

2019 Outlook: The End of Easy

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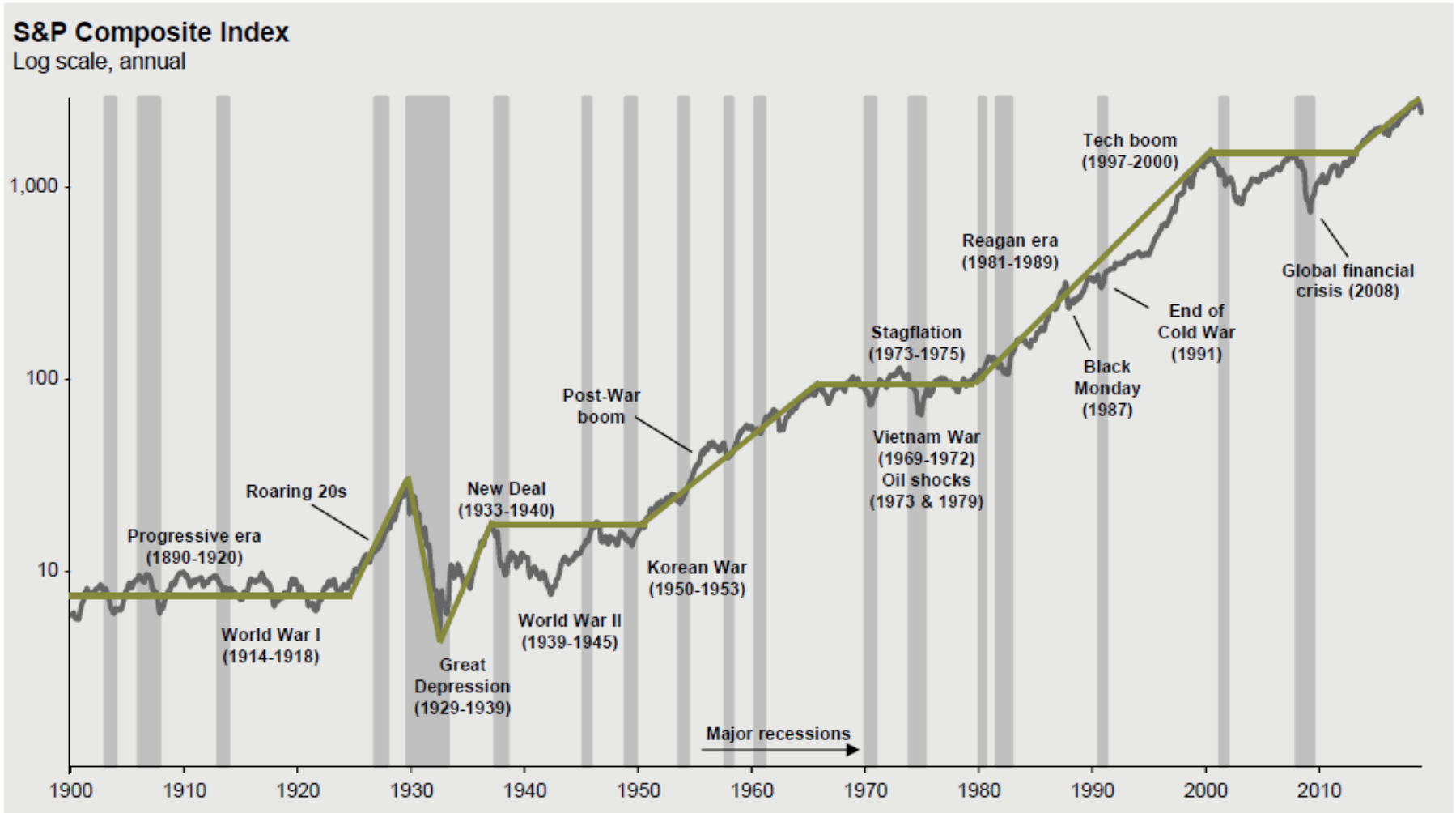
January 2019



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

2019 Economics & Markets

S&P 500 since 1900



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.

Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.

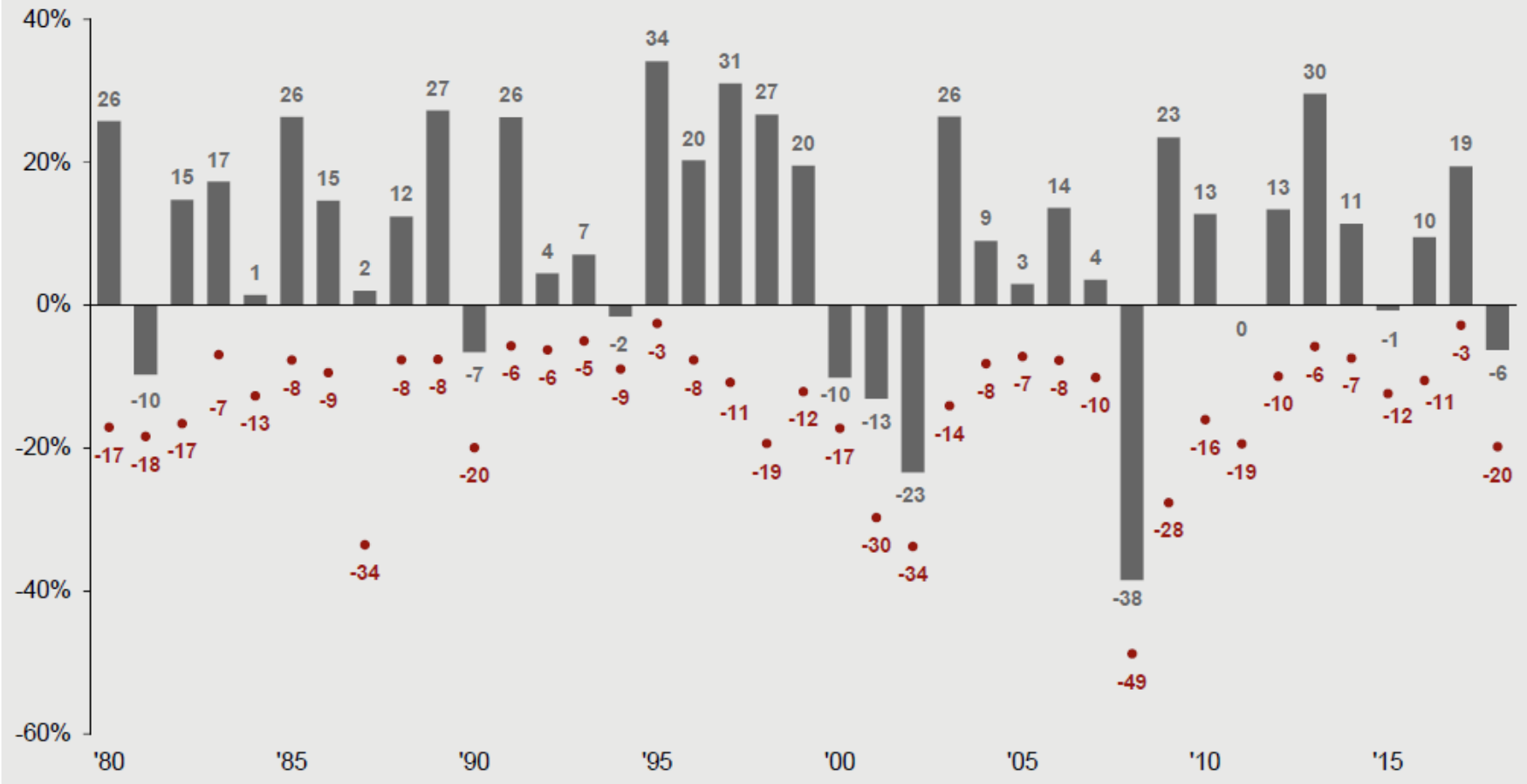
Guide to the Markets – U.S. Data are as of December 31, 2018.

Source: JPMorgan Asset Management 2019

Annual Returns & Intra-year Declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.9%, annual returns positive in 29 of 39 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2018, over which time period the average annual return was 8.4%.

Guide to the Markets – U.S. Data are as of December 31, 2018.

