

Investment Strategy

Weekly guidance from our Investment Strategy Committee April 13, 2026

Alternatives Spotlight: Key questions facing private credit investors 2

- Private credit – Direct Lending fundamentals has been resilient despite areas of stress.
- While elevated redemption activity and potential artificial intelligence (AI) driven disruption in software merit attention, neither has had a material impact on credit quality to date.

Equities: Earnings strength persists despite market volatility 4

- S&P 500 Index earnings and revenues grew solidly last quarter, and we expect the first quarter earnings season to follow a similar pattern.
- Recent market pullbacks are driven by geopolitics and risk sentiment, while earnings estimates have risen and valuations compressed.

Fixed Income: U.S. debt sustainability not a reason to abandon Treasuries 5

- The U.S. government runs a large deficit and has a considerable amount of debt, which causes investor concern. However, we believe the U.S. has characteristics and options which make debt management possible.
- We do not believe the deficit warrants a widespread move away from Treasuries. We are neutral on the Treasury Securities sector, and debt sustainability factors in our current guidance as does our positive economic outlook.

Real Assets: Time to take profits in energy 6

- We continue to see risks to the downside for oil prices through year-end and believe recent outperformance can provide attractive opportunities to take profits and underweight energy exposure.
- Our updated crude oil targets are \$10 higher than previously but are still nearly 30% lower than current prices, reflecting our expectations for a lingering geopolitical risk premium to prevent prices from falling to pre-war levels.

Current tactical guidance 7

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

Alternatives Spotlight

Mark Steffen, CFA, CAIA

Global Alternative Investment Strategist

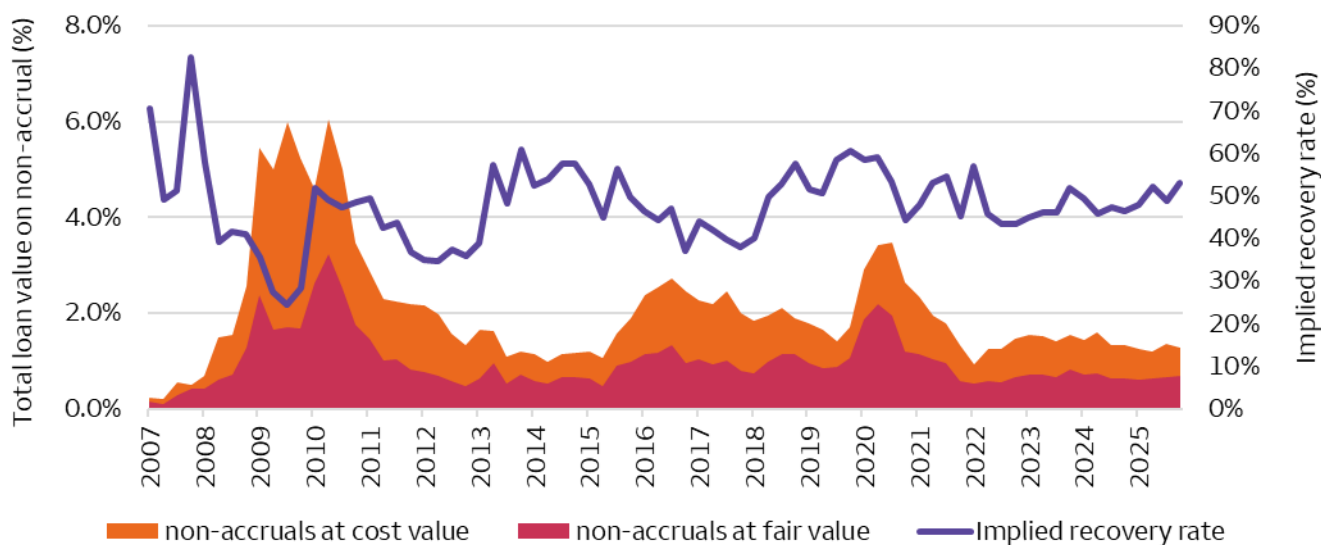
Key questions facing private credit investors

Private credit – Direct Lending plays a vital role in financing small- and mid-sized private businesses that lack access to public debt markets. These companies represent a growing segment of the economy, which has continued to drive demand for new loans.

Concerns about potential systemic risk in private credit – direct lending have remained in the public spotlight. While some stress is evident, thus far it has been more prevalent in cyclical sectors of the market.¹ At this stage, we believe the data suggests that credit issues remain contained. Non accrual loans, generally defined as those more than 90 days past due, remain within historical ranges looking back through 2007. As illustrated in the chart from data provider Cliffwater (see Chart 1), non accrual levels measured at cost and fair value are below the peaks observed in 2010 and 2020. In addition, the implied recovery rate — calculated as the fair value of non accrual loans relative to cost — has remained near 50% in recent quarters, suggesting meaningful recovery potential even in default scenarios in our view.

