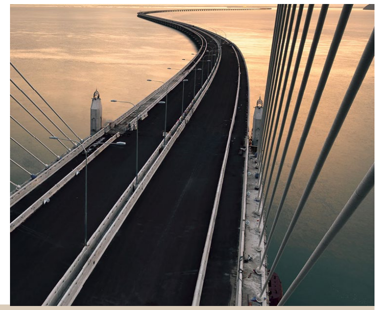
WELLS FARGO
Investment Institute



Investment Strategy

Weekly guidance from our Investment Strategy Committee **September 8, 2025**

Asset Allocation Spotlight: Global markets outperform — Currency effects secondary 2

- International equities have outperformed U.S. equities so far this year and have fulfilled their role as diversifiers, even when accounting for recent U.S. dollar depreciation.
- Given our forecasts for only a slightly higher dollar in the tactical (6- to 18-month) horizon, we continue to encourage investors to remain internationally diversified.

Equities: Consumer sectors remain unfavorable 4

- The deferral of tariffs will likely squeeze households and limit consumer spending into late 2025 and early 2026.
- Our outlook remains unfavorable for the Consumer Discretionary and Consumer Staple sectors.

Fixed Income: Yield still matters 5

- As the Federal Reserve (Fed) prepares to resume its interest rate cutting cycle, we encourage investors to gain exposure toward more yield-oriented investments and to diversify away from excess cash and cash-alternatives positions.
- To boost income-generation potential in fixed-income portfolios, we favor a diversified-income approach utilizing asset classes, such as investment grade and high-yield corporate bonds, preferred stock, and municipal bonds.

Real Assets: REIT earnings growth declines — internal gains normalize 6

- While real estate investment trusts (REITs) generated reasonable growth in same-store net operating income, funds from operations per share declined from the year-ago quarter.
- We recommend investors considering REITs to focus on Data Center, Telecommunications, and Industrial REITs given positive long-term demand drivers.

Alternatives: Merger & acquisition activity continued to rebound 7

- Despite trade friction and recession concerns in the second quarter, the merger and acquisition (M&A) market continued its recovery in the first half of the year.
- We believe greater clarity on legislation and tariffs, along with the potential for lower policy rates and more business-friendly regulations, can further support mergers & acquisitions (M&A) activities and provide tailwinds for Merger Arbitrage sub-strategies.

