate: FTSE NAREIT Equity REITs Index; International equity: MSCI All Country World ex-U.S. Index; Securitized assets: Bloomberg U.S. Securitized: MBS/ABS/CMBS; U.S. investment grade: Bloomberg U.S. Aggregate Bond Index; U.S. equity: MSCI USA Index; Global convertible bonds: Bloomberg Global Convertibles Composite Index. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Please see following slide for the definitions of the indexes.

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to interest rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. REITs have special risks, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Business Development Companies (BDC) involve economic, credit and liquidity risks in addition to the special risks associated with investing in a portfolio of small and developing or financially trouble businesses.

## Key takeaways

- Investors seeking to diversify their fixed-income portfolios may want to consider alternative investments as a potential source of income.
- We believe asset class yields are currently attractive for Direct Lending sub-strategies and exchange-traded business development companies.

# Finding yield in alternative sources cont'd

*Alternative investments, such as private equity funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. Private equity 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. Private equity investing involves other material risks including capital loss and the loss of the entire amount invested.*

## Index definitions

**Bloomberg Global Convertibles Index** blends the three regional Bloomberg Convertibles indexes - the U.S. Convertibles Index, the MEA Convertibles Index, and the APAC Convertibles Index - into a single global benchmark for the convertible asset class. The Global Convertibles Index is rules-based with an objective and transparent set of criteria used for index membership determination and rebalancing.

**Bloomberg U.S. Aggregate 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.

**Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S.-dollar-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB= or below. Included issues must have at least one year until final maturity.

**Bloomberg U.S. Securitized: MBS/ABS/CMBS** racks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC); investment grade debt asset backed securities; and investment grade commercial mortgage backed securities.

**Cliffwater BDC Index** measures the performance of lending-oriented, exchange-traded Business Development Companies (BDCs), subject to certain eligibility criteria regarding portfolio composition, market capitalization, and dividend history. The CWBDC is a capitalization-weighted index that is calculated on a daily basis using publicly-available closing share prices and reported dividend payouts.

**Cliffwater Direct Lending Index** seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

**FTSE NAREIT Equity REITS Index** is a broad-based index consisting of real estate investment trusts (REITs). This excludes any equity REITs that are designated as Timber REITs.

**J.P. Morgan EMBI Global (USD)** is a U.S.-dollar-denominated, investible, market-cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. While products in the asset class have become more diverse, focusing on both local currency and corporate issuance, there is currently no widely accepted aggregate index reflecting the broader opportunity set available, although the asset class is evolving. By using the same index provider as the one used in the developed market bonds asset class, there is consistent categorization of countries among developed international bonds (ex-U.S.) and emerging market bonds.

**MSCI All Country World ex USA Index** is a free-float weighted equity index that is designed to measure the equity market performance of 22 developed and 23 emerging markets.

**MSCI USA Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of the United States.

**S&P Global Infrastructure Index** provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

**S&P/LSTA U.S. Leveraged Loan 100 Index** is designed to reflect the performance of the largest facilities in the leveraged loan market.

An index is unmanaged and not available for direct investment.

# Asset allocation highlights

## Background

- Historical performance may serve as a useful guide for investors, but markets frequently trade on factors outside of fundamental valuations for relatively long periods of time.

## Potential benefits of diversification and rebalancing

- We believe regularly rebalancing a portfolio can add value.
- Because each asset class has unique risk, return, and correlation characteristics, a diversified allocation has the potential to provide more consistent returns with lower volatility.
- Attempting to reduce downside volatility can be critical to long-term performance.
- It is important to recognize that the more a portfolio loses in a downturn, the longer it typically takes to recoup those losses.
- Our research suggests diversification has tended to reduce the time it takes to break even from a downside event.

## Dangers of market timing

- History has shown that missing even a handful of days when the stock market achieves its best gains can dramatically reduce returns.
- Exiting the market after a bad day could be costly. The stock market's best days have often been preceded by the worst days.<sup>1</sup>
- We do not advocate market timing, but we do believe that modest tactical shifts have the potential to take advantage of short-term investment opportunities or could help mitigate short-term risks.

1. Based on daily price returns of the S&P 500 Index starting in January 1928. An index is unmanaged and not available for direct investment.

# Asset allocation scorecard

Diversified allocation	1Q26 return (%)	4Q25 return (%)	YTD return (%)	YOY return (%)	3-year return (%, annualized)
Moderate income liquid	-0.36	1.68	-0.36	8.96	7.89
Moderate growth and income liquid	-0.37	2.26	-0.37	13.77	11.21
Moderate growth liquid	-0.35	2.84	-0.35	19.12	14.39
60% MSCI ACWI/40% Bloomberg Multiverse	-1.91	1.56	-1.91	10.75	8.49
60% S&P 500 Index/40% Bloomberg U.S. Aggregate Bond Index	-2.62	2.03	-2.62	12.41	12.41

Sources: © Morningstar Direct, All Rights Reserved,<sup>1</sup> and Wells Fargo Investment Institute, as March 31, 2026. 1Q = first quarter. 4Q = fourth quarter. YTD = year to date. YOY = year over year.

Performance results for Moderate Income, Moderate Growth and Income, Moderate Growth, and the 60/40 blends are calculated using blended index returns. Moderate Income, Moderate Growth & Income, and Moderate Growth allocations are dynamic and change as needed with adjustments to the strategic allocations. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results; assume the reinvestment of dividends and other distributions; and do not reflect deductions for fees, expenses, or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** See following page for blended index compositions of the Moderate Income, Moderate Growth and Income, Moderate Growth Liquid, and 60/40 blends, risks and index definitions.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Diversification strategies do not guarantee investment returns or eliminate the risk of loss.

## Key takeaways

- Our analysis shows a diversified allocation has typically helped smooth returns over time.
- Adding diversifiers, like Commodities and, where appropriate, hedge funds, can help enhance return potential and mitigate risk in a traditional portfolio consisting of stocks and bonds.

# Asset allocation scorecard cont'd

## Risk considerations

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

Alternative investments, such as private equity funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. Private equity 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. Private equity investing involves other material risks including capital loss and the loss of the entire amount invested.

## Allocation compositions

- **Moderate Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 60% Bloomberg U.S. Aggregate Bond Index, 4% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 18% S&P 500 Index, 5% Russell Midcap Index, 4% MSCI EAFE Index, 2% Bloomberg Commodity Index.
- **Moderate Growth and Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.
- **Moderate Growth:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 8% Bloomberg U.S. Aggregate Bond Index, 3% Bloomberg U.S. Corporate High Yield Bond Index, 37% S&P 500 Index, 14% Russell Midcap Index, 4% Russell 2000 Index, 15% MSCI EAFE Index, 12% MSCI Emerging Markets Index, 5% Bloomberg Commodity Index.

**60/40 Blends:** 60% MSCI ACWI/40% Bloomberg Multiverse Index; 60% S&P 500 Index/40% Bloomberg Aggregate Bond Index.

## Index definitions

**Bloomberg Multiverse Index** provides a broad-based measure of the global fixed-income bond market. The index represents the union of the Global Aggregate Index and the Global High-Yield Index and captures investment grade and high yield securities in all eligible currencies. **Bloomberg U.S. Treasury Bills (1-3M) Index** is representative of money markets. **Bloomberg U.S. Aggregate 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. **Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. **Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. **MSCI All Country World Index (ACWI)** is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. **MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. **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. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

An index is unmanaged and not available for direct investment.

# Market conditions can determine the choice of strategy



## Catastrophe

Cash  
U.S. IG fixed income  
Gold  
Hedge funds  
Managed futures



## Income

U.S. IG bonds  
U.S. high-yield fixed income  
Int'l bonds (DM/EM)  
Large- and mid-cap equity  
DM equity  
Real estate



## Volatility

U.S. IG fixed income  
DM fixed income  
Hedge funds  
Managed futures  
Gold



## Liquidity

Cash  
U.S. IG fixed income  
DM fixed income  
Large-cap equity  
DM equity



## Inflation

TIPS or short-term fixed income  
Domestic equity  
Int'l equity (DM/EM)  
Real estate  
Commodities



## Growth

U.S. high-yield fixed income  
EM fixed income  
U.S. & int'l equity  
Real estate  
Private equity  
Digital assets

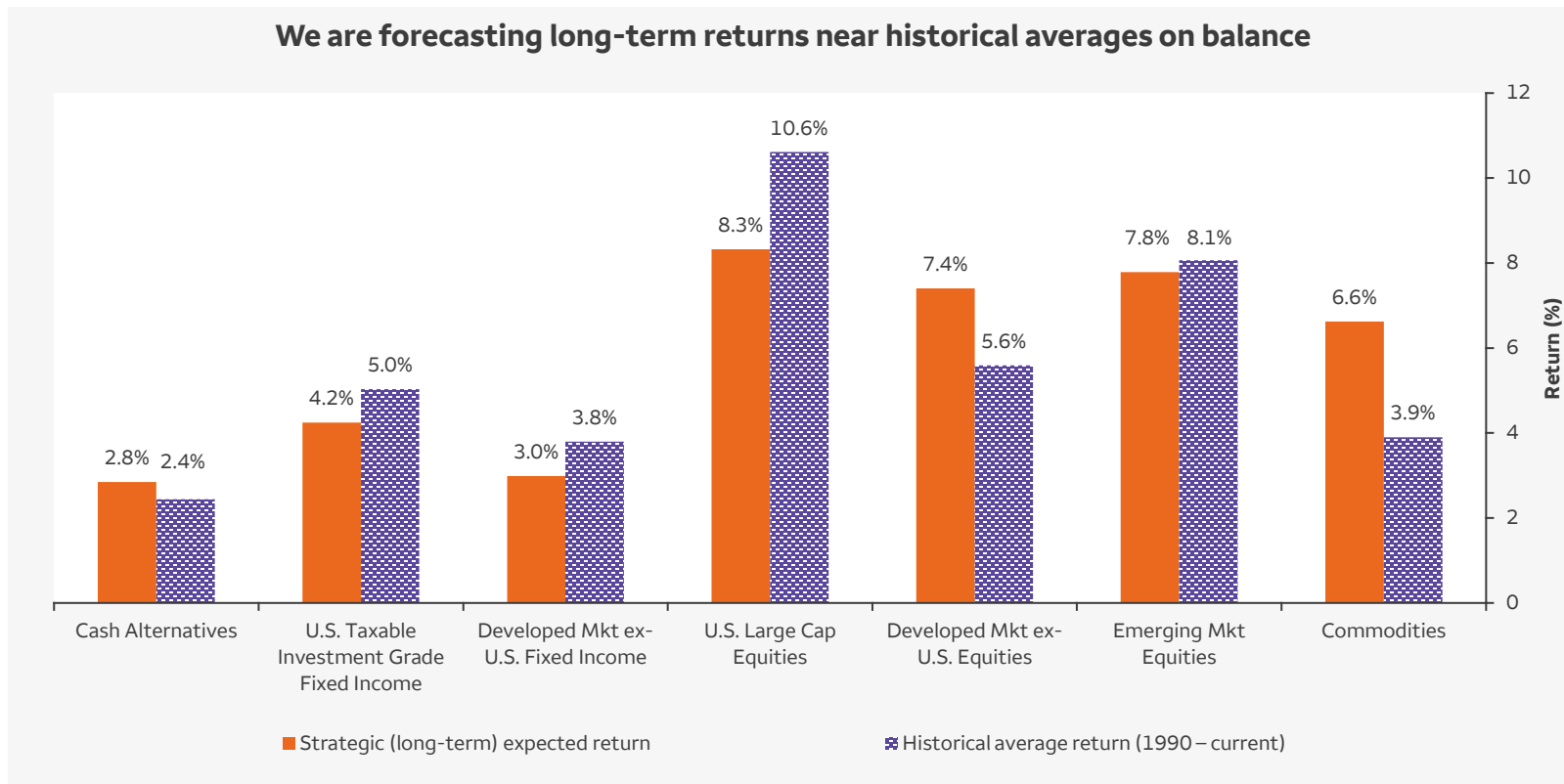
Source: Wells Fargo Investment Institute, as of March 31, 2026. IG = investment grade. DM = developed markets. EM = emerging markets. TIPS = Treasury Inflation-Protected Securities. Hedge Funds, Managed Futures, Real Estate, and Private Equity funds are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws. Equity, fixed income, foreign, cash alternatives, and alternative investments are materially different investments with materially different risk and reward characteristics. These risk and reward characteristics should be evaluated carefully before making any investment decision.

Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. Bloomberg Commodity Index is comprised of 22 exchange-traded futures on physical commodities and represents 20 commodities weighted to account for economic significance and market liquidity. An index is unmanaged and not available for direct investment.

## Key takeaways

- Certain asset classes may be appropriate under different circumstances or for different investment objectives.
- Our research indicates that the top-performing asset classes when inflation is above average have been U.S. Mid Cap Equities and Commodities, represented by the Russell Midcap Index and Bloomberg Commodity Index, respectively.

# Expect returns near historical averages



Sources: Bloomberg and Wells Fargo Investment Institute. Historical average returns are for data from January 1, 1990, to March 31, 2026. Strategic (long-term) return assumptions are as of July 16, 2025. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change. Strategic expected returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Expected returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Indexes in order represented by Bloomberg U.S. Treasury Bill (1–3 Month) Index, Bloomberg U.S. Aggregate Bond Index, J.P. Morgan GBI Global Ex U.S., S&P 500 Index, MSCI EAFE Index, MSCI Emerging Markets Index, Bloomberg Commodity Index. See following page for index definitions and risks.

## Key takeaways

- Our long-term return expectations for fixed income and the U.S. Large Cap Equities asset class are below long-term historical average returns. Meanwhile, our expectations for international equities and the Commodities asset class exceed long-term historical averages.
- Investors may need to consider saving more or spending less in this environment to reach their financial goals.

# Expect returns near historical averages cont'd

## Risk considerations

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

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. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

## Index definitions

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

**Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, U.S.-dollar-denominated, fixed-rate taxable bond market.

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight-caps are applied at the commodity, sector, and group level for diversification.

**J.P. Morgan GBI Global ex-U.S. (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.

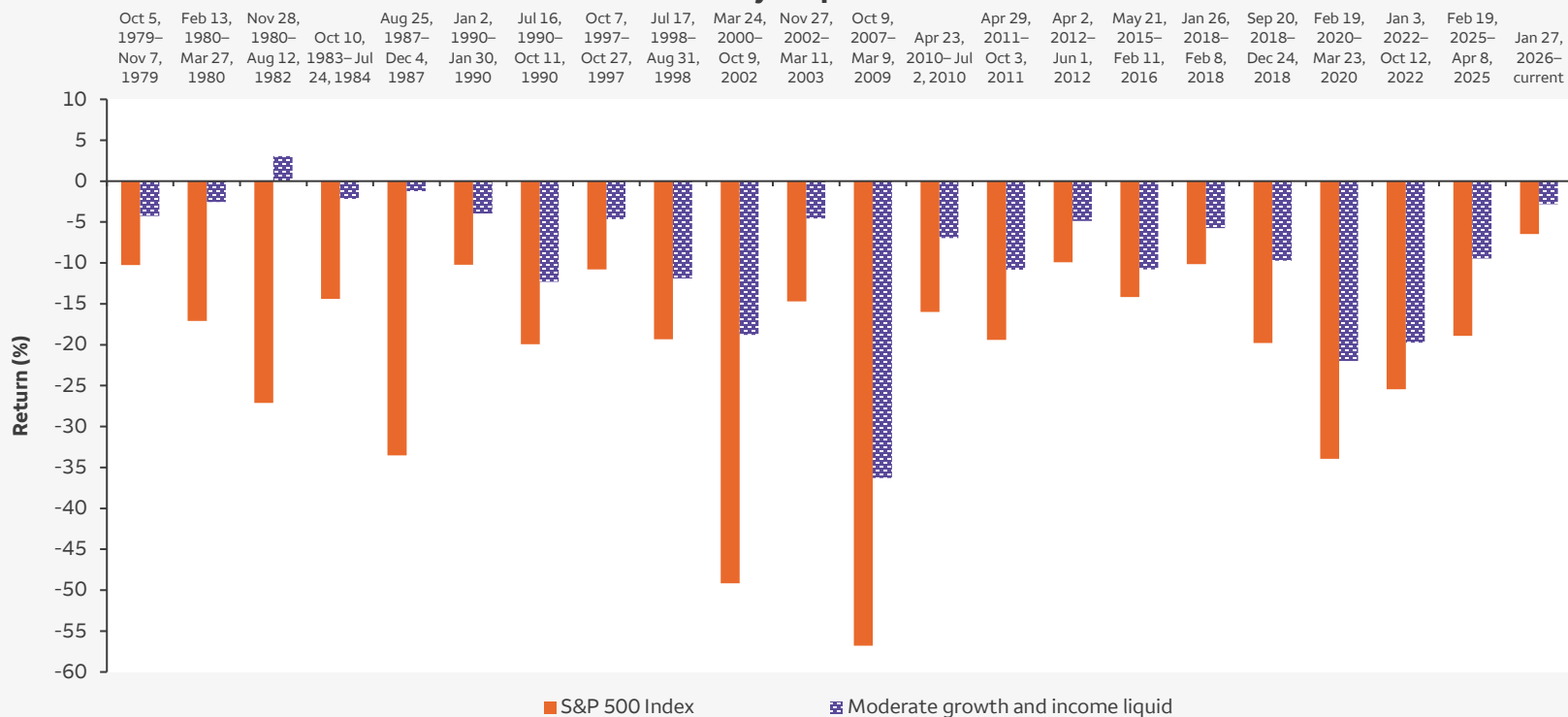
**MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world.

**S&P 500 Index** is a market capitalization-weighted index generally considered representative of the U.S. stock market. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

An index is unmanaged and not available for direct investment.

# Diversification may reduce downside risk

## A diversified allocation may help limit losses in down markets



Sources: Bloomberg, © Morningstar Direct, All Rights Reserved<sup>1</sup>, and Wells Fargo Investment Institute. Data from October 5, 1979, to March 31, 2026. January 27, 2026–current is as of March 31, 2026 with peak of January 27, 2026, and trough of March 30, 2026. Performance results for Moderate Growth and Income Liquid are calculated using blended index returns. Moderate Growth & Income allocation is dynamic, and changes as needed with adjustments to the strategic allocations. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** Blended index composition provided on the following page.

Note: Corrections are declines of 10% or more. Bear markets are declines of 20% or more.

Diversification strategies do not guarantee investment returns or eliminate the risk of loss.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

### Key takeaways

- A diversified allocation may not experience losses as sharp as an all-equity position during an equity correction or bear market.
- Attempting to reduce downside volatility can be critical to long-term performance, as it can allow a portfolio to recover more quickly after a crisis event.

# Diversification may reduce downside risk cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

## Allocation composition

- **Moderate Growth and Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.

## Index definitions

An index is not managed and not available for direct investment.

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements.

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

**Bloomberg U.S. Aggregate 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.

**Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

**J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt.

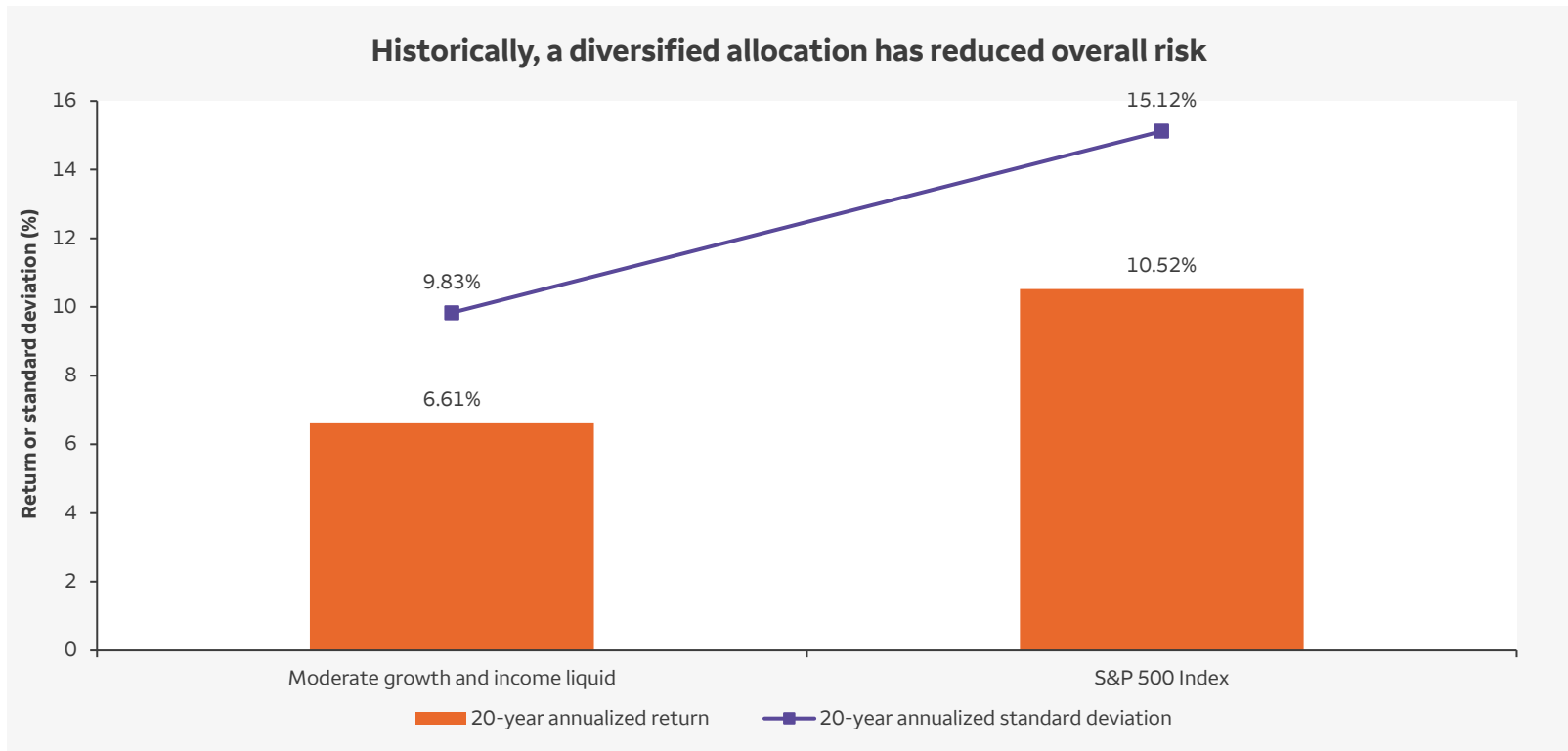
**MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world.

**Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**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.

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

# Diversification may improve risk-adjusted returns



Sources: Bloomberg, © Morningstar Direct, All Rights Reserved<sup>1</sup>, and Wells Fargo Investment Institute. Data from April 1, 2006, to March 31, 2026. Performance results for Moderate Growth and Income Liquid are calculated using blended index returns. Moderate Growth & Income allocation is dynamic, and changes as needed with adjustments to the strategic allocations. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. **Past performance does not guarantee future results.** Standard deviation is a measure of the volatility of returns. The higher the standard deviation, the greater volatility has been. The risk associated with the representative asset classes and the definitions of the indexes and the blended index composition are provided on following page.

Diversification does not guarantee investment returns or eliminate risk of loss.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## Key takeaways

- Over time, a diversified allocation has helped mitigate volatility during times of market uncertainty and smoothed out returns.
- Real assets and alternative investments can add an element of diversification to a traditional portfolio comprised of stocks and bonds.

# Diversification may improve risk-adjusted returns cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield fixed-income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment-grade fixed-income securities. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

## Allocation Composition

- **Moderate Growth and Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.

## Index definitions

An index is not managed and not available for direct investment.

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements.

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

**Bloomberg U.S. Aggregate 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.

**Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.

**J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt.

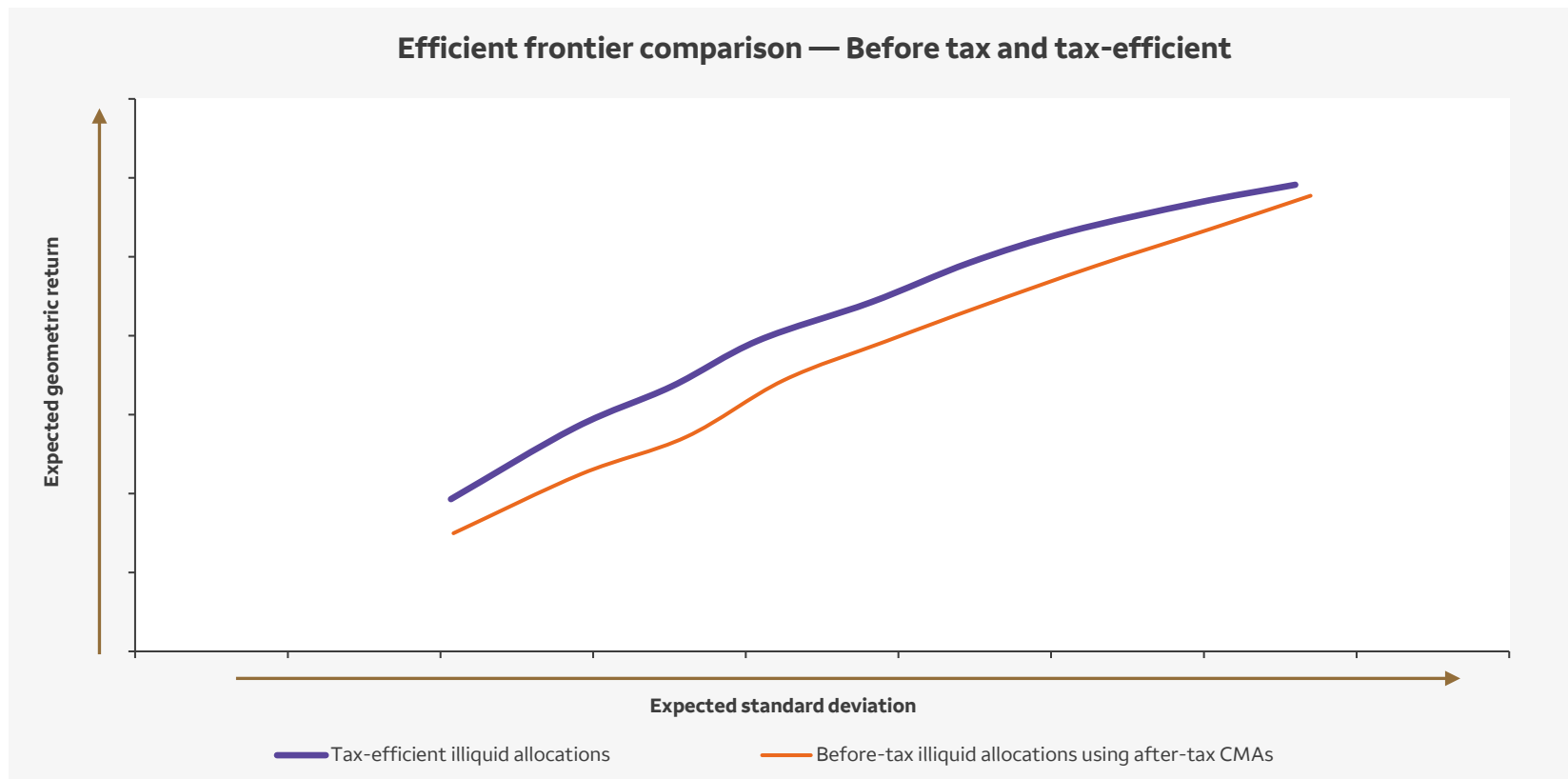
**MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world.

**Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**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.

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

# Taking taxes into consideration can add value



Source: Wells Fargo Investment Institute. Strategic (long-term) return and standard deviation assumptions are as of July 16, 2025. Forecasts are not guaranteed and are subject to change. Strategic expected returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Expected returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved.

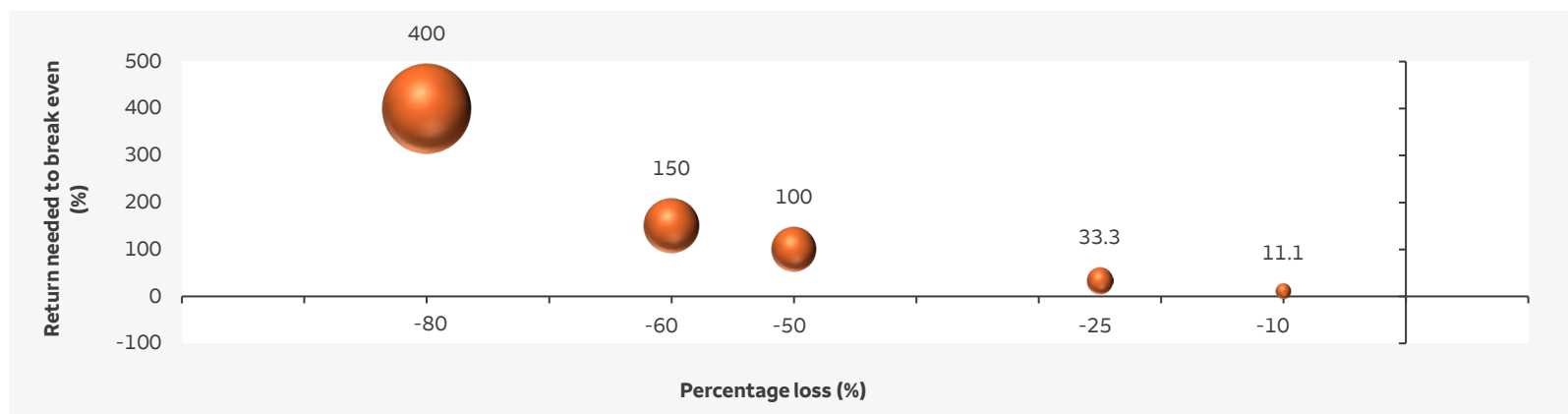
Standard Deviation is a statistical measure of the volatility of a portfolio's returns. The higher the standard deviation, the greater volatility has been. CMA = capital market assumption.

## Key takeaways

- When developing tax-efficient allocations, we have taken into consideration state, federal, and capital-gains taxes.
- The tax-efficient allocations are made more tax efficient by swapping from taxable fixed-income asset classes to tax-exempt fixed-income asset classes and reducing allocations to tax-inefficient assets, like hedge funds and Emerging Market Fixed Income.

# The greater the loss, the longer it took to break even

To break even in one period		Periods necessary to break even given a percentage return of		
If you lose	You need ...	1%	5%	10%
10%	11%	10.6	2.2	1.1
25%	33%	28.9	5.9	3.0
50%	100%	69.7	14.2	7.3
60%	150%	92.1	18.8	9.6
80%	400%	161.7	33.0	16.9



Source: Wells Fargo Investment Institute, as of March 31, 2026. There is no guarantee it will be possible to break even. All investing involves risk including the possible loss of principal. **Past performance is no guarantee of future results.**

## Key takeaways

- It is important to recognize that the more a portfolio loses in a downturn, the longer it has historically taken to recoup those losses.

# The worst and best days in the market

## 20 worst days for S&P 500 Index April 1996 – March 2026

Rank (worst days)	Date	S&P 500 Index daily return
1	3/16/2020	-12.0%
2	3/12/2020	-9.5%
3	10/15/2008	-9.0%
4	12/1/2008	-8.9%
5	9/29/2008	-8.8%
6	10/9/2008	-7.6%
7	3/9/2020	-7.6%
8	10/27/1997	-6.9%
9	8/31/1998	-6.8%
10	11/20/2008	-6.7%
11	8/8/2011	-6.7%
12	11/19/2008	-6.1%
13	10/22/2008	-6.1%
14	4/4/2025	-6.0%
15	6/11/2020	-5.9%
16	4/14/2000	-5.8%
17	10/7/2008	-5.7%
18	1/20/2009	-5.3%
19	11/5/2008	-5.3%
20	11/12/2008	-5.2%

## 20 best days for S&P 500 Index April 1996 – March 2026

Rank (best days)	Date	S&P 500 Index daily return
1	10/13/2008	11.6%
2	10/28/2008	10.8%
3	4/9/2025	9.5%
4	3/24/2020	9.4%
5	3/13/2020	9.3%
6	3/23/2009	7.1%
7	4/6/2020	7.0%
8	11/13/2008	6.9%
9	11/24/2008	6.5%
10	3/10/2009	6.4%
11	11/21/2008	6.3%
12	3/26/2020	6.2%
13	3/17/2020	6.0%
14	7/24/2002	5.7%
15	11/10/2022	5.5%
16	9/30/2008	5.4%
17	7/29/2002	5.4%
18	12/16/2008	5.1%
19	10/28/1997	5.1%
20	9/8/1998	5.1%