We believe private credit may offer attractive income potential and can play a valuable role in a diversified portfolio where appropriate. However, risks remain, these small- and mid sized borrowers may be more vulnerable should an extended geopolitical conflict lead to weaker economic conditions overall.²

Chart 1. Direct Lending non-accruals (defaults) and recovery rates have been modest to historical ranges



Sources: Cliffwater Direct Lending Index (CDLI), data through December 31, 2025. Cliffwater Direct Lending Index: The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle-market corporate loans, as represented by the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. The CDLI is an asset-weighted index that is calculated on a quarterly basis using financial statements and other information contained in the U.S. Securities and Exchange Commission (SEC) filings of all eligible BDCs. Cliffwater believes that the CDLI is representative of the direct lending asset class. The index was launched on September 30, 2015, and was reconstructed using publicly available data dating back to 2004. The index encompasses approximately 21,500 loans and \$549 billion in assets as of December 31, 2025. An index is unmanaged and not available for direct investment.

1. Cliffwater Direct Lending Index database: The sector breakout of percentage of loans marked less than or equal to 90%, a common threshold that delineates stressed loans as of December 31, 2025. Cyclical sectors with greater stress levels include Consumer/Retail, Food/Beverage, Media & Telecom.
 2. J.P. Morgan Chase Institute: “Small business in times of distress: Lessons learned from the pandemic,” July 28, 2025.

What will heightened redemption levels mean for long-term investors?

While many direct lending strategies may offer periodic liquidity, investors should view them as long term non-liquid investments, especially since redemption periods may be limited or closed during market stress. Portfolio managers may restrict withdrawals to avoid selling private assets (or private direct loans) at unfavorable prices. These measures are designed in an effort to protect capital and support long term investment returns. Recently, redemptions in these strategies have increased and several managers have announced restrictions on the amount of redemptions allowed.

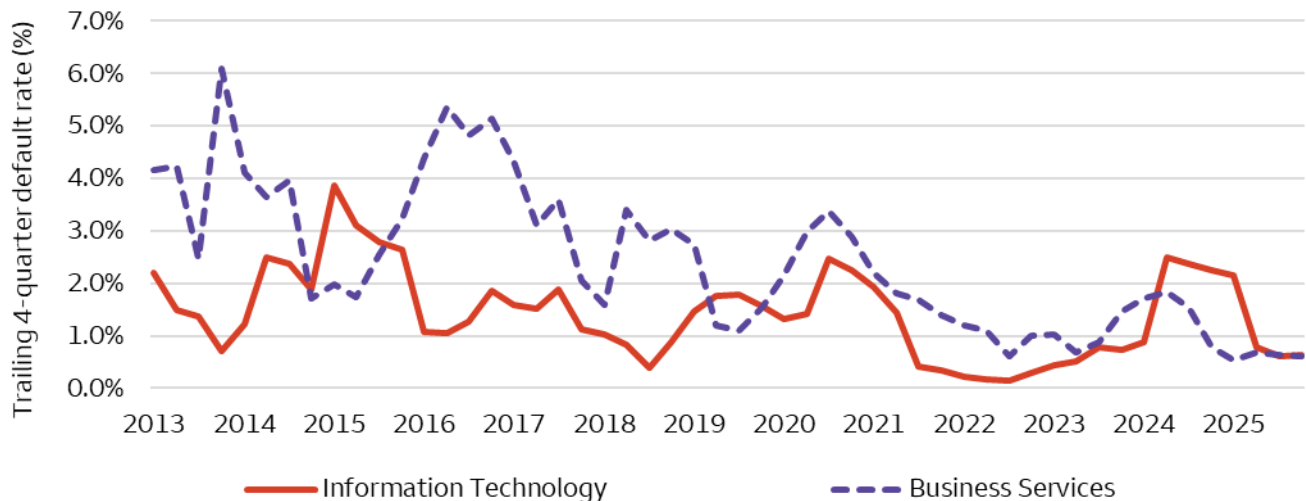
Over longer periods, sustained redemptions could gradually affect portfolio quality. This is because higher quality loans are typically repaid first, which can slowly lower the overall borrower diversity over time. In addition, if new capital is limited in a fund, fewer new loans are created and the portfolio may become increasingly concentrated in older loans, potentially increasing risk. That said, we believe current credit conditions remain manageable, and if market uncertainty becomes clearer as we expect, elevated levels of redemption activity should moderate.