Source: JPMorgan Asset Management 2019

2018 Red Number Year

TOTAL RETURNS (%)	
Through December 31, 2018. Ranked by 1-year total return	
Asset Class (index)	1 yr
Cash (S&P US T-Bill 0-3 Month Index)	1.8
US Inv. Grade Bonds (Bloomberg US Agg. Bond)	0.0
TIPS (Bloomberg Treasury TIPS)	-1.3
Emg. Market Gov't Bonds (FTSE Russell EMGBI)	-1.5
US High Yield Bonds (iBoxx Liquid High Yield)	-1.6
Foreign Devlp'd Mkt Bonds (FTSE Russell WGBI ex-US)	-1.8
US REITs (MSCI REIT)	-4.6
US Stocks (Russell 3000)	-5.2
Foreign Gov't Inflation-Linked Bonds (FTSE Russell WILSI ex-US)	-5.8
Foreign Inv. Grade Corp (FTSE Russell Non-\$ Corp)	-6.0
Foreign High Yield Bonds (Markit Global exUS HY)	-7.7
Foreign REITs (S&P Global exUS REIT)	-9.4
Commodities (Bloomberg Commodity)	-11.3
Foreign Developed Mkt Stocks (MSCI EAFE)	-13.8
Emerging Market Stocks (MSCI EM)	-14.6

CapitalSpectator.com

WFII 2019 Forecasts:

Expect slightly higher U.S. inflation and stable inflation expectations.



Growth



Inflation and Employment

U.S. GDP	2.7%	U.S. Inflation Consumer Price Inflation (CPI)	2.5%
Global GDP	3.7%	U.S. Unemployment	3.4%
DM GDP Growth	2.2%	DM Inflation	2.0%
EM GDP Growth	4.8%	EM Inflation	4.3%

Source: Wells Fargo Investment Institute, 2019 Year-End Targets as of December 4, 2018. DM: developed market; EM: emerging market. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.

WFII 2019 Forecasts: Expect the U.S. dollar to weaken.



Equity markets

Large Cap	2860- 2960
Mid Cap	2090-2190
Small Cap	1525-1625
DM Int'l	1850-1950
EM Int'l	1080-1180



Yields and currencies

10-Yr Treasury	3.25-3.75%
30-Yr Treasury	3.25-3.75%
Fed Funds Rate	3.00-3.25%
Euro (Dollars per euro)	\$1.17-\$1.25
Yen (Yen per dollar)	¥102-¥112

Source: Wells Fargo Investment Institute, 2019 Year-End Targets as of December 4, 2018. Large cap, Mid cap, and Small cap refer to U.S. equities. DM: developed markets; EM: emerging markets. Large cap stocks: S&P 500, Mid cap stocks: Russell Midcap Index, Small cap stocks: Russell 2000 Index, Developed market: MSCI EAFE Index, Emerging market: MSCI Emerging Markets Index. Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.

Can strong economic growth continue?

Tight U.S. labor market shows lowest unemployment claims since May 1973



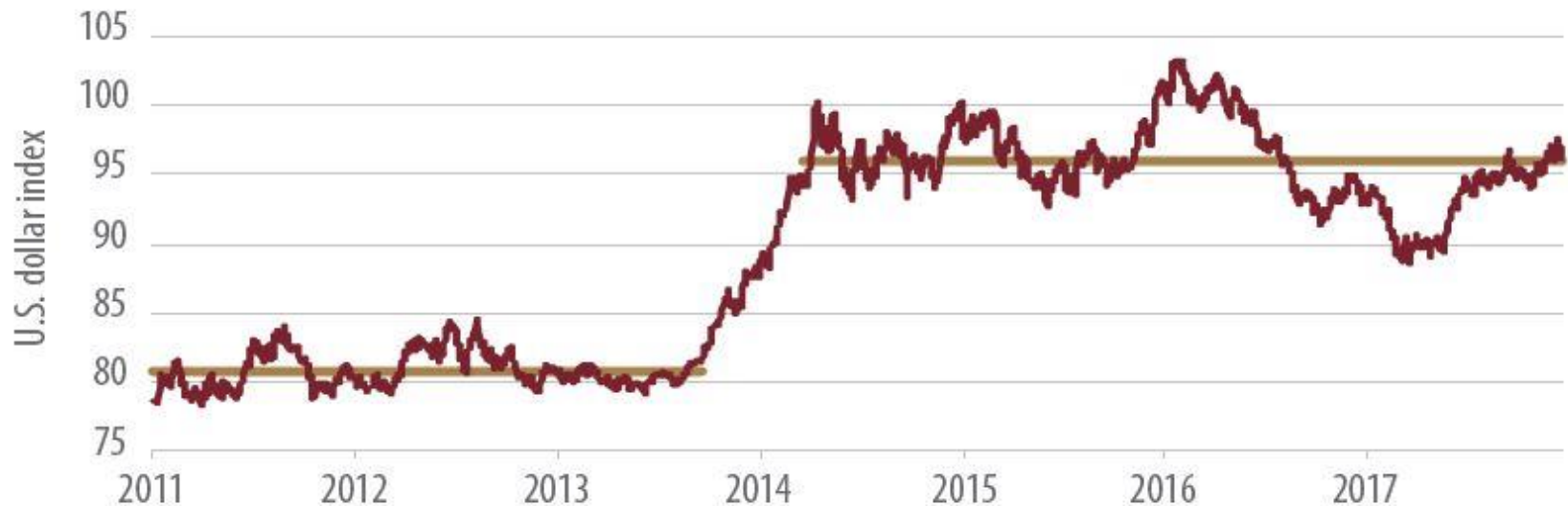
Sources: Wells Fargo Investment Institute and Bloomberg, October 31, 2018. Monthly data from January 31, 1967 to October 31, 2018.

Note: The dashed horizontal line shows the October 2018 level of 1.63 million unemployment claims.

Can strong economic growth continue?

U.S. dollar exchange rates may be set to depreciate again

The chart below shows a composite index of U.S. dollar exchange rates against other G7 currencies, along with subperiod average over selected periods.



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from December 2, 2011 to November 19, 2018. *For illustrative purposes only.* The dollar index is a trade-weighted basket of dollar exchange rates against the euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc. Higher values denote dollar appreciation, lower values reflect depreciation. The two horizontal lines show the averages over two periods, December 2, 2011 to August 15, 2014, and February 16, 2015 to November 19, 2018.

Record-high expected EPS through 2019 should support current market valuation

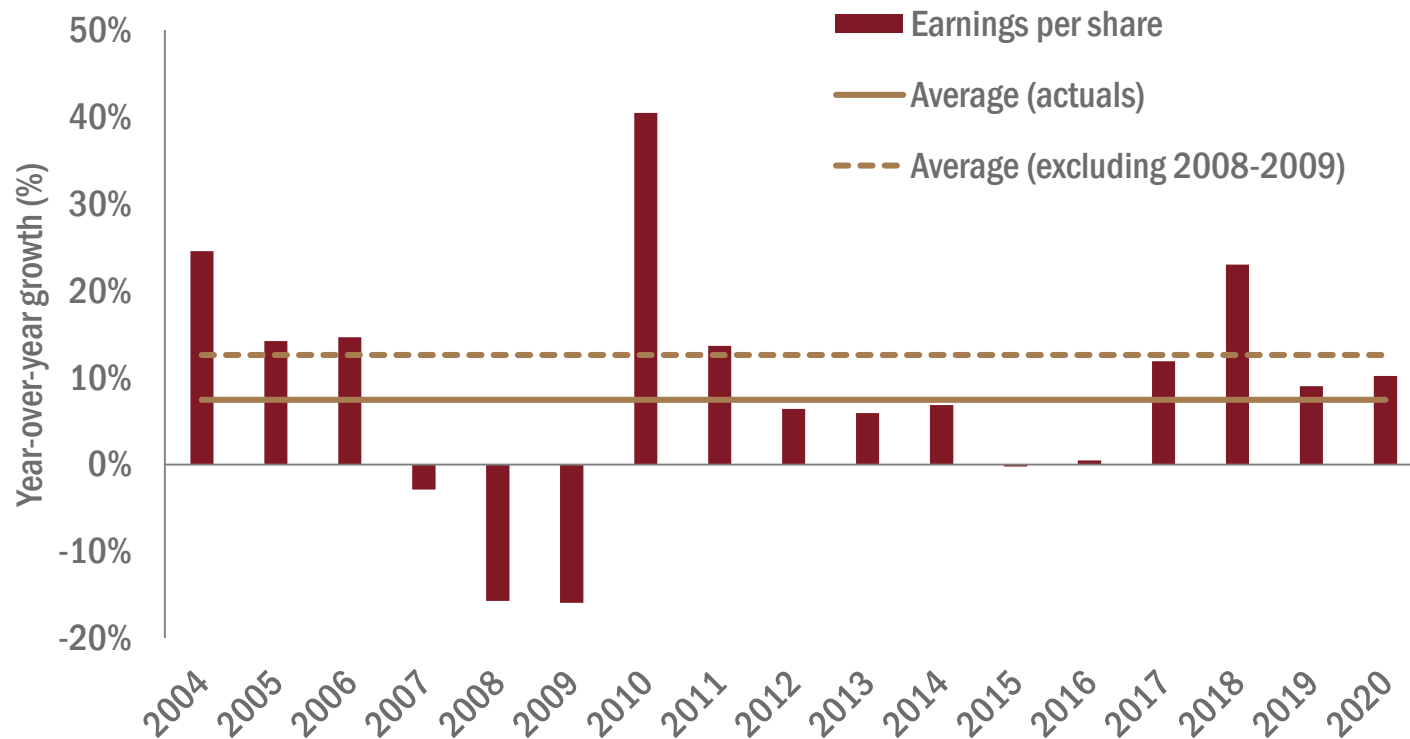
WFII S&P 500 Index and 12-month-ahead EPS forecast through year-end 2019.