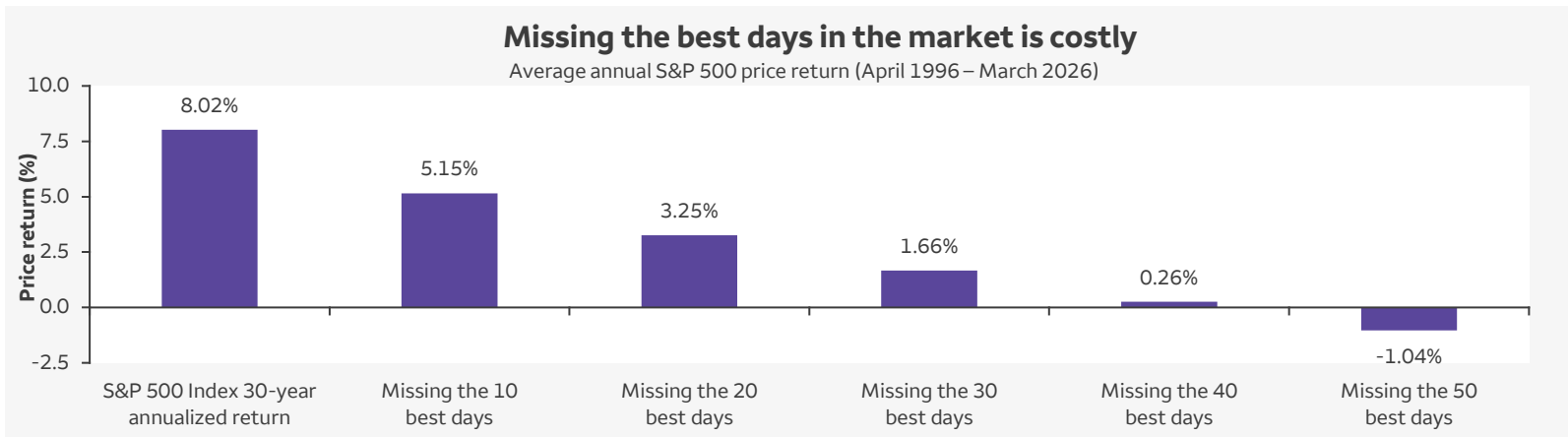
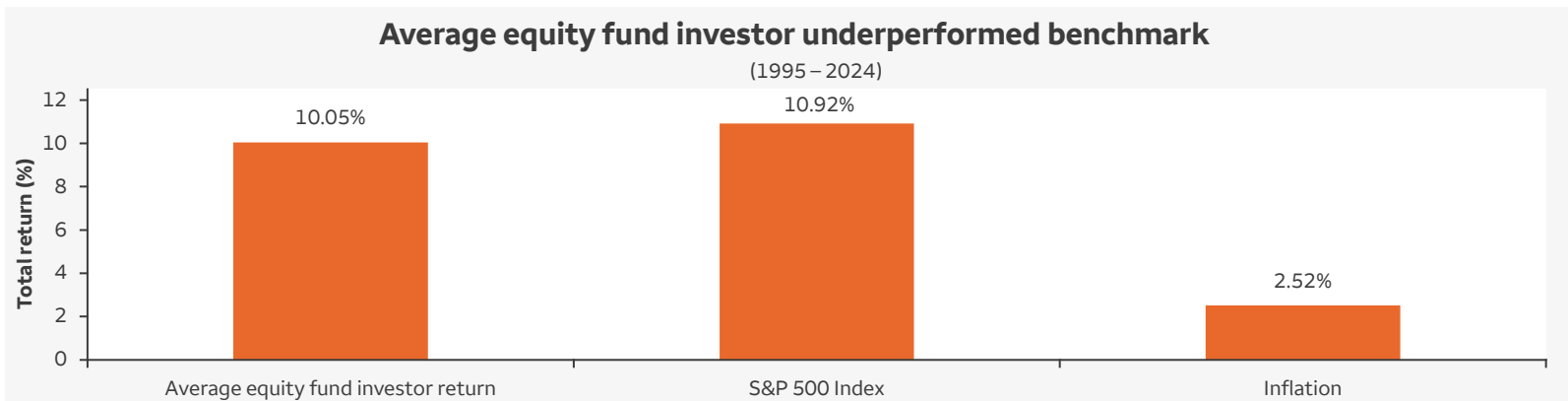
Sources: Bloomberg and Wells Fargo Investment Institute. Data from April 1, 1996, to March 31, 2026. Analysis uses S&P 500 Index price returns. The S&P 500 Index is a market capitalization weighted index composed of 500 stocks generally considered representative of the U.S. stock market. The performance shown is not indicative of any particular investment. An index is unmanaged and not available for direct investment. A price index is not a total return index and does not include the reinvestment of dividends. Total returns assume reinvestment of dividends and capital gain distributions. **Past performance is not a guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

Green highlighted cells represent dates during the October 9, 2007 – March 9, 2009, bear market are highlighted in green. Orange highlighted cells represent dates during the February 19, 2020 – March 23, 2020, bear market.

### Key takeaways

- The market's best and worst days, based on the S&P 500 Index's daily returns, have tended to happen during times of high volatility, like bear markets and recessions.
- Additionally, the best and worst days are often clustered together. For example, two of the 20 best days and three of the 20 worst days occurred during the seven trading days between March 9, 2020, and March 17, 2020.

# Timing the market is risky



Sources: Top chart: Dalbar, Inc., 30 years from 1995 – 2024; “Quantitative Analysis of Investor Behavior,” 2025, DALBAR, Inc. Bottom chart: Bloomberg and Wells Fargo Investment Institute. Data from April 1, 1996, to March 31, 2026. Dalbar computed the average stock fund investor return by using industry cash flow reports from the Investment Company Institute. The Average Equity Fund Investor is comprised of a universe of both domestic and world equity mutual funds. It includes growth, sector, alternative strategy, value, blend, emerging markets, global equity, international equity, and regional equity funds. The S&P 500 Index is a market capitalization weighted index composed of 500 stocks generally considered representative of the U.S. stock market. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. The performance shown is not indicative of any particular investment. An index is unmanaged and not available for direct investment. A price index is not a total return index and does not include the reinvestment of dividends. Total returns assume reinvestment of dividends and capital gain distributions. **Past performance is not a guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

## Key takeaways

- Market timing is difficult. Investors who allow their emotions to get the best of them can suffer lower returns.
- We do not advocate market timing, but we do believe that modest tactical shifts have the potential to take advantage of short-term investment opportunities or could help mitigate short-term risks.

# The cost of market timing

## Market downturns (1928 – current)

Drawdowns	Number of occurrences	Average number of occurrences per year	Average drawdown (%)	Average drawdown time (months)
-5% or more	335	3.4	-10.8	1.2
-10% or more	104	1.1	-19.4	3.3
-15% or more	48	0.5	-27.7	5.9
-20% or more	27	0.3	-35.2	9.5

## Investing \$1,000,000 in the S&P 500 Index

Time in the market	Past 30 years	Past 20 years	Past 10 years	Past 7 years	Past 5 years
Remain fully invested	\$10,113,896	\$5,041,990	\$3,169,585	\$2,303,316	\$1,643,267
Missing the 10 best days	\$4,509,288	\$2,245,712	\$1,655,522	\$1,209,818	\$1,126,586
<b>% drop by missing the 10 best days</b>	<b>-55%</b>	<b>-55%</b>	<b>-48%</b>	<b>-47%</b>	<b>-31%</b>
Missing the 50 best days	\$731,197	\$419,176	\$561,049	\$421,829	\$461,537
<b>% drop by missing the 50 best days</b>	<b>-93%</b>	<b>-92%</b>	<b>-82%</b>	<b>-82%</b>	<b>-72%</b>

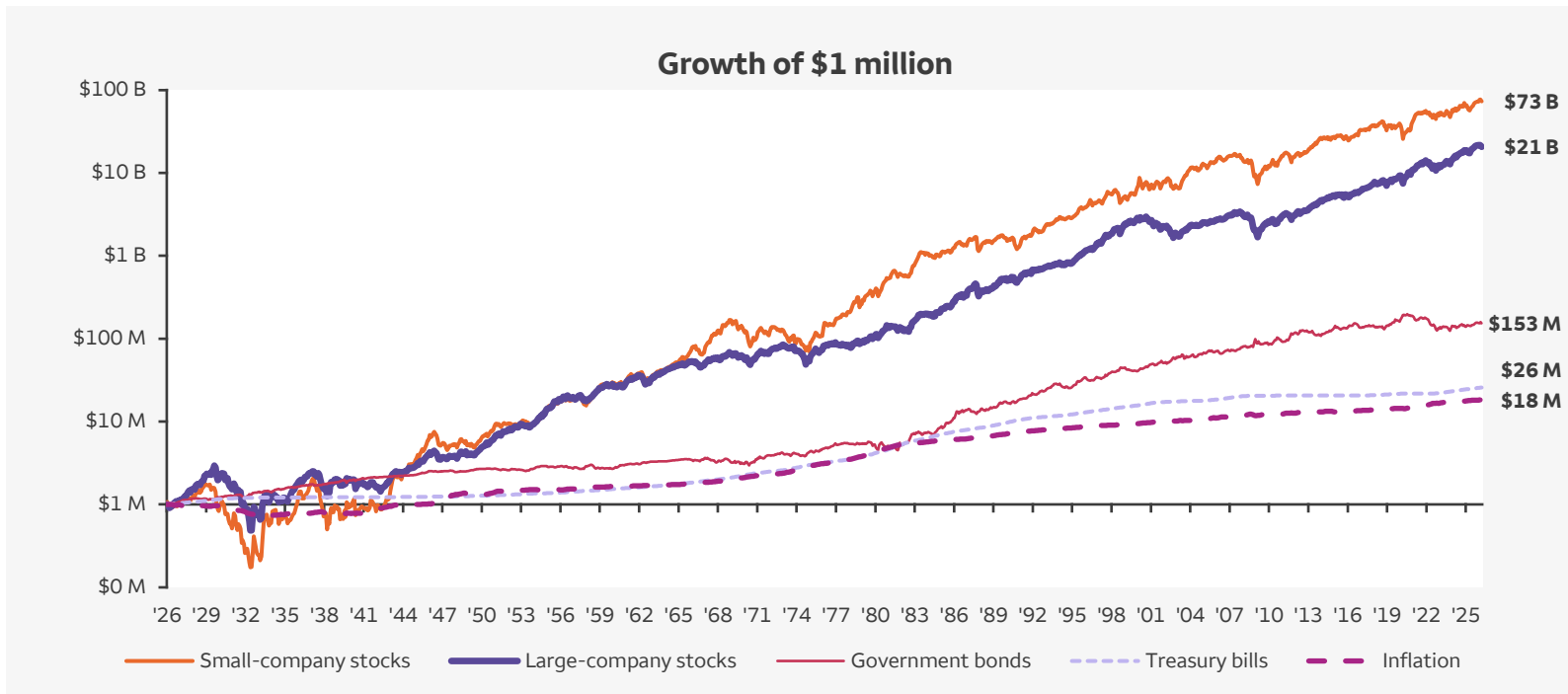
Sources: Bloomberg, Ned Davis Research, and Wells Fargo Investment Institute. Market downturn analysis: data from January 3, 1928, to March 31, 2026. Past 30 years: data from April 1, 1996, to March 31, 2026. Past 20 years: data from April 1, 2006, to March 31, 2026. Past 10 years: data from April 1, 2016, to March 31, 2026. Past 7 years: data from April 1, 2019, to March 31, 2026. Past five years: data from April 1, 2021, to March 31, 2026. The S&P 500 Index is a market capitalization weighted index composed of 500 stocks generally considered representative of the U.S. stock market. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** A price index is not a total return index and does not include the reinvestment of dividends. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

Note: Corrections are declines of 10% or more. Bear markets are declines of 20% or more.