Can AI disruption in the software industry significantly impact private credit?

We believe the potential impact of AI on private credit is likely to be significant. Over time, we expect AI to reshape many businesses and could make some business models seem less viable. The software industry, in particular, is often highlighted as an area where disruption could be meaningful. This matters for private credit investors because technology and software companies currently represent about 24% of the direct lending market³, which has increased investor attention as they evaluate how AI may affect these strategies.

While AI related disruption is likely, our base case is a gradual transition rather than a sudden shift. We believe most companies, along with their lenders, will have time to adjust business models, manage costs, and realign investment priorities as new technologies are adopted. Importantly, the data we track today suggests that software borrowers remain on solid footing. The trailing four quarter default rate for the Information Technology and Business Services sectors, the two areas most closely aligned with software companies, remains low relative to historical levels at 0.60% and 0.63%, respectively (see Chart 2). This suggests that, despite uncertainty around AI, many software businesses have so far been able to generate sufficient cash flow to meet their debt obligations, supporting overall credit stability in this segment.

Chart 2. Historical private credit - direct lending default rate for Information Technology and Business Service sectors (on trailing four quarter basis)



Source: Cliffwater LLC., data through December 31, 2025. Information Technology companies are defined as those primarily engaged in hardware and software development and publishing, Information Technology services, data-driven companies, and other technology infrastructure services. Business Services companies include companies providing professional, operational, or administrative services to other businesses. Cliffwater Industry classifications are derived from BDC-reported industry data, aggregated at the index level, and are broadly consistent with standard private credit conventions.

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

3. Cliffwater Direct Lending Index database: Industry Composition pie chart as of December 31, 2025.

Equities

Alex Sagal

Investment Strategy Analyst

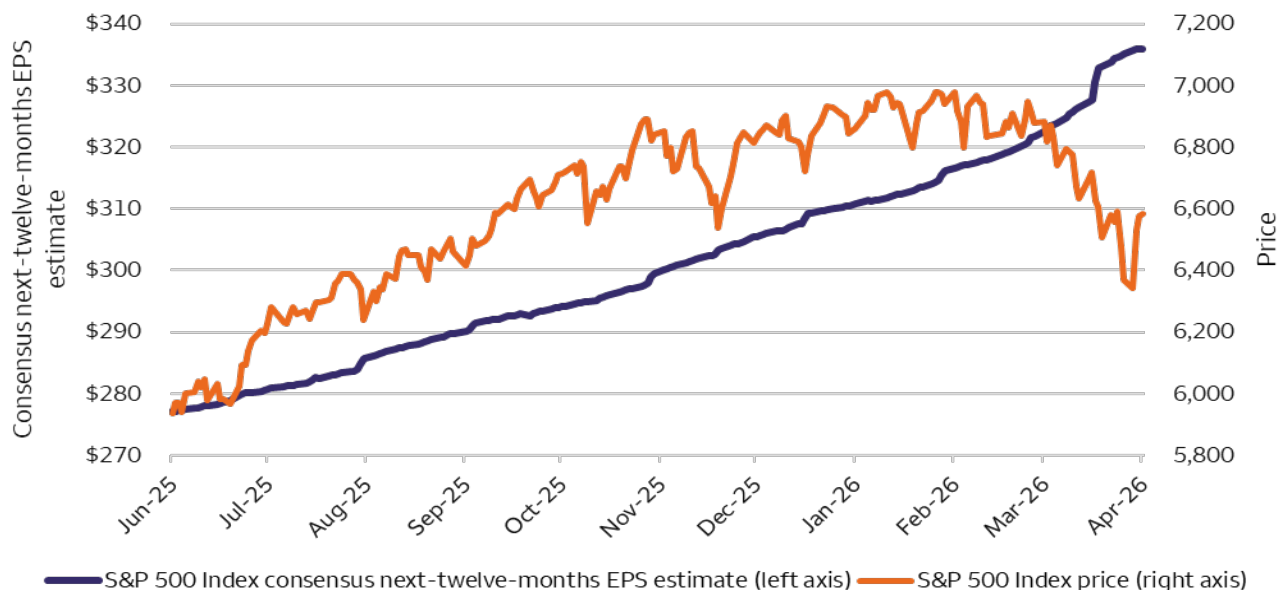
Earnings strength persists despite market volatility

The first quarter earnings season for U.S. large cap companies kicks off this week. The previous earnings season showed many areas of strength as the aggregate earnings for the S&P 500 Index grew 13.4%, with about 75% of companies beating earnings per share (EPS) estimates, a beat rate above long-term averages. Additionally, revenues grew 9.4%, beating consensus forecasts that called for 7.5% growth before the season began. The Information Technology sector was a standout, with 93% of companies beating consensus earnings estimates while sporting a 33% earnings growth rate. We expect the current earnings season to rhyme with the last one as earnings growth is expected to be 12.4% with sales growing 9.2%, similar to what played out in the fourth quarter. From a sector perspective, Energy and defense-exposed Industrials may benefit from stronger top-line dynamics, while Information Technology earnings remain supported by AI-related investment and capital expenditure (capex) follow-through.