Sources: FactSet and Wells Fargo Investment Institute (WFII), as of October 31, 2018. Quarterly historical data; forward EPS shows estimates of EPS over the coming 12 months. The point for December 2018 indicates the EPS expected for year-end 2019. Logarithmic scaling is used so that two equal percent changes have the same vertical distance on each scale. Earning per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock and often serves as an indicator of a company's profitability. The S&P 500 is an unmanaged index generally considered representative of the U.S. stock market.

Increasing volatility, but ultimately a positive year

S&P 500 Index earnings growth was well above historical averages in 2018



Sources: FactSet, S&P Capital IQ, Wells Fargo Investment Institute; November 14, 2018. The earnings growth data for 2019 and 2020 reflects consensus earnings estimates. Earnings Per Share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock and often serves as an indicator of a company's profitability.

- U.S. EPS and equity prices both have room to rise
- Small-cap equities look neutral
- International opportunities could play a larger role in 2019

Top asset classes for 2019

- U.S. Large Cap
- U.S. Mid Cap
- Emerging Markets

Top equity sectors for 2019

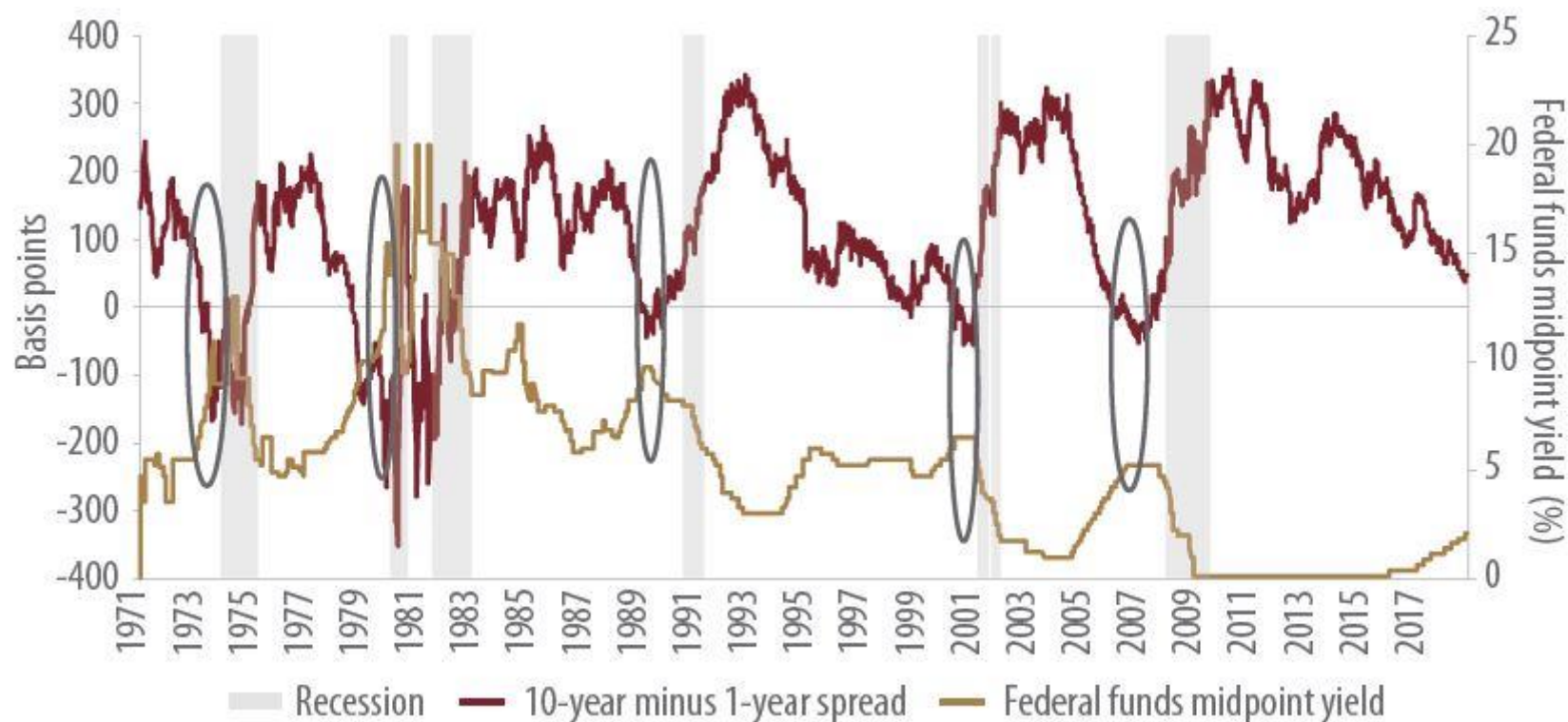
- Consumer Discretionary
- Financials
- Health Care
- Industrials
- Information Technology

Favored international region

- Developed Market Pacific

Monetary policy endings and beginnings

Yield-curve inversions and the conclusion of rate-hike cycles tend to occur in advance of recessions



Sources: Bloomberg and Wells Fargo Investment Institute. Weekly data from January 8, 1971 to November 16, 2018. *For illustrative purposes only.* An inverted yield curve occurs when the yields on bonds with shorter durations are higher than the yields on bonds with longer durations. The difference between the 10-year and the 1-year Treasury yield measures the spread between short- and long-term interest rates. Please see the end of this presentation for notes associated with this chart. **Past performance is not a guarantee of future results.**

Muni default advantage: Hard habit to break

Muni quality and defaults

Total muni defaults

Year	Payment Defaults	Number of Defaults
2008	\$1.6B	6
2009	\$3.4B	3
2010	\$4.3B	3
2011	\$2.4B	6
2012	\$2.7B	11
2013	\$2.8B	16
2014	\$1.5B	8
2015	\$2.3B	12
2016 ³	\$27.8B	15
2017 ³	\$22.8B	20
2018 ⁴	\$1.6B	

Total muni market size: \$3.8 trillion

Comparative default rates for muni and corporates¹

Ratings	Muni		Corporate	
	Default Rate	Number of Issuers	Default Rate	Number of Issuers
AAA	0.0%	946	1.17%	1423
AA	0.0%	8709	1.48%	
A	0.2%	9852	2.79%	
BBB	1.1%	1448	6.14%	1761
BB	5.5%	273	18.46%	
B	12.4%	57	30.75%	
CCC/C ²	44.9%	33	58.78%	
Investment - Grade	0.3%		3.69%	
Speculative - Grade	10.4%		27.50%	

Historically, a BBB municipal bond has a cumulative default rate less than a AAA corporate bond.

Source: Standard & Poor's 2017 Annual Municipal and Corporate Default Study and Ratings Transitions. Published May 8, 2018 and April 25, 2018 respectively. ¹ For municipal defaults, S&P's study period was Jan. 1, 1986, to Jan. 1, 2018. For corporate defaults, S&P's study period was Jan. 1, 1981 to Jan. 1, 2018. ² S&P's study calculations include all ratings in the C category, from CCC to C. ³ Excluding Puerto Rico the default total is \$1.84B in 2016 and \$0.8B in 2017. For illustrative purposes only. Credit ratings are not intended to indicate the value, suitability, or merit of an investment. They are opinions of credit quality and, in some cases, the expected recovery in the event of default. Please see the end of this report for important information on credit ratings. ⁴ Federal Reserve and Bank of America Merrill Lynch as of 06/29/2018.