### Key takeaways

- Most market drawdowns have been between 5% and 10% declines. These have tended to recover much quicker than more severe corrections.
- Over long and short time periods, missing the best 10 days reduced the potential investment amount by about 50%. Missing the 50 best days resulted in an ending period balance that was below the original investment.

# Asset values have grown over time



Sources: Bloomberg, © Morningstar Direct, All Rights Reserved,<sup>1</sup> and Wells Fargo Investment Institute. Monthly data from January 1, 1926, to March 31, 2026. Indexed to \$1,000,000 as of January 1, 1926. Large-company stocks: S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. Small-company stocks: 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. Government bonds: Bloomberg U.S. Aggregate Government-Related Long Index measures the investment grade, US dollar-denominated, fixed-rate, government-related taxable bond market with long-dated maturities. Treasury bills: Bloomberg U.S. Treasury Bill (1-3 Month) Index is representative of money markets. Inflation: Consumer Price Index measures the price of a fixed basket of goods and services purchased by an average consumer. Prior to April 1, 2023, the following representative indexes were used. Large-company stocks: IA SBBI U.S. Large Stock Index is a custom index designed to measure the performance of large-capitalization U.S. stocks. Small-company stocks: IA SBBI U.S. Small Stock Index is a custom index designed to measure the performance of small-capitalization U.S. stocks. Government bonds: IA SBBI U.S. Long-Term Government Bond Index is a custom index designed to measure the performance of long-term U.S. government bonds. Treasury bills: IA SBBI U.S. 30-Day Treasury Bill Index is a custom index designed to measure the performance of U.S. Treasury bills maturing in 0 to 30 days. Inflation: IA SBBI U.S. Inflation Index is a custom unmanaged index designed to track the U.S. inflation rate. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** M = million. B = billion.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## Key takeaways

- Since 1926, riskier assets have outperformed less risky assets.
- U.S. Treasury bills (T-bills) have tracked inflation closely over this time frame. More recently, T-bill yields have been lower than inflation.

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Government bonds are guaranteed as to payment of principal and interest if held to maturity and are subject to interest rate risk.

# Asset performance — Correlations

Asset class	Cash	U.S. Taxable IG FI	Municipal FI	HY Taxable FI	DM ex-U.S. FI	EM FI	U.S. LC Equities	U.S. MC Equities	U.S. SC Equities	DM ex-U.S. Equities	EM Equities	Commodities	Hedge Funds
Cash	1.00	0.11	0.01	-0.05	0.08	0.05	0.00	-0.05	-0.06	0.06	0.09	0.02	0.05
U.S. Taxable IG FI		1.00	0.81	0.20	0.76	0.60	0.07	0.08	0.01	0.14	0.15	-0.24	-0.02
Municipal FI			1.00	0.43	0.60	0.74	0.27	0.29	0.18	0.33	0.34	-0.10	0.23
HY Taxable FI				1.00	0.24	0.80	0.79	0.85	0.77	0.81	0.82	0.51	0.82
DM ex-U.S. FI					1.00	0.57	0.16	0.17	0.12	0.33	0.31	0.07	0.12
EM FI						1.00	0.64	0.68	0.59	0.71	0.74	0.29	0.63
U.S. LC Equities							1.00	0.96	0.91	0.88	0.77	0.46	0.86
U.S. MC Equities								1.00	0.95	0.91	0.82	0.52	0.92
U.S. SC Equities									1.00	0.84	0.74	0.44	0.88
DM ex-U.S. Equities										1.00	0.90	0.53	0.89
EM Equities											1.00	0.58	0.89
Commodities												1.00	0.64
Hedge Funds													1.00

Source: Wells Fargo Investment Institute. Strategic (long-term) correlation assumptions are as of July 16, 2025, and are based on data from January 1, 2005, to December 31, 2024. Negative values are shaded in red. Correlation measures the degree to which asset classes move in sync; it does not measure the magnitude of that movement. There is no guarantee that future correlations between the indexes will remain the same. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. Unlike most asset class indexes, HFR Index returns are net of all fees. Because the HFR Indexes are calculated based on information that is voluntarily provided, actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. Index correlations represent past performance. **Past performance is no guarantee of future results.** See following page for risks and index definitions.

Indexes in order represented by Bloomberg U.S. Treasury Bill 1 (-3 Month) Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg U.S. Municipal Index, Bloomberg U.S. Corporate High Yield Bond Index, Bloomberg High Yield Muni Index, J.P. Morgan GBI Global Ex U.S., J.P. Morgan EMBI Global, S&P 500 Index, Russell Midcap Index, Russell 2000 Index, MSCI EAFE Index, MSCI EM Index, FTSE EPRA/NAREIT Developed Index, Bloomberg Commodity Index, HFRI Fund Weighted Index. IG = investment grade. FI = fixed income. LC = large cap. MC = mid cap. SC = small cap. HY = high yield. DM = developed market. EM = emerging market.

## Key takeaways

- Correlations can play an important role in portfolio diversification. In addition to risk and return, correlations are primary components of portfolio construction.
- Investing in asset classes with low or negative correlation to equities can achieve diversification and reduce overall portfolio risk.

# Asset performance — Correlations cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield 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 and may be subject to the alternative minimum tax, and legislative and regulatory risk. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

*Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. 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. Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods which can result in adverse consequences for the investor.*

## Index definitions

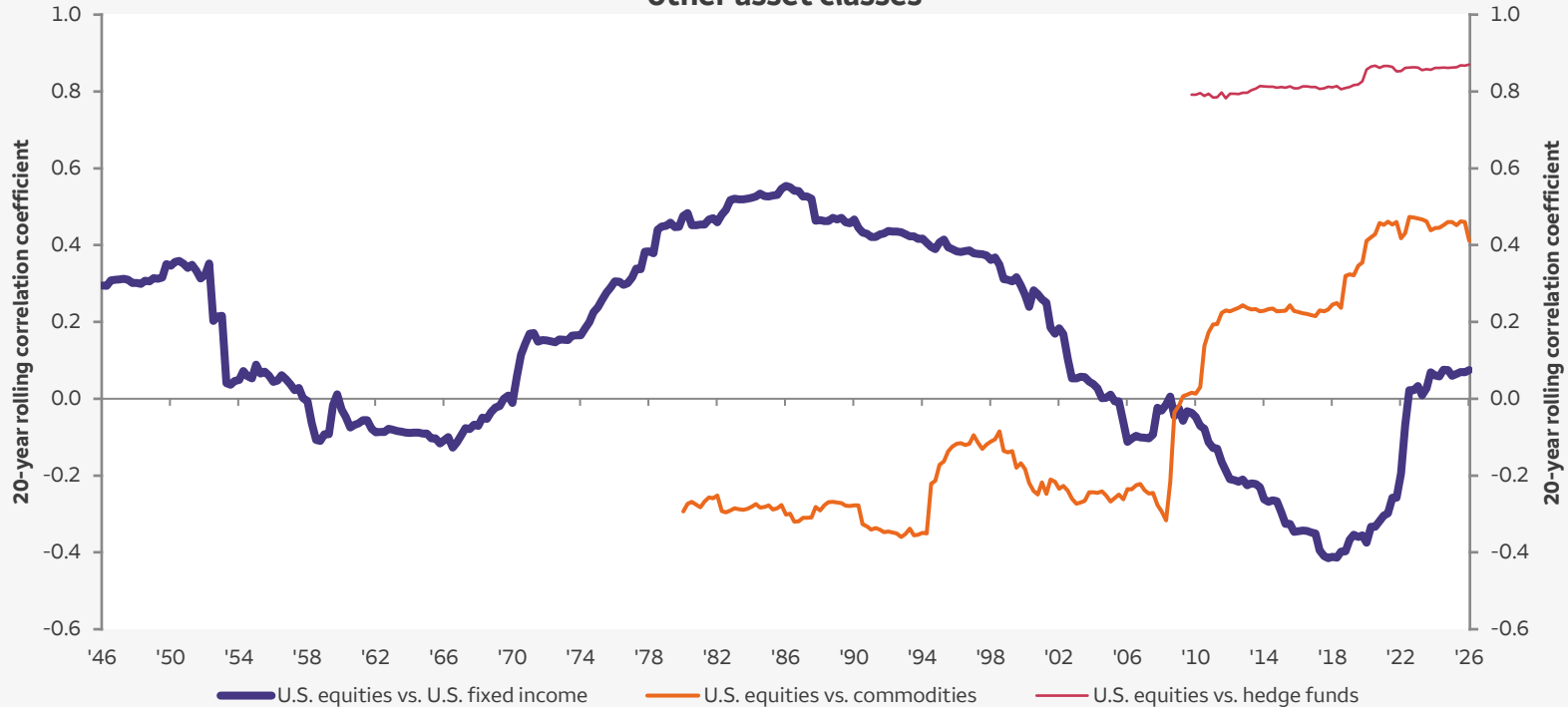
**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **Bloomberg U.S. Treasury Bills (1-3M) Index** is representative of money markets. **Bloomberg U.S. Aggregate Bond Index** is composed of the Bloomberg U.S. Government/Credit Index and the Bloomberg U.S. Mortgage-Backed Securities Index and includes Treasury issues, agency issues, corporate bond issues, and mortgage-backed securities. **Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. **Bloomberg U.S. Municipal Index** is considered representative of the broad market for investment-grade, tax-exempt bonds with a maturity of at least one year. **HFRI Fund Weighted Composite Index** is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that comprise the Index. **J.P. Morgan GBI Global ex-U.S. (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. **J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. **MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. **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. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

The HFRI indexes 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.

An index is unmanaged and not available for direct investment.

# Stock-bond correlations remain positive

## Long-term equity correlation with fixed income remains relatively lower than with other asset classes



Sources: Bloomberg, © Morningstar Direct, All Rights Reserved,<sup>1</sup> and Wells Fargo Investment Institute. Quarterly data from January 1, 1946, to March 31, 2026. Correlation measures the degree to which asset classes move in sync; it does not measure the magnitude of that movement. There is no guarantee that future correlations between the Indexes will remain the same. U.S. equities: S&P 500 Index. U.S. fixed income: Blend of IA SBBI U.S. Long-Term Government Bond Index and IA SBBI U.S. Long-Term Corporate Bond Index until 1976, and then the Bloomberg U.S. Aggregate Bond Index. Commodities: Bloomberg Commodity Index. Hedge Funds: HFRI Hedge Fund Weighted Composite Index. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. Unlike most asset class Indexes, HFR Index returns are net of all fees. Because the HFR Indexes are calculated based on information that is voluntarily provided, actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. Index correlations represent past performance. **Past performance is no guarantee of future results.** See following page for risks and index definitions.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

### Key takeaways

- The rapid increase in correlation between equities and fixed income has come in stark contrast to the period of extremely low — and even negative at times — correlation over most of the past two decades.
- While the correlation has risen in recent years, it is still relatively low compared to the 1980s to 2000s.
- When compared to other diversifiers like the Commodities asset class and hedge funds, fixed income remains less correlated with equities.

# Stock-bond correlations have moved higher cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

*Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. 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. Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods which can result in adverse consequences for the investor.*

## Index definitions

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **Bloomberg U.S. Aggregate 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. **HFRI Fund Weighted Composite Index** is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that comprise the Index. **IA SBBI U.S. Long-Term Government Bond Index** is a custom index designed to measure the performance of long-term U.S. government bonds. **IA SBBI U.S. Long-Term Government Bond Index** is a custom index designed to measure the performance of long-term U.S. corporate bonds. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

The HFRI indexes 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.