The earnings season arrives against a backdrop where market attention has drifted away from fundamentals like earnings growth and towards geopolitical risks. The accompanying chart underscores this divergence. While the S&P 500 Index's price has pulled back from highs reached in late January, consensus next 12-month EPS estimates continued to move higher, mechanically lowering valuations meaningfully. In other words, recent volatility reflects a repricing driven by risk sentiment and geopolitics, not a deterioration in fundamentals. History suggests that over intermediate horizons, it is fundamentals rather than headlines that ultimately anchor returns.

From a positioning perspective, we favor Information Technology, Financials, Industrials (including aerospace and defense) and Utilities, using Energy, Health Care, and consumer-oriented sectors as a source of funding. Dollar-cost averaging remains a prudent approach, as it systematically deploys capital through volatility rather than attempting to time short-term swings. We believe by spreading entry points, investors can mitigate timing risk and potentially take advantage of market dislocations when price volatility outpaces changes in underlying fundamentals.

Chart 3. Earnings rise as market prices pull back



Sources: Bloomberg and Wells Fargo Investment Institute. Data as of April 2, 2026. EPS = earnings per share. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Fixed Income

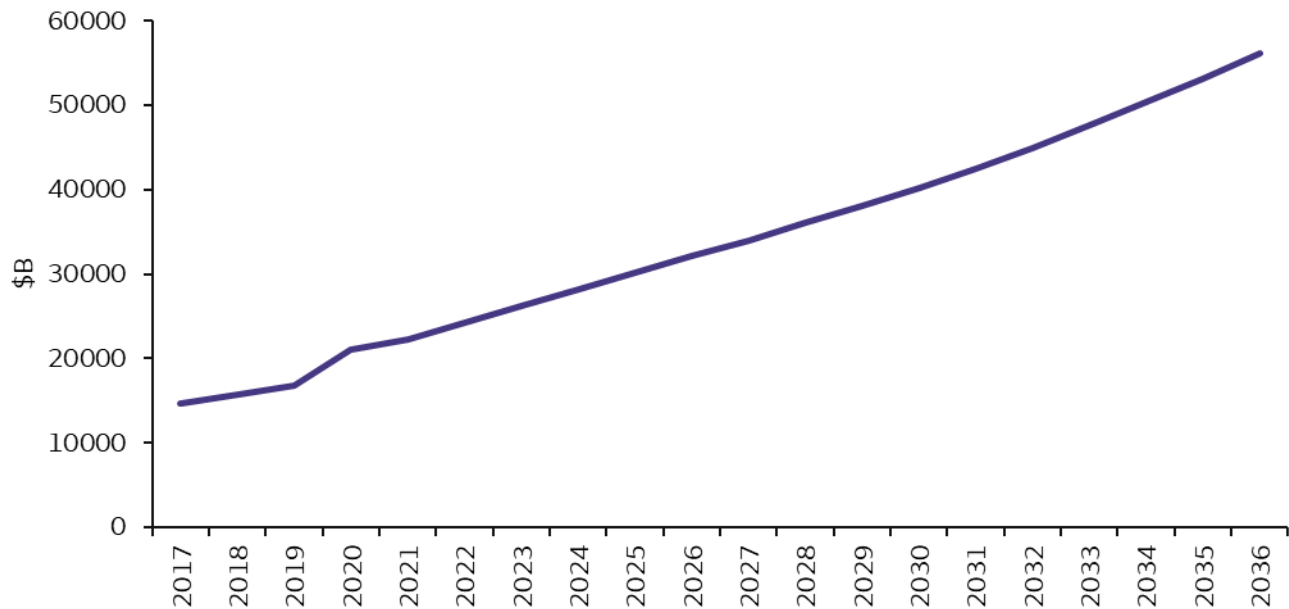
Tony Miano, CFA, CAIA

Investment Strategy Analyst

U.S. debt sustainability not a reason to abandon Treasuries

The Government Accountability Office (GAO) once again raised concerns on the U.S. government's path of debt sustainability in an April report. The U.S. currently owes more than \$38 trillion (T) in debt, with early reports projecting an average of \$2T a year added through 2036, numbers that can sound alarming. Our view is this debt is still manageable today and does not warrant a widespread move away from Treasuries, but it is growing fast and could become a serious problem over time. The main issue is not the size of the debt but difficulty addressing its rise in the years ahead.