Monetary policy endings and beginnings

- A flattening U.S. yield curve
- Global monetary policy
- Risk grows for high-yield debt

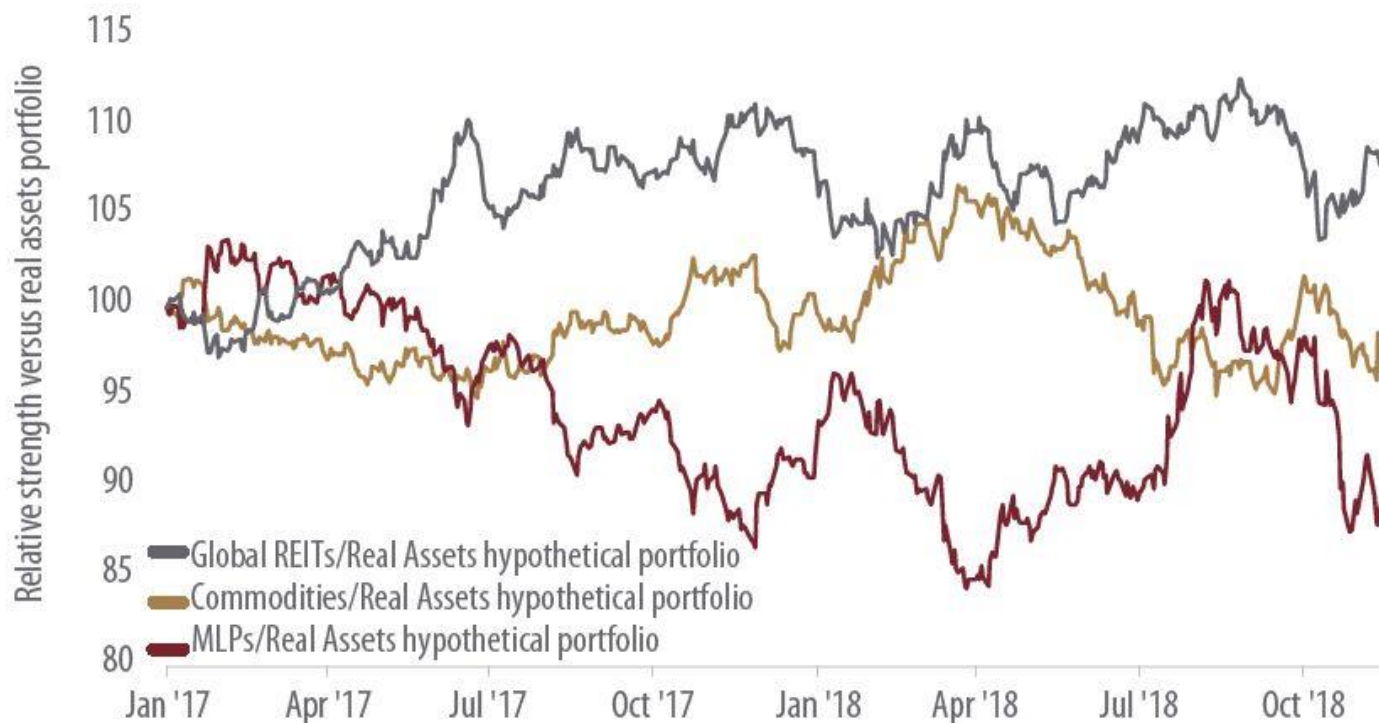
Top asset classes for 2019

- U.S. Short Term Taxable Fixed Income
- Emerging Market Debt

Top sectors for 2019

- Preferred Securities
- Municipal bond sector
 - Taxable Municipal*
 - Essential Service Revenue*
 - Prerefunded*

Commodities and MLPs have the potential to rebound after a volatile 2018, but REITs face headwinds



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data, January 1, 2017 to November 19, 2018. *For illustrative purposes only. Performance results for the real assets portfolio are hypothetical.* 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 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. **Hypothetical and past performance do not guarantee future results. Composition of the Hypothetical Real Asset Portfolio provided at end of presentation, index definitions and asset class risks provided at the end of this presentation**

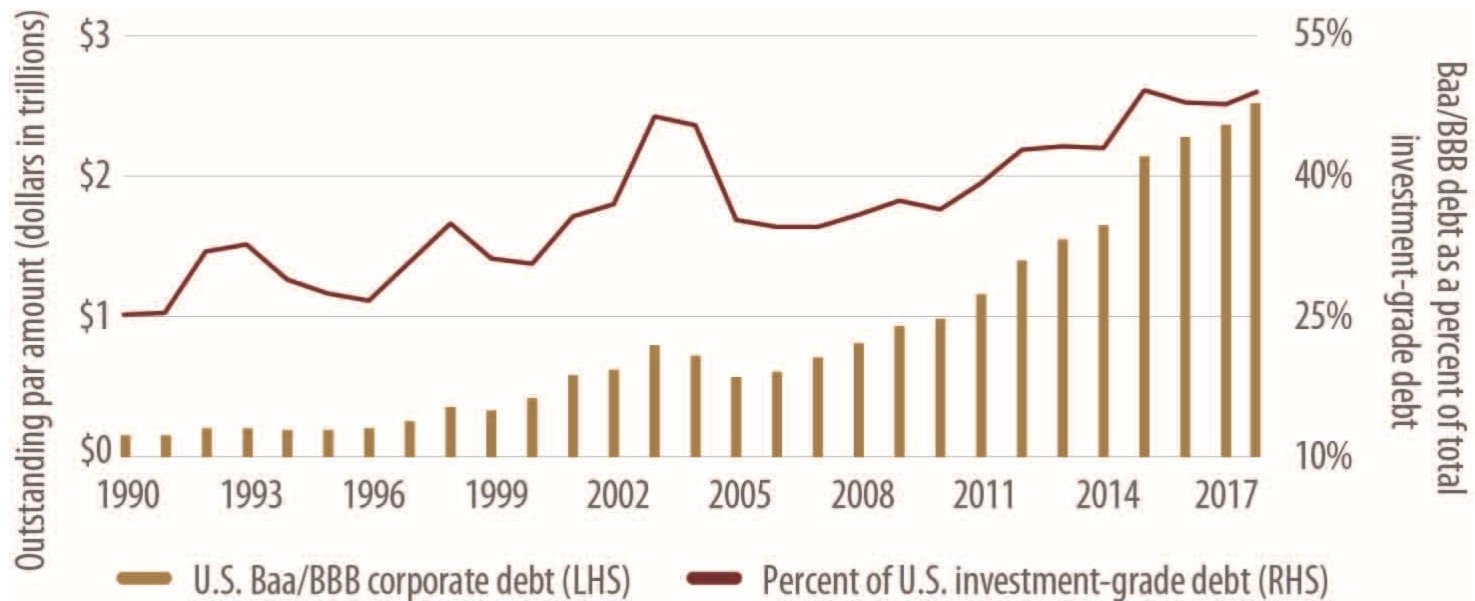
- A new year, a new look
- Commodities are likely to rebound
- Crude oil too low to start 2019
- Gold has modest upside potential

Top asset class for 2019

- Commodities

Does a lost decade turn into a golden age?

WFII sees potential for large-scale corporate bond downgrades



Sources: Bloomberg and Wells Fargo Institute. Yearly data from December 31, 1990 through September 28, 2018. *For illustrative purposes only.* Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. An index is unmanaged and not available for direct investment. Please see the end of this presentation for notes associated with this chart and a description of the asset class risks. **Credit ratings are not intended to indicate the value, suitability, or merit of an investment. They are opinions of credit quality and, in some cases, the expected recovery in the event of default. Please see the end of this report for important information on credit ratings.**

Does a lost decade turn into a golden age?

- Private debt could benefit from the maturing economic cycle
- WFII is neutral on private equity and unfavorable on private real estate
- Potential risks to our outlook include unexpected acceleration in economic growth or inflation

Top hedge fund strategies for 2019

- Relative Value—Long/Short Credit and Structured Credit/Asset Backed
- Macro—Discretionary
- Event Driven—Distressed
- Equity Hedge—Directional