An index is unmanaged and not available for direct investment.

# Local-currency returns versus U.S.-dollar-denominated returns

## Annual returns for local-currency and U.S.-dollar-denominated equity and fixed-income indexes

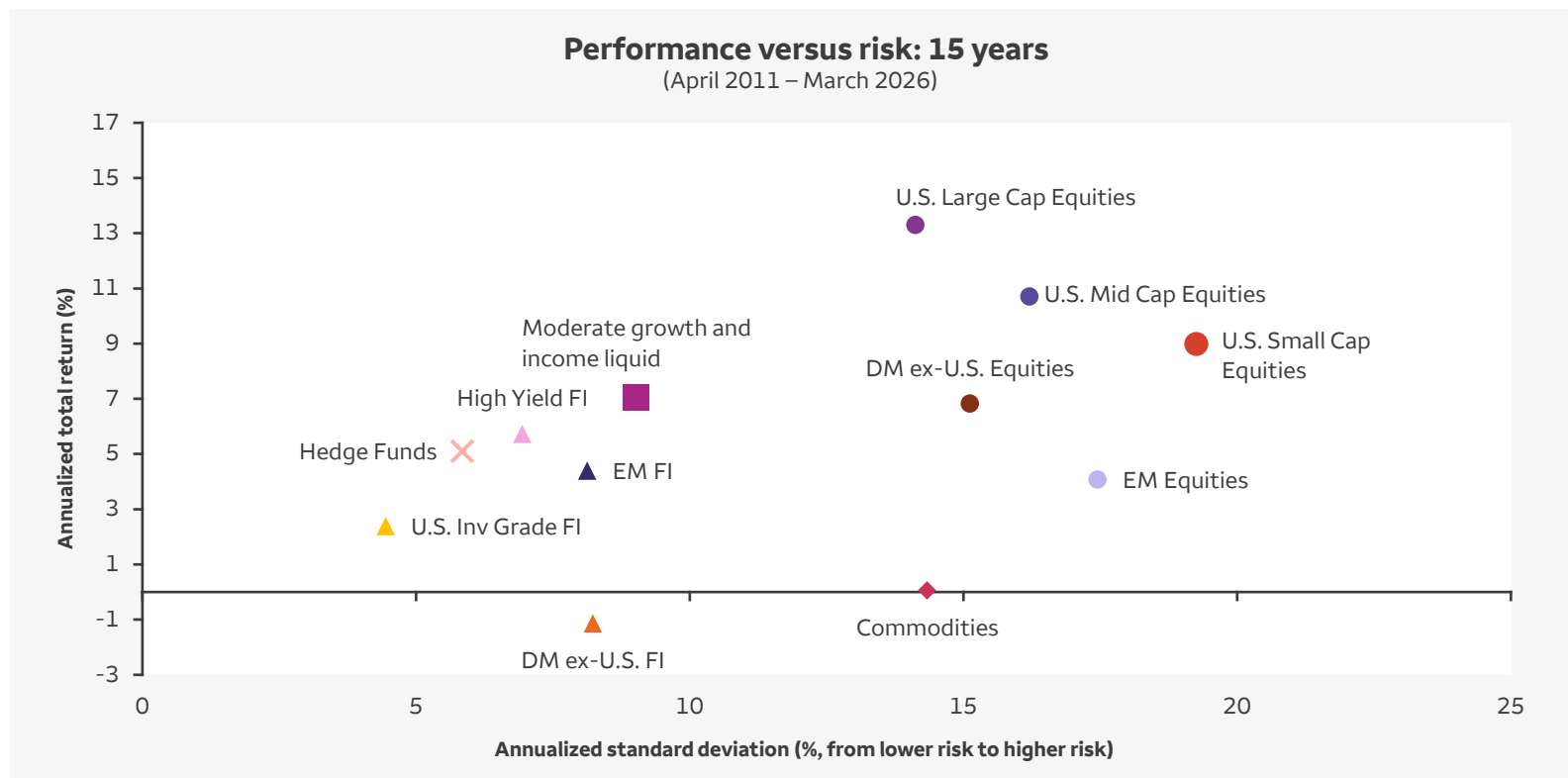
Index	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
U.S. Dollar Index	-0.51	0.33	12.79	9.26	3.63	-9.87	4.40	0.22	-6.69	6.37	8.21	-2.11	7.06	-9.37	1.67
MSCI EAFE Index (local currency)	17.89	<b>27.46</b>	<b>6.38</b>	<b>5.78</b>	<b>5.88</b>	15.77	<b>-10.54</b>	22.31	1.28	<b>19.25</b>	<b>-6.52</b>	16.77	<b>11.84</b>	21.21	<b>0.28</b>
MSCI EAFE Index (U.S. dollar)	<b>17.90</b>	23.29	-4.48	-0.39	1.51	<b>25.62</b>	-13.36	<b>22.66</b>	<b>8.28</b>	11.78	-14.01	<b>18.85</b>	4.35	<b>31.89</b>	-1.12
MSCI EM Index (local currency)	17.39	<b>3.79</b>	<b>5.57</b>	<b>-5.40</b>	10.11	31.00	<b>-9.72</b>	18.51	<b>19.50</b>	<b>0.14</b>	<b>-15.16</b>	<b>10.29</b>	<b>13.70</b>	32.06	<b>2.19</b>
MSCI EM Index (U.S. dollar)	<b>18.63</b>	-2.27	-1.82	-14.60	<b>11.60</b>	<b>37.75</b>	-14.24	<b>18.88</b>	18.69	-2.22	-19.74	10.27	8.05	<b>34.36</b>	-0.10
J.P. Morgan GBI Global ex-U.S. (Unhedged)	0.85	-5.08	-2.53	-4.84	1.86	<b>9.92</b>	-1.68	5.23	<b>10.52</b>	-9.51	-21.87	3.99	-7.79	<b>6.91</b>	-2.69
J.P. Morgan GBI Global ex-U.S. (Hedged)	<b>5.11</b>	<b>1.26</b>	<b>9.95</b>	<b>1.56</b>	<b>4.19</b>	0.50	<b>1.11</b>	<b>5.26</b>	3.36	<b>-2.56</b>	<b>-13.88</b>	<b>4.18</b>	<b>-0.43</b>	-0.95	<b>-1.06</b>
J.P. Morgan GBI EM Global Diversified (local currency)	13.71	<b>-0.28</b>	<b>8.18</b>	<b>3.28</b>	9.35	8.91	<b>3.18</b>	12.34	<b>8.37</b>	-2.92	<b>-5.91</b>	10.03	5.35	10.12	<b>-0.83</b>
J.P. Morgan EMBI Global (dollar denominated)	<b>18.54</b>	-6.58	5.53	1.23	<b>10.19</b>	<b>9.32</b>	-4.61	<b>14.42</b>	5.88	<b>-1.51</b>	-16.45	<b>10.45</b>	<b>5.73</b>	<b>13.45</b>	-1.14

Sources: Bloomberg and Wells Fargo Investment Institute, as of February 28, 2026. EM = emerging markets. YTD = year to date. **The higher value for local currency/hedged vs. U.S. dollar denominated/unhedged is highlighted in green and bolded.** MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The MSCI Emerging Markets Index (USD/Local) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. J.P. Morgan GBI Global ex-U.S. (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. J.P. Morgan GBI Global ex-U.S. (Hedged) is an unmanaged market index representative of the total return performance, on a hedged basis, of major non-U.S. bond markets. J.P. Morgan Emerging Markets Bond Index Global (EMBI Global) is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. J.P. Morgan GBI Emerging Markets Global Diversified (Local Currency) (USD Unhedged) tracks the performance of bonds issued by emerging market governments and denominated in the local currency of the issuer. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. Currency risk is the risk that foreign currencies will decline in value relative to that of the U.S. dollar. Exchange rate movements between the U.S. dollar and foreign currencies may cause the value of an investment to decline.

### Key takeaways

- International equity assets, priced in U.S. dollars, have tended to underperform their local-currency-denominated counterparts when the U.S. dollar is up strongly.
- In the first quarter, most international assets priced in local currency (or unhedged) outperformed their U.S.-dollar-denominated counterparts.

# Finding a potential balance between risk and reward



Sources: Bloomberg, © Morningstar Direct, All Rights Reserved,<sup>1</sup> and Wells Fargo Investment Institute. Data from April 1, 2011, to March 31, 2026. Performance results for Moderate Growth and Income Liquid are calculated using blended index returns. Moderate Growth & Income allocation is dynamic, and changes as needed with adjustments to the strategic allocations. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. Unlike most asset class Indexes, HFR Index returns are net of all fees. Because the HFR Indexes are calculated based on information that is voluntarily provided actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Standard deviation is a measure of the volatility of returns. The higher the standard deviation, the greater volatility has been. See following page for the blended index composition, risks and definitions of indexes.

1. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## Key takeaways

- We believe a diversified allocation can strike a good balance between risk and return.

Diversification strategies do not guarantee investment returns or eliminate the risk of loss. Indexes represented: U.S. Investment Grade FI = Bloomberg U.S. Aggregate Bond Index. Hedge Funds = HFRI Fund Weighted Index. Emerging Market FI = J.P. Morgan EMBI Global. High Yield FI = Bloomberg U.S. Corporate HY Bond Index. U.S. Mid Cap Equities = Russell Midcap Index. U.S. Small Cap Equities = Russell 2000 Index. Developed Market Ex-U.S. FI = J.P. Morgan GBI Global Ex U.S. U.S. Large Cap Equities = S&P 500 Index. Developed Market Ex-U.S. Equities = MSCI EAFE Index. Emerging Market Equities = MSCI Emerging Markets Index. Public Real Estate = FTSE EPRA/ NAREIT Developed REITs Index. Commodities = Bloomberg Commodity Index. FI = fixed income. DM = developed market. EM = emerging market.

# Finding a potential balance between risk and reward cont'd

## Risk considerations

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield 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 and may be subject to the alternative minimum tax, and legislative and regulatory risk. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

*Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. 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. Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods which can result in adverse consequences for the investor.*

## Allocation composition

- **Moderate Growth and Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.