Chart 4. Projected U.S. debt held by the public from 2017-2036



Sources: Congressional Budget Office (CBO), data as of February 2026. Debt held by the public includes both debt owned by U.S. investors and debt owned by foreign investors or governments. B = billions.

Government spending has consistently exceeded tax revenue in recent decades, creating large annual deficits. Much of this spending is tied to programs such as Social Security and Medicare, while changes to these programs could have a significant impact, they tend to be politically difficult to cut. In addition, as interest rates have increased from historic lows, interest costs to finance the debt are expected to take up a growing share of the federal budget. Tax increases, spending cuts, or higher economic growth are levers that can be used to address the deficit in the long term.

The U.S. is not the only country with debt concerns, but it does have somewhat unique strengths that support its ability to manage debt. Our economy is the largest in the world, and the U.S. dollar remains the main currency used globally (a feature which we do not believe will change anytime soon). These factors help keep demand for U.S. Treasury bonds strong and have supported increasing debts. However, if debt continues to grow faster than the economy, borrowing could become more expensive and limit the government's ability to respond to future crises. We reiterate that these concerns are more long-term in nature, and we maintain a neutral rating on Treasury Securities.

Real Assets

Mason Mendez

Investment Strategy Analyst

Time to consider taking profits in energy

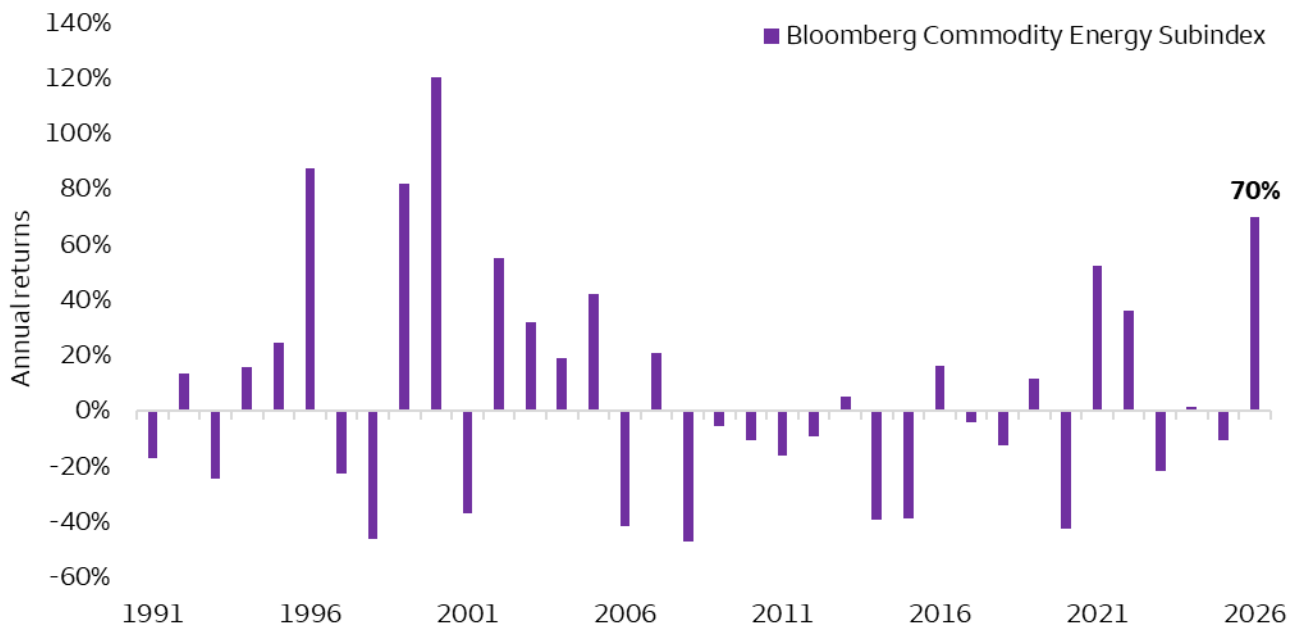
Commodities have performed exceptionally well in 2026, outperforming U.S. Large Cap Equities and the Bloomberg U.S. Aggregate Bond Index by 30% and 26%, respectively (as of December 31, 2025 through April 6, 2026). Within commodities, energy has emerged as the strongest outperformer. In fact, when compared against the sector’s annual returns, today’s year-to-date performance would be the strongest since 2000 (see Chart 5). We see the risk to prices as the downside through year-end rather than to the upside.