Current tactical guidance 8

Asset Allocation Spotlight

Jeremy Folsom
Global Asset Allocation Analyst

Global markets outperform — Currency effects secondary

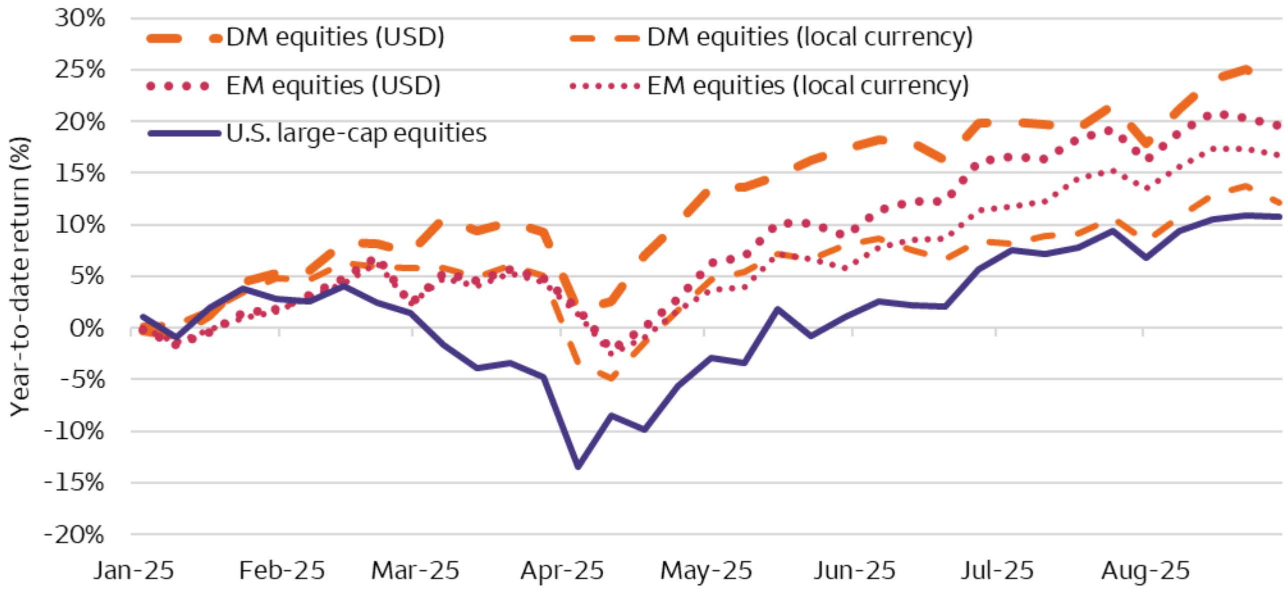
This year has well demonstrated the value of diversification, with fixed income, commodity, and especially international equity gains adding to portfolio performance and helping to balance out volatility and weaker gains in the U.S. equity space compared to much of the past six years. Even though the S&P 500 Index has recently hit new all-time highs, both developed market (DM) equities and emerging market (EM) equities continue to outperform. Year-to-date through August in U.S. dollar terms, DM Equities and EM Equities have gained 23.3% and 19.6%, respectively, while U.S. large-cap equities are trailing with a 10.8% rise.[1] U.S. equities not only underperformed but also faced greater volatility and larger drawdowns than international equities during the tariff-related declines in April.

This year's strong international equity performance has coincided with material U.S. dollar depreciation, with the value of a U.S. Dollar Index[2] falling nearly 10% year-to-date through August against a basket of major world currencies. That depreciation has provided a significant lift to international performance when measured in U.S. dollars due to foreign exchange effects, rather than the strong performances solely being from international equity appreciation.

Chart 1 shows the S&P 500 Index's year-to-date performance through August against international equities, both in U.S. dollar and local currency terms. While accounting for the depreciation in the dollar does dampen the international performances, both EM and DM equities still outperform the S&P 500 Index in local currency terms, up 16.7% and 12.1%, respectively. The currency impact on EM equities is significantly less as much of the U.S. dollar's weakness this year has been in comparison to major currencies. Overall, the bulk of outperformance of international equities this year is not due to dollar depreciation, but rather genuine foreign stock appreciation. Some of the tailwinds that contributed to the outperformance are price-to-earnings ratios that are substantially lower than those in U.S. markets, a partial reversal of trends after an extended period of U.S. equity outperformance, and increased diversification into international markets driven by policy uncertainty in the U.S.

1. All representative indexes are defined at the end of the report.
2. 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 higher index value indicates dollar appreciation.

Chart 1. International equities have outperformed even in local currency terms



Sources: Bloomberg and Wells Fargo Investment Institute. Weekly data from January 1, 2025, to August 31, 2025. Year-to-date return data is indexed to 0% as of 12/31/2024. Representative indexes include: S&P 500 Index, MSCI EAFE Index (U.S. dollar)/(Local), and MSCI Emerging Markets Index (U.S. dollar)/(Local). An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Looking forward, we are forecasting moderate U.S. dollar appreciation during the tactical (6- to 18-month) horizon, partially reversing recent losses, which may have some impact on international equity performance. Currently, we hold a neutral view on DM ex.-U.S. Equities and an unfavorable stance on EM Equities, consistent with our continued quality bias within the U.S. equity space. For the former, while we value the high quality, we expect slower growth in DM economies and that U.S. tariffs will take a toll on European companies. Meanwhile, despite a strong performance so far this year within EM Equities, we remain cautious given the lower quality and heavy weight toward Asia and especially China, which has political risks, growth concerns, and diplomatic and economic strains with the U.S. However, we still encourage investors to remain selectively diversified among different asset classes and with international exposure — with allocations to DM ex.-U.S. Equities in all but our most conservative tactical allocation and with allocations to EM Equities in our growth-oriented allocations. International equity exposure has served investors well so far this year and may help to continue mitigating the country-specific risk of being extremely concentrated in U.S. assets.