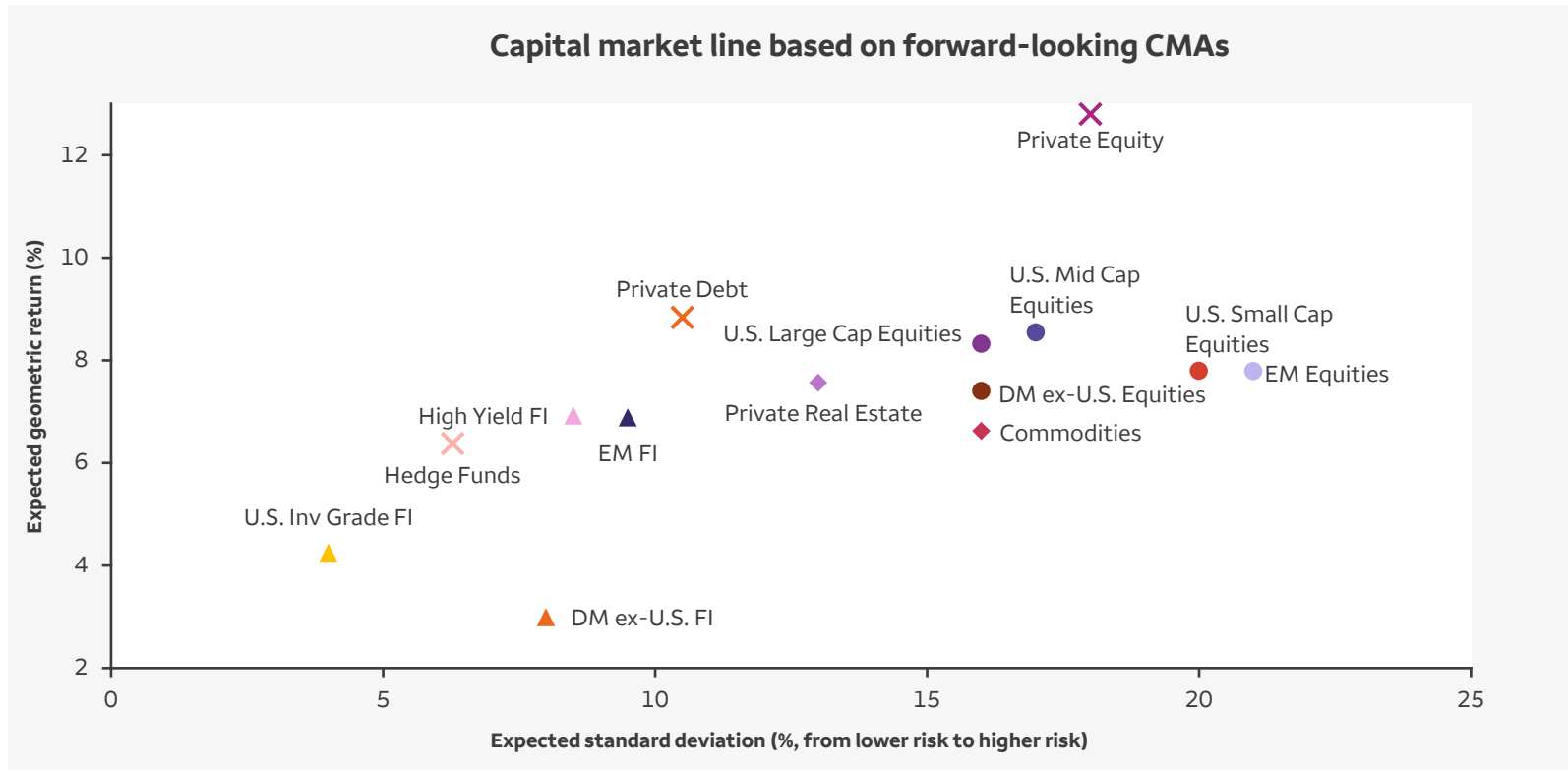
## Index definitions

**Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. **Bloomberg U.S. Treasury Bills (1-3M) Index** is representative of money markets. **Bloomberg U.S. Aggregate 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. **Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. **HFRI Fund Weighted Composite Index** is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that comprise the Index. **J.P. Morgan GBI Global ex-U.S. (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. **J.P. Morgan EMBI Global (USD)** is a U.S. dollar-denominated, investible, market cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. **MSCI EAFE (DM) and MSCI Emerging Markets (EM) indexes** are equity indexes which capture large and mid cap representation across DM countries (excluding Canada and the U.S.) and EM countries around the world. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index. **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. **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the U.S. stock market.

The HFRI indexes 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.

An index is unmanaged and not available for direct investment.

# With higher expected risk comes higher expected returns



Source: Wells Fargo Investment Institute. Strategic (long-term) return assumptions are as of July 16, 2025. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change. Strategic expected returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Expected returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. FI = fixed income. DM = developed markets. EM = emerging markets. Inv grade = investment grade. CMAs = Capital Market Assumptions.

## Key takeaways

- In general, similar asset classes have similar expected risk and return relationships. Asset classes in the same asset group, like fixed income or equity, tend to be grouped together on the forward-looking capital market line.
- The alternative investments asset group is somewhat of an exception to that tendency. Some alternative investments such as hedge-fund strategies exhibit more moderate risk and return expectations, compared to others like the Private Equity strategy that exhibits higher risk and return expectations.

# With higher expected risk comes higher expected returns cont'd

*Capital market and asset class assumptions are estimates of how asset classes and combinations of classes may respond during various market environments. 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 return that would give the same result as a given series of annual returns based on those same assumptions. The return and risk assumptions are statistical averages that do not represent the experience of any individual investor or any specific time period. 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.*

*CMA forecasts are not promises of actual returns or performance that may be realized. They are based on estimates and assumptions that may not occur.*

*The information does not take into account the specific investment objectives, financial situation and particular needs of any specific person who may receive it. Investors should understand that statements regarding future prospects may not be realized.*

## **Risk considerations**

*Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. The **commodities markets** are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.*

***Alternative investments**, such as hedge funds, private equity/private debt funds and private real estate funds, are speculative and entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds.*

*Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. They are intended for qualified, financially sophisticated investors who can bear the risks associated with these investments. Hedge fund strategies, such as **Equity Hedge, Event Driven, Macro and Relative Value** may expose investors to risks such as short selling, leverage, counterparty, liquidity, volatility, the use of derivative instruments and other significant risks.*

# Net flows of mutual funds and exchange-traded funds

\$Billions	YTD 2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Domestic equity MF	-109	-1052	-540	-420	-316	-419	-471	-302	-251	-236	-235
Domestic equity ETF	75	708	743	319	317	519	189	132	139	185	167
Int'l equity MF	-27	-89	-43	-44	-87	-43	-120	-19	34	71	23
EM Equity MF	-6	-34	-15	-15	-23	20	-12	2	4	13	-4
Global/Int'l equity ETF	122	248	97	83	100	211	62	30	71	160	20
Taxable bond MF	61	95	166	-18	-393	306	205	219	-2	233	84
Government Bond MF	3	0	2	-3	-33	15	26	29	6	2	11
High-yield Bond MF	-3	-14	9	-26	-46	22	4	-30	-34	-18	7
Tax-exempt bond MF	14	15	29	-20	-148	84	39	93	4	26	23
Total bond ETF	126	443	295	201	197	203	201	146	98	121	84
Money market MF	12	672	703	957	-3	422	691	553	159	107	-30

Sources: Bloomberg, Investment Company Institute (ICI), and Wells Fargo Investment Institute. Data from January 1, 2016, to February 28, 2026. Negative values are shaded in red. Data represents net new cash flows of mutual funds and net issuance of shares of ETFs. Numbers rounded to the nearest whole number. For the number of funds in each category and the definitions and components of each category according to ICI please refer to the ICI website. MF= mutual fund. ETF = exchange-traded fund. EM = emerging market. YTD = year to date.