Top private capital strategies for 2019

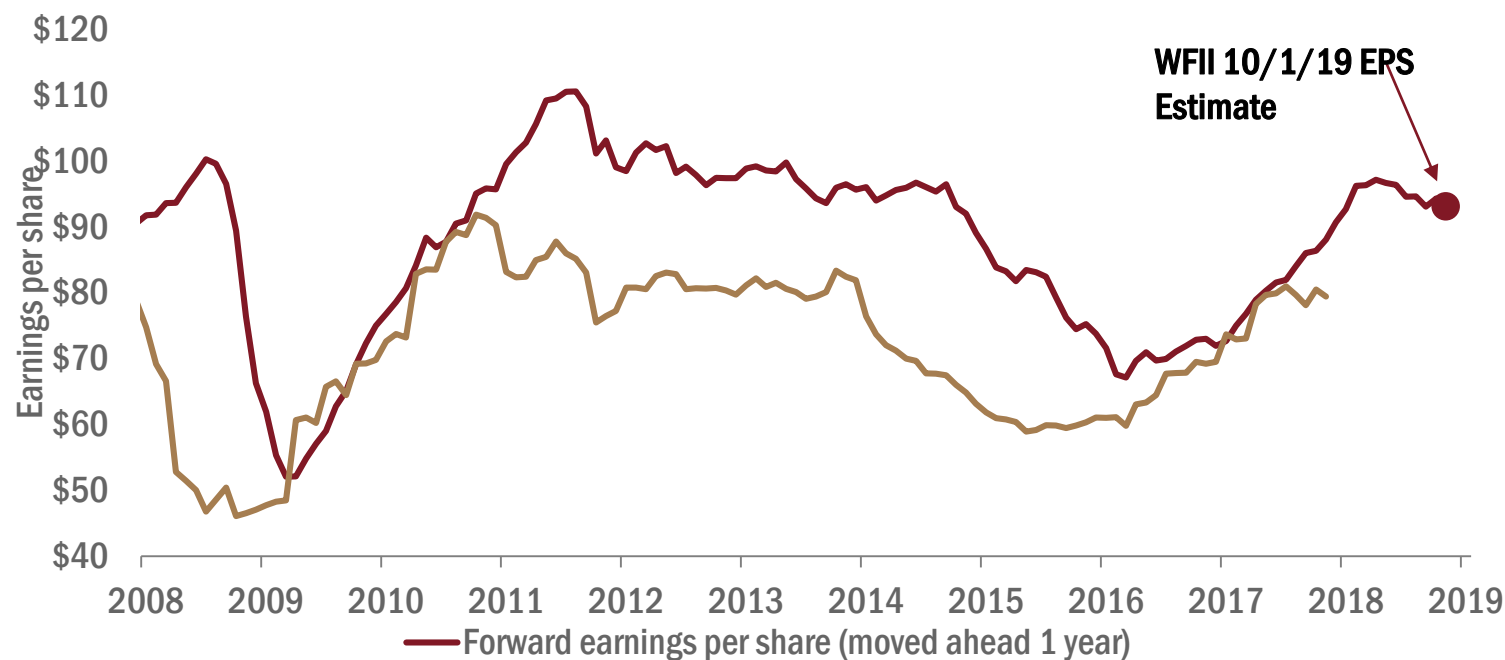
- Private Debt—Distressed

Portfolio implementation

Five ways investors can position portfolios for the end of easy

Move 1: Position for growth in equity markets

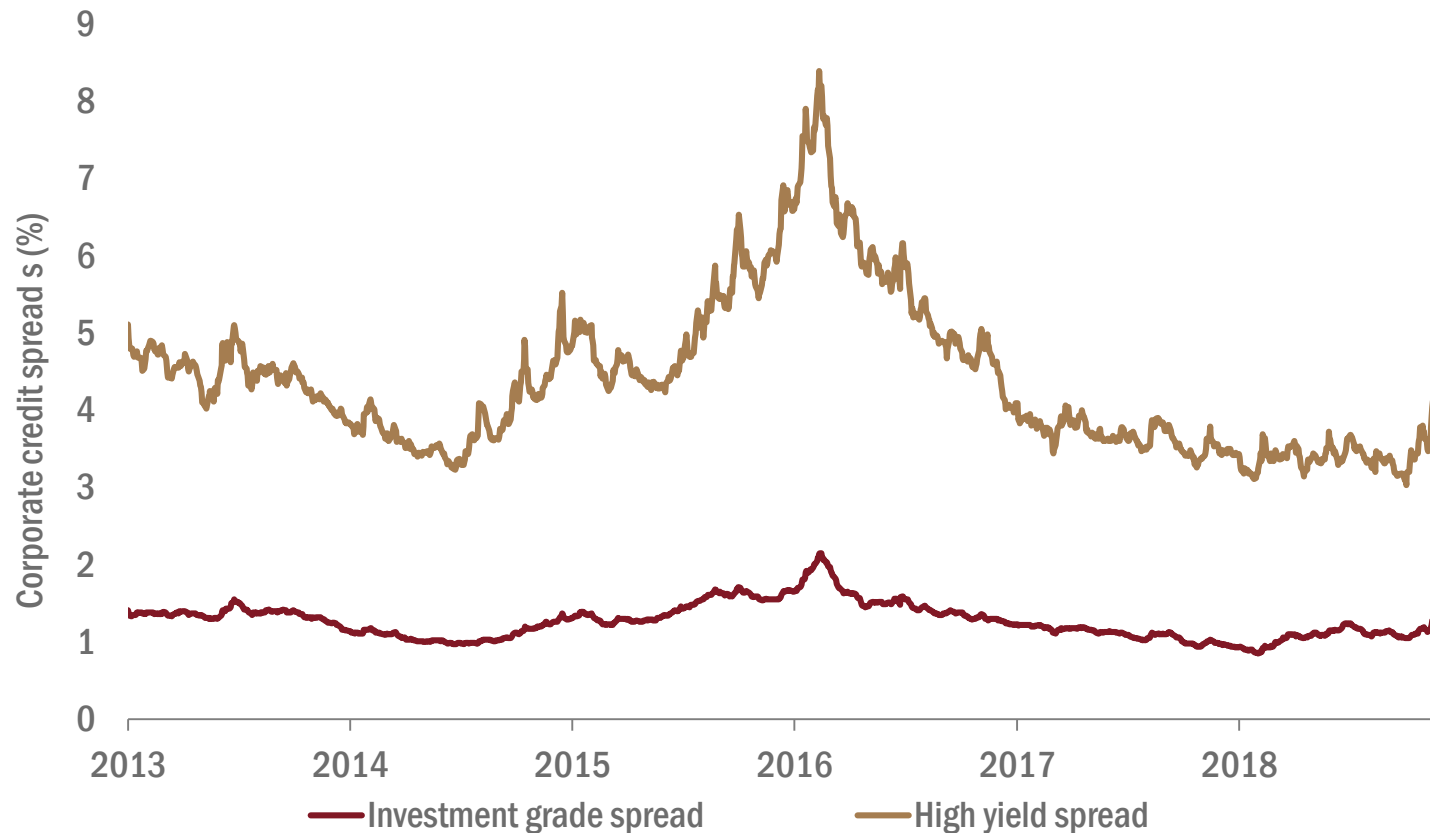
Emerging market equities could become the best-performing asset class in 2019.



Sources: FactSet, Wells Fargo Investment Institute. As of October 23, 2018. *For illustrative purposes only.* Chart shows consensus analyst EPS forecasts for the MSCI Emerging Markets Index versus actual trailing EPS. The final data point for forward EPS (only) shows the Wells Fargo Investment Institute (WFII) forecast. Forward EPS data points have been moved forward by one year to facilitate comparison with actual EPS data. A consensus estimate is a shared prediction of a company's quarterly or annual earnings per share. EPS refers to the portion of a company's profits that are allocated to every outstanding share of stock. It indicates a company's ability to produce net profits for common shareholders. Forward EPS is an estimate for the future, based on either company or analyst-generated estimates. Trailing EPS is a company's EPS from a time period that has already passed. WFII forecasts and estimates are based on our current view of market and economic conditions and are subject to change. MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index designed to measure equity market performance of 24 emerging market countries. An index is unmanaged and not available for direct investment.

Move 2: Maintain positions in high-quality fixed income

As the economic expansion matures, it is important to be more selective about fixed-income holdings.

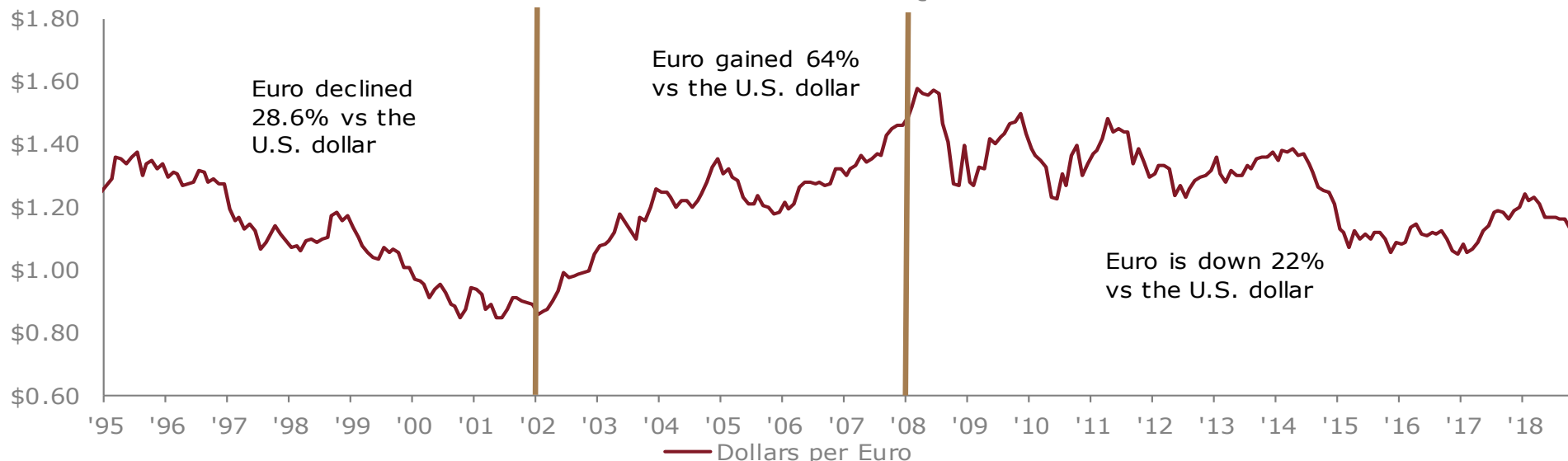


Sources: Bloomberg, Wells Fargo Investment Institute. As of November 28, 2018. Corporate credit spread is the difference in yield over equivalent-duration Treasuries. Investment grade bonds represented by the Bloomberg Barclays U.S. Corporate Bond Index. High yield bonds represented by the Bloomberg Barclays U.S. Corporate High Yield Index. *For illustrative purposes only. Index returns do not represent investment performance.* An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Index definition and asset class risks provided at the end of this presentation.