Historically, oil markets have been highly volatile, prices can swing rapidly as risks emerge or fade. While no two periods are the same, past instances, such as in the 1990s Gulf War and more recently Russia’s invasion of Ukraine in 2022, have shown that high prices were fairly short lived, and they tended to decline after the risk to oil supplies had passed.

That said, we do suspect that a geopolitical risk premium will linger for the foreseeable future, especially if energy infrastructure is targeted over the coming weeks, which in effect will limit prices from falling to the lows seen last year.

Therefore, we are concurrently downgrading the commodities energy sector from neutral to unfavorable and raising our 2026 year-end crude oil targets to \$70-\$80 per barrel for West Texas Intermediate (WTI) and \$75-\$85 per barrel for Brent crude. We view Energy’s recent outperformance as an opportunity to lock in profits and reallocate to Industrial Metals and Precious Metals — which we rate as favorable.

Chart 5. Energy’s performance is the strongest in years



Sources: Bloomberg and Wells Fargo Investment Institute. Annual data is from 1991 – 2025. 2026’s returns are based off the year-to-date return through April 6, 2026. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Tactical guidance*

Cash Alternatives and Fixed Income

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

Equities

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

Real Assets

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

Alternative Investments**

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

Source: Wells Fargo Investment Institute, April 13, 2026. Please see Wells Fargo Investment Institute's Asset Allocation Strategy Report for more detailed, investable ideas in each asset group.

*Tactical horizon is 6-18 months

**Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see end of report for important definitions and disclosures.

Risk considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. **High yield (junk) bonds** have lower credit ratings and are subject to greater risk of default and greater principal risk. Although **Treasuries** are considered free from credit risk they are subject to other types of risks. These risks include interest rate risk, which may cause the underlying value of the bond to fluctuate. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. Investing in **gold, silver** or other **precious metals** involves special risk considerations such as severe price fluctuations and adverse economic and regulatory developments affecting the sector or industry.

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. 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 the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

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

A periodic investment plan such as dollar cost averaging does not assure a profit or protect against a loss in declining markets. Since such a strategy involves continuous investment, the investor should consider his or her ability to continue purchases through periods of low price levels.

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

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

Definitions

Bloomberg Commodity Energy Subindex tracks the performance of a diversified basket of energy commodity futures—such as crude oil, natural gas, and refined products—as part of the broader Bloomberg Commodity Index framework.

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.

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

Cliffwater Direct Lending Index (CDLI) is an asset-weighted, quarterly index measuring the unlevered, gross-of-fees performance of U.S. middle-market corporate loans. It tracks over 20,000 loans held by business development companies (BDCs) through SEC filings.

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

An index is unmanaged and not available for direct investment.

General disclosures

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

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

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

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. [PM]-10102027-5379942



Market Commentary

Weekly perspective on current market sentiment

April 15, 2026

Mason Mendez

Investment Strategy Analyst

Last week's S&P 500 Index: +3.6%

Turning market turbulence into opportunities

Key takeaways

- As the conflict in the Middle East persists, investors are increasingly forced to navigate an environment defined by uncertainty.
- While volatility is often viewed negatively in the media, remember volatility may also create opportunities to position for the future.

As hostilities in the Middle East persist, markets continue to face heightened uncertainty amid a seemingly fragile two-week ceasefire. Investors are closely watching developments in the region, particularly due to the potential ripple effects higher energy prices can have on the global economy. While markets hope for clarity, investors are increasingly forced to navigate an environment defined by uncertainty.

In the first two months of this year, global markets had followed a more optimistic path. The MSCI Emerging Market Index and MSCI Developed Market Index had outperformed the S&P 500 Index while at the sector level the S&P 500 sectors closely tied to macroeconomic conditions — such as Energy, Materials, Industrials, and Utilities — had been among the strongest-performing sectors year-to-date (through February 27). Investors had been encouraged by signs of solid global economic growth and expectations for rate cuts by central banks. However, the positive narrative shifted in March when energy-supply disruptions emerged, causing oil prices to surge and reigniting concerns of inflation and economic stability.

Since then, equities have experienced broad weakness. At the same time, commodities have emerged as the strongest-performing asset class. Inflation risks have resurfaced, interest rates have moved higher across fixed-income maturities, and market expectations have shifted away from Federal Reserve interest-rate cuts toward the possibility of future rate hikes. Investors are now weighing not only the threat of higher inflation but also the risk that prolonged disruptions could slow global economic growth.

While market volatility often receives negative attention, it can also present potential opportunities for disciplined investors. Diversification is a standard feature of our guidance for long-term investors, but that does not mean “buy it and forget it.” Like a garden, we believe a portfolio can benefit from occasional maintenance, typically in the form of rebalancing: the practice of reallocating from securities whose valuations we think are too high to those we find potentially more attractive.