# Moderate growth and income quilt chart

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD	'11 - '25 average
Emg-Mkt Fixed Inc 8.5%	Emg-Mkt Equity 18.6%	US Small Cap Equity 38.8%	US Large Cap Equity 13.7%	US Large Cap Equity 1.4%	US Small Cap Equity 21.3%	Emg-Mkt Equity 37.8%	CPI 1.9%	US Large Cap Equity 31.5%	US Small Cap Equity 20.0%	US Large Cap Equity 28.7%	Commod 16.1%	US Large Cap Equity 26.3%	US Large Cap Equity 25.0%	Emg-Mkt Equity 34.4%	Commod 24.4%	US Large Cap Equity 14.1%
Inv-Grade Fixed Inc 7.8%	Emg-Mkt Fixed Inc 18.5%	US Mid Cap Equity 34.8%	US Mid Cap Equity 13.2%	Emg-Mkt Fixed Inc 1.2%	High Yield Fixed Inc 17.1%	Dev ex US Equity 25.6%	Cash Alternative 1.8%	US Mid Cap Equity 30.5%	Emg-Mkt Equity 18.7%	Commod 27.1%	CPI 6.5%	Dev ex US Equity 18.9%	US Mid Cap Equity 15.3%	Dev ex US Equity 31.9%	US Mid Cap Equity 1.3%	US Mid Cap Equity 11.1%
Dev ex US Fixed Inc 5.9%	Dev ex US Equity 17.9%	US Large Cap Equity 32.4%	60%/40% Blend 10.6%	60%/40% Blend 1.2%	US Mid Cap Equity 13.8%	US Large Cap Equity 21.8%	Inv-Grade Fixed Inc 0.0%	US Small Cap Equity 25.5%	US Large Cap Equity 18.4%	US Mid Cap Equity 22.6%	Cash Alternative 1.5%	60%/40% Blend 17.7%	60%/40% Blend 15.1%	US Large Cap Equity 17.9%	Hedge Funds 0.9%	60%/40% Blend 9.6%
High Yield Fixed Inc 5.0%	US Mid Cap Equity 17.3%	Dev ex US Equity 23.3%	Mod Grwth Inc 6.2%	CPI 0.7%	US Large Cap Equity 12.0%	US Mid Cap Equity 18.5%	Dev ex US Fixed Inc -1.7%	Dev ex US Equity 22.7%	US Mid Cap Equity 17.1%	60%/40% Blend 16.0%	Hedge Funds -4.1%	US Mid Cap Equity 17.2%	US Small Cap Equity 11.5%	Commod 15.8%	US Small Cap Equity 0.9%	US Small Cap Equity 9.5%
60%/40% Blend 5.0%	US Small Cap Equity 16.4%	60%/40% Blend 17.7%	Inv-Grade Fixed Inc 6.0%	Inv-Grade Fixed Inc 0.5%	Commod 11.8%	US Small Cap Equity 14.6%	High Yield Fixed Inc -2.1%	60%/40% Blend 22.1%	60%/40% Blend 15.4%	US Small Cap Equity 14.8%	High Yield Fixed Inc -11.2%	US Small Cap Equity 16.9%	Mod Grwth Inc 10.5%	Mod Grwth Inc 14.6%	Cash Alternative 0.9%	Mod Grwth Inc 7.3%
CPI 3.0%	US Large Cap Equity 16.0%	Mod Grwth Inc 10.7%	Emg-Mkt Fixed Inc 5.5%	Cash Alternative 0.0%	Emg-Mkt Equity 11.6%	60%/40% Blend 14.3%	60%/40% Blend -2.3%	Mod Grwth Inc 19.5%	Mod Grwth Inc 14.8%	Dev ex US Equity 11.8%	Inv-Grade Fixed Inc -13.0%	Mod Grwth Inc 13.7%	Hedge Funds 9.8%	60%/40% Blend 13.8%	CPI 0.8%	Dev ex US Equity 7.1%
US Large Cap Equity 2.1%	High Yield Fixed Inc 15.8%	Hedge Funds 9.1%	US Small Cap Equity 4.9%	Dev ex US Equity -0.4%	Emg-Mkt Fixed Inc 10.2%	Mod Grwth Inc 13.6%	US Large Cap Equity -4.4%	Emg-Mkt Equity 18.9%	Hedge Funds 11.8%	Mod Grwth Inc 10.2%	Dev ex US Equity -14.0%	High Yield Fixed Inc 13.4%	High Yield Fixed Inc 8.2%	Emg-Mkt Fixed Inc 13.5%	Inv-Grade Fixed Inc 0.0%	High Yield Fixed Inc 6.0%
Mod Grwth Inc 1.7%	Mod Grwth Inc 12.2%	High Yield Fixed Inc 7.4%	Hedge Funds 3.0%	Hedge Funds -1.1%	Mod Grwth Inc 9.1%	Dev ex US Fixed Inc 9.9%	Emg-Mkt Fixed Inc -4.6%	Emg-Mkt Fixed Inc 14.4%	Dev ex US Equity 10.5%	Hedge Funds 10.2%	Mod Grwth Inc -14.7%	Emg-Mkt Fixed Inc 10.5%	Emg-Mkt Equity 8.1%	US Small Cap Equity 12.8%	Emg-Mkt Equity -0.1%	Hedge Funds 5.1%
Cash Alternative 0.1%	60%/40% Blend 11.4%	CPI 1.5%	High Yield Fixed Inc 2.5%	Mod Grwth Inc -2.0%	60%/40% Blend 8.2%	Emg-Mkt Fixed Inc 9.3%	Hedge Funds -4.7%	High Yield Fixed Inc 14.3%	Dev ex US Equity 8.3%	CPI 7.0%	60%/40% Blend -15.9%	Emg-Mkt Equity 10.3%	Emg-Mkt Fixed Inc 5.7%	Hedge Funds 12.4%	Mod Grwth Inc -0.4%	Emg-Mkt Fixed Inc 4.5%
US Mid Cap Equity -1.5%	Hedge Funds 6.4%	Cash Alternative 0.0%	CPI 0.8%	US Mid Cap Equity -2.4%	Hedge Funds 5.4%	Hedge Funds 8.6%	Mod Grwth Inc -4.8%	Hedge Funds 10.4%	Inv-Grade Fixed Inc 7.5%	High Yield Fixed Inc 5.3%	Emg-Mkt Fixed Inc -16.5%	Hedge Funds 8.1%	Commod 5.4%	US Mid Cap Equity 10.6%	High Yield Fixed Inc -0.5%	Emg-Mkt Equity 4.2%
US Small Cap Equity -4.2%	Inv-Grade Fixed Inc 4.2%	Inv-Grade Fixed Inc -2.0%	Cash Alternative 0.0%	US Small Cap Equity -4.4%	Inv-Grade Fixed Inc 2.6%	High Yield Fixed Inc 7.5%	US Mid Cap Equity -9.1%	Inv-Grade Fixed Inc 8.7%	High Yield Fixed Inc 7.1%	Cash Alternative 0.0%	US Mid Cap Equity -17.3%	Inv-Grade Fixed Inc 5.5%	Cash Alternative 5.3%	High Yield Fixed Inc 8.6%	Dev ex US Equity -1.1%	CPI 2.6%
Hedge Funds -5.3%	CPI 1.7%	Emg-Mkt Equity -2.3%	Emg-Mkt Equity -1.8%	High Yield Fixed Inc -4.5%	CPI 2.1%	Inv-Grade Fixed Inc 3.5%	US Small Cap Equity -11.0%	Commod 7.7%	Emg-Mkt Fixed Inc 5.9%	Emg-Mkt Fixed Inc -1.5%	US Large Cap Equity -18.1%	Cash Alternative 5.1%	Dev ex US Equity 4.3%	Inv-Grade Fixed Inc 7.3%	Emg-Mkt Fixed Inc -1.1%	Inv-Grade Fixed Inc 2.4%
Dev ex US Equity -11.7%	Dev ex US Fixed Inc 0.8%	Dev ex US Fixed Inc -5.1%	Dev ex US Fixed Inc -2.5%	Dev ex US Fixed Inc -4.8%	Dev ex US Fixed Inc 1.9%	CPI 2.1%	Commod -11.2%	Dev ex US Fixed Inc 5.2%	CPI 1.4%	Inv-Grade Fixed Inc -1.5%	Emg-Mkt Equity -19.7%	Dev ex US Fixed Inc 4.0%	CPI 2.9%	Dev ex US Fixed Inc 6.9%	60%/40% Blend -2.6%	Cash Alternative 1.5%
Commod -13.3%	Cash Alternative 0.1%	Emg-Mkt Fixed Inc -6.6%	Dev ex US Equity -4.5%	Emg-Mkt Equity -14.6%	Dev ex US Equity 1.5%	Commod 1.7%	Dev ex US Equity -13.4%	CPI 2.3%	Cash Alternative 0.5%	Emg-Mkt Equity -2.2%	US Small Cap Equity -20.4%	CPI 3.4%	Inv-Grade Fixed Inc 1.3%	Cash Alternative 4.3%	Dev ex US Fixed Inc -2.7%	Dev ex US Fixed Inc -0.9%
Emg-Mkt Equity -18.2%	Commod -1.1%	Commod -9.5%	Commod -17.0%	Commod -24.7%	Cash Alternative 0.3%	Cash Alternative 0.8%	Emg-Mkt Equity -14.2%	Cash Alternative 2.2%	Commod -3.1%	Dev ex US Fixed Inc -9.5%	Dev ex US Fixed Inc -21.9%	Commod -7.9%	Dev ex US Fixed Inc -7.8%	CPI 2.7%	US Large Cap Equity -4.3%	Commod -1.1%

DATA AS OF 3/31/2026

Sources: Bloomberg, © Morningstar Direct, All Rights Reserved,<sup>1</sup> and Wells Fargo Investment Institute. Average is calculated as geometric mean. Average is calculated as 15 years from 2011 – 2025. CPI is as of February 28, 2026. CPI = consumer price inflation. Blends are rebalanced quarterly. Performance results for Moderate Growth and Income Liquid and the 60/40 blend are calculated using blended index returns. **Past performance does not guarantee future results.** An index is unmanaged and not available for direct investment. Please following slides for definitions of the indexes that correlate to each asset class.

1. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

# Moderate growth and income quilt chart cont'd

Performance results for the MGI Liquid and 60/40 blends are calculated using blended index returns. Moderate Growth & Income allocation is dynamic, and changes as needed with adjustments to the strategic allocations. Performance results do not represent actual trading, and the results achieved do not represent the experience of any individual investor. In addition, performance results do not reflect the impact of any fees, expenses, or taxes applicable to an actual investment. Unlike most asset-class Indexes, HFR index returns are net of all fees. The Indexes reflect the historical performance of the represented assets and assume the reinvestment of dividends and other distributions. An index is unmanaged and not available for direct investment. **Past performance does not guarantee future results.** Definitions of the Indexes and descriptions of the risks associated with investment in these asset classes are provided below.

**60%/40% blend:** 60% S&P 500 Index and 40% Bloomberg U.S. Aggregate Bond Index.

**Moderate Growth and Income:** 2% Bloomberg U.S. Treasury Bills (1–3 Month) Index, 30% Bloomberg U.S. Aggregate Bond Index, 6% Bloomberg U.S. Corporate High Yield Bond Index, 5% J.P. Morgan EMBI Global, 30% S&P 500 Index, 10% Russell Midcap Index, 8% MSCI EAFE Index, 5% MSCI Emerging Markets Index, 4% Bloomberg Commodity Index.

- **Investment Grade Fixed Income: Bloomberg U.S. Aggregate 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.
- **High Yield Fixed Income: Bloomberg U.S. Corporate High Yield Bond Index** covers the U.S.-dollar-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB= or below. Included issues must have at least one year until final maturity.
- **Cash Alternatives/Treasury bills: Bloomberg U.S. Treasury Bill (1–3 Month) Index** is representative of money markets.
- **Commodities: Bloomberg Commodity Index** is a broadly diversified index of commodity futures on 20 physical commodities, subdivided into energy, U.S. agriculture, livestock, precious metals, and industrial metals sectors. Commodity weights are derived in a manner that attempts to fairly represent the importance of a diversified group of commodities to the world economy.
- **Hedge Funds: HFRI Fund Weighted Index** is a fund-weighted (equal-weighted) index designed to measure the total returns (net of fees) of the approximately 2,000 hedge funds that comprise the index. Constituent funds must have either \$50 million under management or a track record of greater than 12 months. Substrategies include: HFRI Event Driven, Distressed/Restructuring Index, and HFRI Event Driven (Total) Index.
- **Developed Market Ex-U.S. Fixed Income: J.P. Morgan (Government Bond Index) GBI Global Ex U.S.** is a total return, market-capitalization-weighted index, rebalanced monthly, consisting of the following countries: Australia, Germany, Spain, Belgium, Italy, Sweden, Canada, Japan, the United Kingdom, Denmark, the Netherlands, and France.
- **Emerging Market Fixed Income: J.P. Morgan Emerging Market Bond Index (EMBI) Global** is a U.S.-dollar-denominated, investible, market-cap-weighted index representing a broad universe of emerging market sovereign and quasi-sovereign debt. While products in the asset class have become more diverse, focusing on both local currency and corporate issuance, there is currently no widely accepted aggregate index reflecting the broader opportunity set available, although the asset class is evolving. By using the same index provider as the one used in the developed market bonds asset class, there is consistent categorization of countries among developed international bonds (ex. U.S.) and emerging market bonds.
- **Developed Market Ex-U.S. Equities: MSCI EAFE Index (Europe, Australasia, Far East) Index** is a free-float-adjusted market-capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.
- **Emerging Market Equities: MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of emerging markets.
- **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. Mid Cap Equities: Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.
- **U.S. Large Cap Equities: S&P 500 Index** consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value.
- **Inflation-CPI: IA SBBI U.S. Inflation Index** is a custom unmanaged index designed to track the U.S. inflation rate.
- An index is unmanaged and not available for direct investment.

# Moderate growth and income quilt chart — cont'd

While the HFRI Indexes 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 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 Indexes 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.

## **Risk considerations**

Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Small- and mid-cap stocks are generally more volatile, subject to greater risks and are less liquid than large company stocks. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets. Bonds are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. High-yield 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 and may be subject to the alternative minimum tax, and legislative and regulatory risk. Investing in commodities is not appropriate for all investors and may subject an investment to greater share price volatility than an investment in traditional equity or debt securities.

*Alternative investments, such as hedge funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. 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. 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. Hedge funds trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods which can result in adverse consequences for the investor.*

# General disclosures

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

The information in this report was prepared by GIS. Opinions represent GIS' opinion as of the date of this report; are for general information purposes only; and are not intended to predict or guarantee the future performance of any individual security, market sector, or the markets generally. GIS does not undertake to advise you of any change in its opinions or the information contained in this report. Wells Fargo & Company affiliates may issue reports or have opinions that are inconsistent with, and reach different conclusions from, this report.

The information contained herein constitutes general information and is not directed to, designed for, or individually tailored to any particular investor or potential investor. This material is not intended to be a client-specific suitability or best interest analysis or recommendation; an offer to participate in any investment; or a recommendation to buy, hold, or sell securities. Do not use this information as the sole basis for investment decisions. Do not select an asset class or investment product based on performance alone. Consider all relevant information, including your existing portfolio, investment objectives, risk tolerance, liquidity needs, and investment time horizon.

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC, member NYSE, FINRA and SIPC and Wells Fargo Bank, National Association.

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker/dealers and nonbank affiliates of Wells Fargo & Company.

© 2026 Wells Fargo Investment Institute. All rights reserved.

[PM]-09192027-5307032