Move 3: Diversify into international assets

Dollar stabilization could boost to international assets.

CURRENCY MOVEMENTS IMPACT EQUITY PERFORMANCE



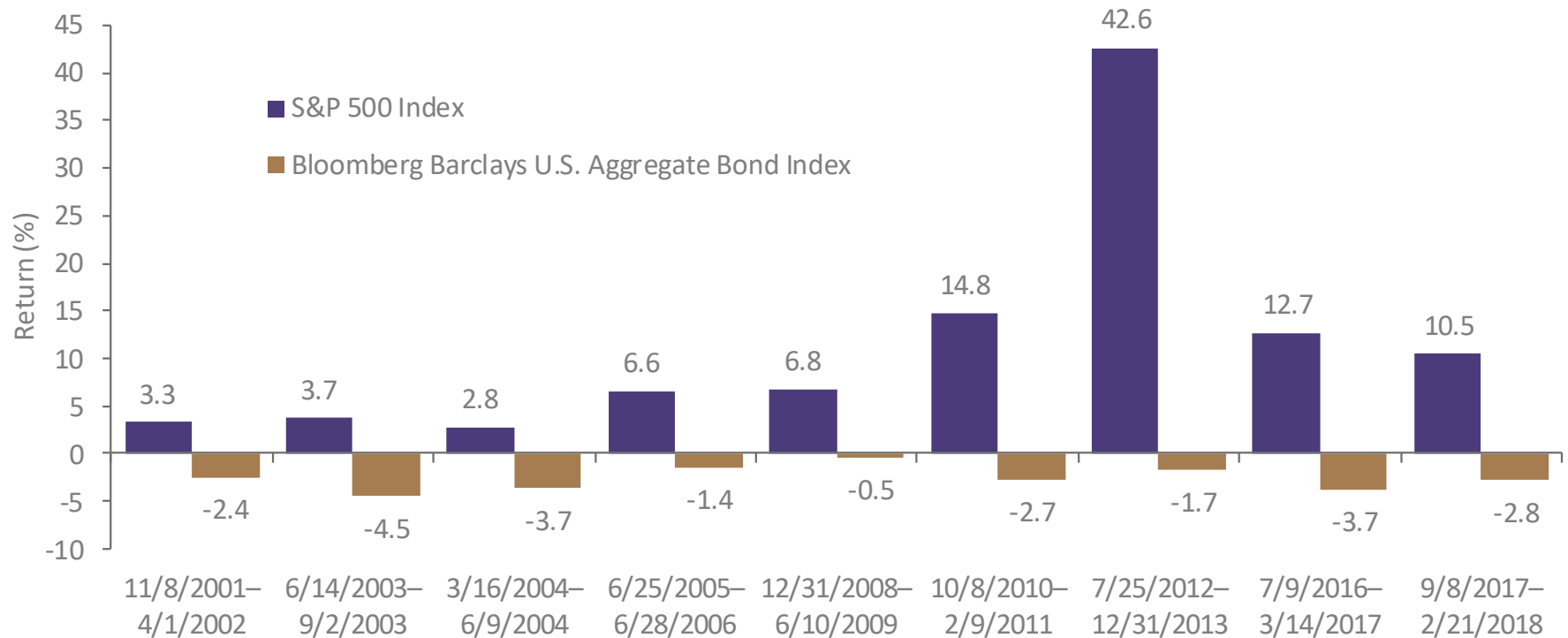
ANNUAL EQUITY RETURNS FOR THE S&P 500 INDEX AND THE MSCI EAFE INDEX

	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	YTD
S&P 500	38%	23%	33%	29%	21%	-9%	-12%	-22%	29%	11%	5%	16%	5%	-37%	26%	15%	2%	16%	32%	14%	1%	12%	22%	0%
MSCI EAFE	12%	6%	2%	20%	27%	-14%	-21%	-16%	39%	21%	14%	27%	12%	-43%	32%	8%	-12%	18%	23%	-4%	0%	2%	26%	-10%

Source: Bloomberg and Wells Fargo Investment Institute, as of October 31, 2018. *For illustrative purposes only. Index returns do not represent investment performance.* An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Move 4: Lower allocations to the most rate-sensitive assets

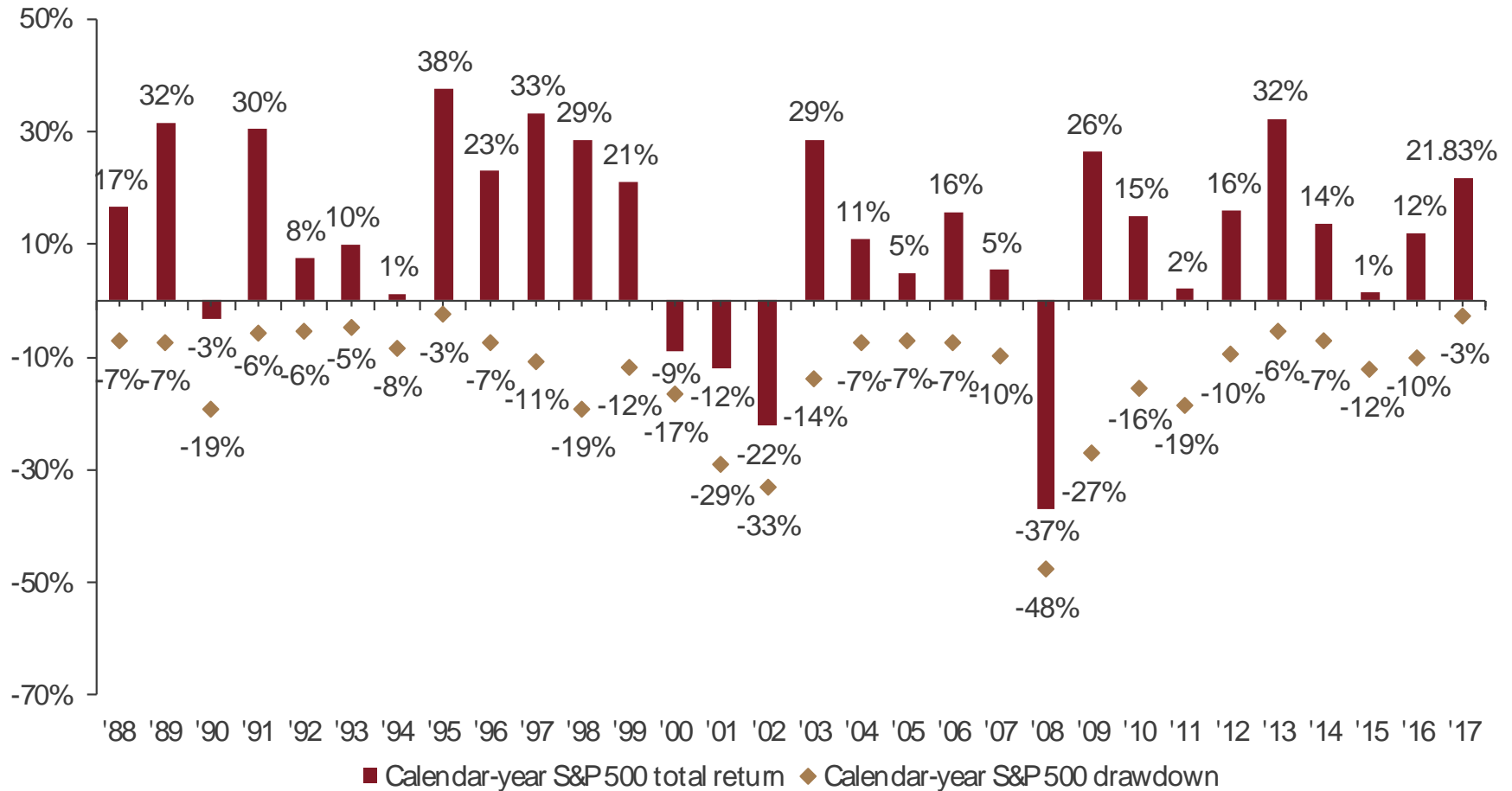
History shows that even late in a cycle, when interest rates are rising, equities can still post strong performance



Sources: Morningstar Direct and Wells Fargo Investment Institute, November 19, 2018. For illustrative purposes only. The S&P 500 Index is a market-capitalization weighted index considered representative of the U.S. equity market. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based measure of the investment-grade, U.S.-dollar-denominated, fixed-rate taxable bond market. **Index returns do not represent investment performance.** An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no guarantee any asset class will perform in a similar manner in the future or in other rising rate environments even if it has done so historically. Both stocks and bonds involve risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Bond prices fluctuate inversely to changes in interest rates. Index definition and asset class risks provided at the end of this presentation.