Today, we see compelling opportunity potential to consider a rebalance from the Energy sector, which has outperformed the S&P 500 Index by 27.5% year-to-date (as of April 10), in favor of the Information Technology (Tech) sector, which has lagged the S&P 500 Index by 3.5% over that period. Valuations for the Tech sector have come down meaningfully and are now in line with the broader S&P 500 when looking at the forward (next 12 months) price-to-earnings ratio. Despite the price weakness, however, we believe Tech continues to exhibit strong earnings growth potential. The Bloomberg consensus projects 35% earnings growth in 2026 for Tech compared to 18% for the broader S&P 500, as of April 10. This means investors may consider exposure to Tech with favorable expected earnings growth compared to the broader S&P 500. In

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

contrast, we suspect that Energy sector performance will ease once oil prices peak and would view current outperformance as an opportunity to reallocate and underweight the sector relative to its weight in the S&P 500.

Risk considerations

Forecasts are not guaranteed and subject to change without notice.

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. **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. 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.

Definitions

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

MSCI Developed and Emerging Market Country Indices are designed to measure the performance of the large and mid-cap segments of the individual country markets and cover approximately 85% of the free-float-adjusted or equity universe in each country.

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

An index is unmanaged and not available for direct investment.

General Disclosures

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

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

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

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. [PM]-10142027-5391394



Chart of the Week

Weekly analysis of key themes in markets

April 14, 2026

Initiating coverage of Digital Assets



Sources: Bloomberg and Wells Fargo Investment Institute, daily price returns, January 4, 2016 – March 13, 2026. The line shows the rolling one-year standard deviation of daily price returns. Standard Deviation is a statistical measure of the volatility of a portfolio's returns. The higher the standard deviation, the greater volatility has been. For illustrative purposes only. **Past performance is not a guarantee of future results.** Price return for bitcoin only and is not intended as representative of any other cryptocurrencies. Despite the trend toward lower volatility shown above, bitcoin price volatility has historically been high compared to traditional asset classes and could return to higher levels in the future.

Using a sharp decline in cryptocurrency prices to introduce portfolio allocation guidance

In our April 6 Institute Alert, “Adjusting targets, guidance and allocations,” we initiated coverage of Digital Assets as a sector within the Commodities asset class and with neutral guidance. Digital assets are emerging as a potentially compelling addition to diversified portfolios in our view, offering exposure to potentially transformative technologies such as artificial technology (AI), automation, and next-generation payment systems.

While digital assets' volatility represents a risk, we think it largely reflects their relative novelty. As shown in the chart above, the dispersion of Bitcoin's daily price returns is roughly half of what it was in 2018, reflecting lower volatility. Further, the decline has accompanied an increasing diversity in who owns Bitcoin, particularly institutional investors.

What it may mean for investors

We expect that continued (especially institutional) adoption of digital transactions should reinforce the potential economic utility of digital assets. In turn, we believe that the trend toward generally wider investor adoption will likely reinforce long-term price stability. In our view, now may be time to consider a measured allocation of 2% – 3% for portfolios with growth-and-income or growth objectives, aligned with investor risk tolerance.

Global Investment Strategy Team

Excerpted from Institute Alert (April 6)

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

Risk Considerations

Digital assets are not a physical currency, nor legal tender. 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 their investment. Digital assets have limited operating history or performance. Digital Assets 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.

Digital assets are a 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

General Disclosures

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

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

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

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. [PM]-10102027-5384527



First analysis of issues or topics that may affect investor portfolios

April 13, 2026

Paul Christopher, CFA

Head of Global Investment Strategy

Michelle Wan, CFA

Global Investment Strategist

Iran war update: as talks fail, war enters a new phase

What's moving markets

- The U.S.-Iran talks in Islamabad ended and the U.S. team left Pakistan on April 12. A principal stumbling block was the future of Iran's nuclear weapons program. There is no news of any new talks planned.
- President Trump announced on Truth Social that the U.S. and as-yet unnamed partner countries will immediately blockade the Strait in both directions, including ships that pay Iran a toll for passage.
- Such a move should pressure Iran's economy: The International Energy Agency reports that 90% of Iran's oil revenue traverses the Strait, and that oil revenue may now be 50% of Iran's government revenue.
- CBS reported that Iran had released photos of its navy special forces with the caption that they are heading to the Strait to counter possible U.S. troop landings.
- Reuters and Bloomberg reported that the U.S. Navy already has begun clearing mines in the Strait.
- Overnight market action suggests reversals to last week's movements: Global equities were mostly lower, as is gold's price; the U.S. 10-year Treasury note yield, and prices on the ICE U.S. Dollar Index and U.S. West Texas Intermediate crude oil futures prices for June delivery were higher as of 7:00 EST this morning.¹