Move 5: Deploy cash as volatility creates opportunities

A correction is no reason to exit the market.



Sources: FactSet and Wells Fargo Investment Institute, as of December 31, 2017. *For illustrative purposes only.* Severe intra-year corrections do not necessarily indicate subpar performance for the calendar year. Analysis was compiled using the daily price of the S&P 500 Total Return Index. Calendar-year drawdowns represent the largest market drops from peak to trough for each year. **Index returns do not represent investment performance.** An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Index definition and asset class risks provided at the end of this presentation.

2019 Focus Themes

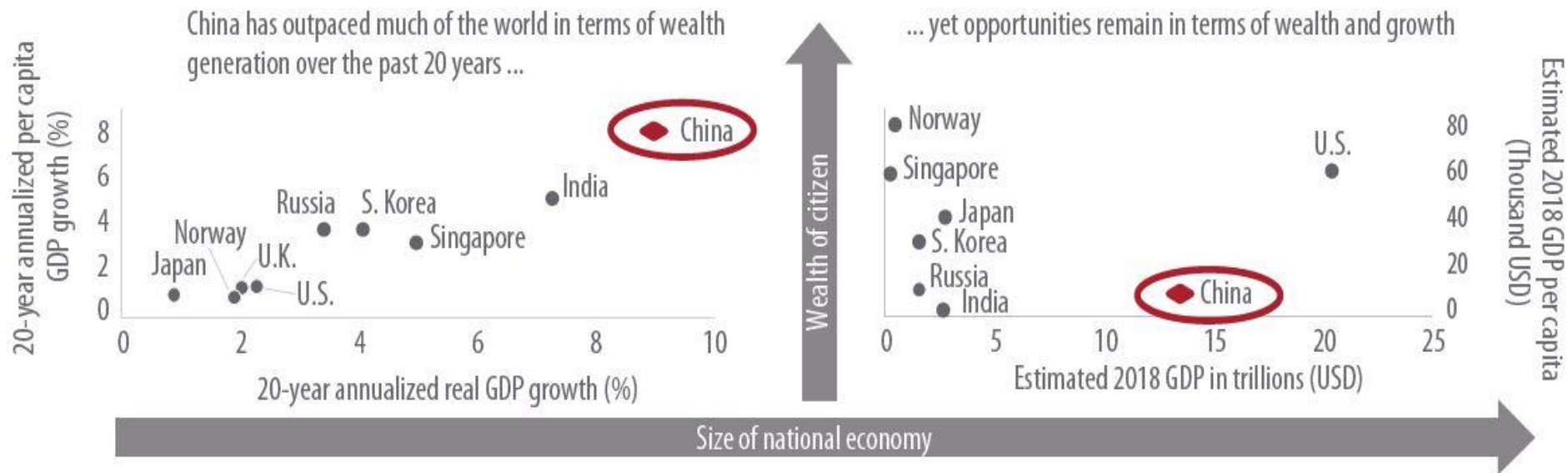
- ✓ China's Place in the World
- ✓ The New Approach to Retirement
- ✓ How Economic Recoveries End

2019 Focus Themes

China's Place in the World

Theme 1: China's Place in the World

China is still far below the U.S. in terms of per capita wealth



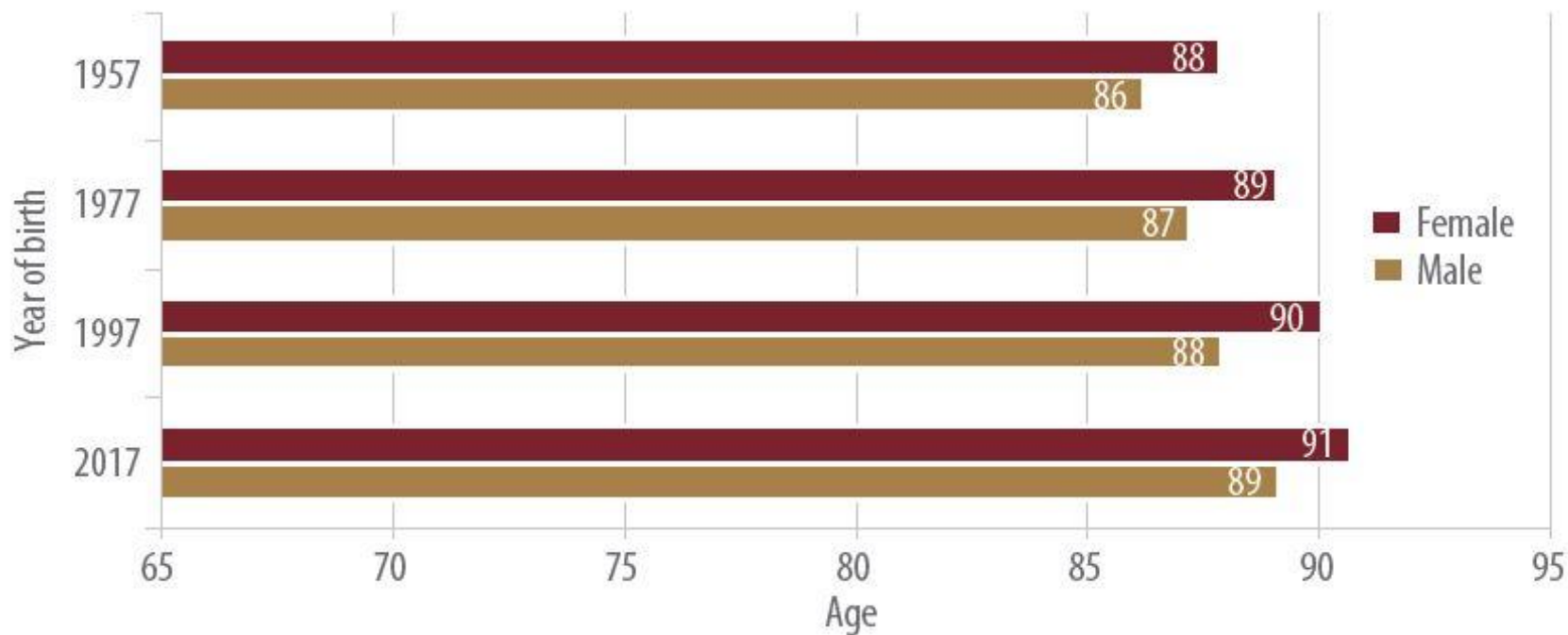
Source: International Monetary Fund - World Economic Outlook, October 2018 Release, Wells Fargo Investment Institute

2019 Focus Themes

The New Approach to Retirement

Theme 2: The New Approach to Retirement

Investors should prepare for longer life spans



Source: Social Security Administration Retirement & Survivors Benefits: Life Expectancy Calculator, www.ssa.gov/OACT/population/longevity.html; November 14, 2018. Chart shows lifespan by gender, based upon year of birth.