Our perspective

- We see Iran's blockade as a tactic to increase pressure on the U.S. to leave the region.
- We also think a U.S. blockade might stop Iran's flow of oil revenue without destroying or capturing Iran's Kharg Island oil loading point, and so potentially avoid escalatory Iranian attacks on its Gulf neighbors.
- The U.S. blockade also could pressure China. Reuters reports China buys 80% of Iran's oil and at a discount from the world price. And CNN reported (April 11) that China has sold Iran a shoulder-fired air defense system. The U.S. blockade may block those trades with China.
- The two sides appear to have used the ceasefire to retool, rearm and repair. Following repairs, the U.S. should again have three carrier groups and more troops near the Strait. Iran's naval special forces deployment reinforces the likely next strategic focus there.

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

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

- A new phase of the war does not change our belief that both sides have the capability to disable the region's oil infrastructure by much more than the limited damage so far, but that both sides also have a strong incentive to resist that escalation.

Implications for investors

- On balance, we still see reasons for caution around the ceasefire announcement.
- Instead, our focus remains on asymmetries we see in some capital market sectors — that is, sharp market movements (both higher and lower) that we believe have outrun their respective fundamentals.
- We view leaning against these moves as potentially one way to rebalance a portfolio, as we describe next.

What to do now

Looking forward, the headlines give us caution, but we prefer to focus on investments where we see positive fundamentals (such as earnings growth potential) and where we see higher upside potential than downside risks, if the circumstances and the conditions reverse. We recently made guidance changes to anticipate such a reversal, specifically, reallocating from the S&P 500 Index Energy sector into the Information Technology (Tech) sector.² As oil prices spike due to the war, the Energy sector has gained over 29% year-to-date (YTD) through April 9 returns, while the S&P 500 Information Technology sector is down 4% and underperformed the S&P 500 Index by nearly 4% YTD.³ Based on 12-month ahead earnings estimates, the Tech sector is trading at the same price-to-earnings multiple as the composite S&P 500 Index. So, we see comparable value between the sector and the composite index, implying no premium in the Tech sector over the S&P 500 Index.

Meanwhile, the Bloomberg consensus 2026 earnings growth estimate for the Tech sector is 35% as of April 9, nearly twice that of the 18% for the S&P 500 Index. Thus, we see a Tech sector that is competitively priced against the S&P 500 but with roughly twice the projected earnings growth. By contrast, we expect the Energy sector to reverse at least some gains. The West Texas Intermediate crude oil futures market currently prices the peak oil price in May, which may be closer than many investors expect.

We also see now a possible opportunity to rotate from the Energy sector into other undervalued equity sectors that we favor, like Financials, Industrials, and Utilities, in addition to Information Technology. For example, in Financials, even though we removed our expectation of two Federal Reserve rate cuts by year end, we still anticipate higher long-term yields from current levels. This wider spread we expect between short-term yields (a cost that banks pay to depositors) and long-term yields (which banks earn on loans) should support the Financials sector, which has underperformed the S&P 500 Index by over 6% YTD as of April 9. As with the Tech sector and gold, we see fear priced into the selling of the Financials sector and maintain it as our most favored equity sector.

We see similar potential opportunities in commodities. Through April 9, the spot gold price declined by over 10% from its January 28 peak (through April 9). International buyers figured prominently in the selloff, shedding gold and other assets to raise dollars to afford oil at rising dollar-denominated prices.⁴ As we pointed out in a recent report, the forced selling of gold creates tighter cash positions internationally, as oil prices rise and the U.S. dollar strengthens. From this, we see a potential opportunity for investors to reallocate from crude oil into gold. Our fundamental view of precious metals is constructive: our year-end 2026 price target range midpoint is \$5900 per troy ounce, and we do not expect much downside price risk below \$4700.

2. Wells Fargo Investment Institute, "Adjusting targets, guidance and allocations," April 6, 2026.

3. Bloomberg. S&P500 index and S&P 500 information technology sector GICS level 1 index, as of April 9, 2026.

4. Wells Fargo Investment Institute, "Iran war update: Global impacts as U.S. deploys new assets," April 6, 2026.

Risks Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **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. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility. Investments in **gold** and gold-related investments tend to be more volatile than investments in traditional equity or debt securities. Such investments increase their vulnerability to international economic, monetary and political developments.

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. 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 the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Definitions

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

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

An index is unmanaged and not available for direct investment.

General Disclosures

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

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

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

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

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company. [PM]-10132027-5386635