2019 Focus Themes

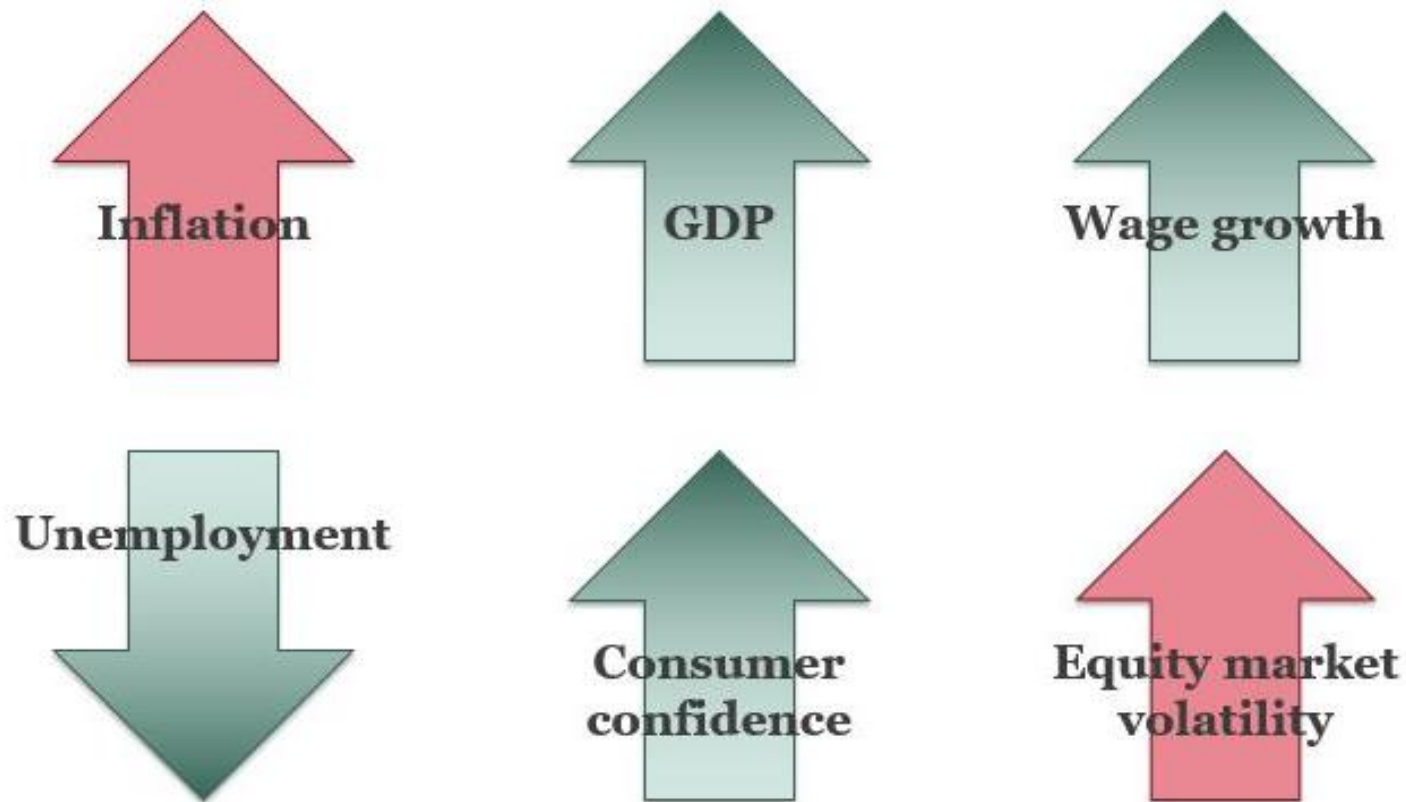
How Economic Recoveries End

Theme 3: How Economic Recoveries End

- “I think it’s a myth that expansions die of old age.”
- Janet Yellen
- “Neither economic expansions nor equity bull markets in the US die of old age; they are murdered by the Fed.” - Steve Einhorn

Theme 3: How Economic Recoveries End

Our current view on where the economy is headed



Source: Wells Fargo Investment Institute, November 19, 2018. Views are based on our market and economic assumptions and are subject to change

Notes

Fixed income yield curve chart, slide 11

The Ten-Year Treasury Constant Maturity and the One-Year Treasury 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 ten-year maturity and the equivalent of a one-year maturity. Yields on Treasury securities at constant maturity are determined by the U.S. Treasury from the daily yield curve. The difference between the Ten-year Treasury note yield and the One-year Treasury note yield measures the spread between short and long-term interest rates.

Corporate bond chart, slide 16

Ratings assess default and credit risk. Ratings are not a forecast or guarantee of investment results. They are assigned by rating agencies such as Standard and Poor's (ratings from 'AA' to 'CCC' and Moody's Investor Services (ratings from 'Aa' to 'Caa') at the time of their analysis and are subject to change based on economic, issuer or other factors. The ratings should only be considered as an opinion by the rating organization as to the credit quality of the investment. BBB/Baa is a medium-grade rating which means the company is subject to moderate credit risk and may have speculative characteristics.

Risk Disclosures

Asset Class Risks:

All investing involves risks, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable. Diversification does not guarantee investment returns or eliminate risk of loss. Each asset class has its own risk and return characteristics, which should be evaluated carefully before making any investment decision. 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. Some of the risks associated with the representative asset classes discussed in this report include:

General market risks

Stock markets, especially foreign markets, are volatile. A stock's value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. International investing has additional risks including those associated with 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. Investing in small- and mid-cap companies involves additional risks, such as limited liquidity and greater volatility. Small- and mid-cap stocks are generally more volatile, are subject to greater risks, and are less liquid than large-company stocks.

Investments in fixed-income securities, including municipal securities, are subject to market, interest rate, credit, liquidity, inflation, prepayment, extension, and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in a decline in the bond's price. 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 securities may also be subject to the alternative minimum tax and 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. 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.

Similar to bonds, preferred securities are interest rate sensitive. Their dividends are not guaranteed and are subject to change. Some preferred securities include a call provision, which may negatively affect the return of the security. A prerefunded bond is a callable bond collateralized by high-quality securities, typically Treasury issues. U.S. government securities are backed by the full faith and credit of the federal government as to payment of principal and interest if held to maturity. Although free from credit risk, they are subject to interest rate risk. Mortgage-related and asset-backed securities are subject to prepayment and call risks in addition to the risks of investing in debt securities. Call risk is the risk that the issuer will redeem the issue prior to maturity. This may result in reinvestment risk, which means the proceeds will generally be reinvested in a less favorable environment. Changes in prepayments may significantly affect yield, average life, and expected maturity.

Sector investing

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players; reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. Investing in the **Financial** sector will subject a portfolio to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. Risks associated with investing in **Industrials** 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 excess industry capacity, and a sustained rise in the dollar relative to other currencies. 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 smaller, less-seasoned companies, tend to be more volatile than the overall market.

Risk Disclosures (continued)

Alternative investments

Alternative investments, such as hedge funds, private capital and private debt funds, are speculative and involve a high degree of risk that is suitable 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, and less regulation and higher fees than mutual funds. Hedge fund, private capital and private debt 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 debt strategies seek to actively improve the capital structure of a company often through debt restructuring and deleveraging measures. Such investments are subject to potential default, limited liquidity, the creditworthiness of the private company, and the infrequent availability of independent credit ratings for private companies. Investing in distressed companies is speculative and involves a high degree of risk. Because of their distressed situation, these securities may be illiquid, have low trading volumes, and be subject to substantial interest rate and credit risks.

Hedge fund strategies, such as **Equity Hedge, Event Driven, Discretionary Macro** and **Relative Value**, are speculative and involve a high degree of risk. These strategies are affected in different ways and at different times by changing market conditions. They employ aggressive investment techniques, including using short sales, leverage, arbitrage, derivatives, such as swaps, futures contracts, options, forward contracts which can expose the investor to substantial risk. Investment returns, volatility and risk vary widely among the different strategies. The use of short selling involves the risk of potentially unlimited increase in the market value of the security sold short, which could result in potentially unlimited loss for the investment. In addition, taking short positions in securities is a form of leverage which may cause a portfolio to be more volatile. 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 which may hurt a fund's performance. Counterparty risk is the risk that the other party to the agreement will default at some time during the life of the contract.

Real Assets

Real assets are subject to the risks associated with real estate, commodities, master limited partnerships (MLPs) and other real asset investments and may not be suitable for all investors.

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 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.

Investment in securities of Master Limited Partnerships (MLPs) involves certain risks that differ from an investment in the securities of a corporation. MLPs may be sensitive to price changes in oil, natural gas, etc.; regulatory risk, and rising interest rates. A change in the current tax law regarding MLPs could result in the MLP being treated as a corporation for federal income tax purposes, which would reduce the amount of cash flows distributed by the MLP. In addition, there are certain tax risks associated with an investment in MLP units, and conflicts of interest may exist between common unitholders and the general partner, including those arising from incentive distribution payments. Other risks include the volatility associated with the use of leverage, volatility of the commodities markets, market risks, supply and demand, natural and man-made catastrophes, competition, liquidity, market price discount from net asset value, and other material risks.

Investment in real estate securities include risks, such as the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions.

Index Definitions

Real Assets Hypothetical Portfolio Composition

Real Assets portfolio is an equal weighted index of the FTSE EPRA/NAREIT Developed REIT Index, Alerian MLP Index, and the Bloomberg Commodity Index.

Alerian MLP Index is a float-adjusted, capitalization-weighted index, whose constituents represent approximately 85% of total float-adjusted market capitalization, and is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

Bloomberg Commodity Index is a broadly diversified index comprised of 22 exchange-traded futures on physical commodities and represents 20 commodities weighted to account for economic significance and market liquidity.

FTSE EPRA/NAREIT Developed Market Index is designed to track the performance of listed real estate companies and REITS worldwide.

Other Index Definitions

Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based index that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS ABS, and CMBS.

The Bloomberg Barclays U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays 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.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure equity market performance across 21 developed market countries excluding the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index designed to measure equity market performance of 24 emerging market countries.

Russell Midcap® Index is a subset of the Russell 1000® Index and measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest companies in the Russell 1000 Index.

Russell Small Cap (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 generally considered representative of the US stock market.

Disclosures

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