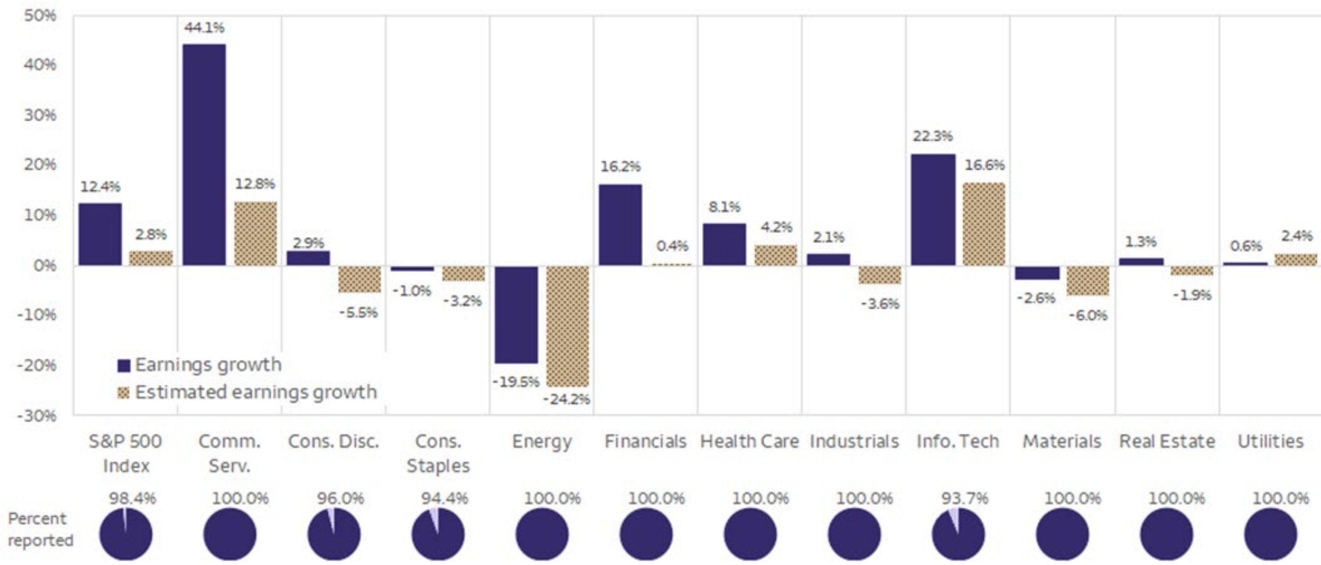
Equities

Douglas Beath
Global Investment Strategist

Consumer sectors remain unfavorable

With second-quarter earnings for S&P 500 Index companies nearly complete, year-over-year (YOY) growth has exceeded initial expectations — currently 12.4% versus a consensus of 2.8% as July 1. In addition, 10 out of 11 sectors have outpaced consensus estimates led by Communication Services, Technology, and Financials — two of which we have a favorable rating (see chart).

Strong Q2 earnings season is wrapping up



Sources: Bloomberg and Wells Fargo Investment Institute. Chart shows actual versus projected S&P 500 Index earnings growth by sector. Actual earnings growth as of August 29, 2025, at 8:30 a.m. ET. Bloomberg consensus estimated earnings growth as of June 27, 2025, at 8:30 a.m. ET. P**ast performance is no guarantee of future results**. An index is unmanaged and not available for direct investment.

The latest sectors to report highlighted consumer companies, which, unlike financial- and technology-related companies, showed mixed results that suggested tariff uncertainties were affecting shoppers. For example, the stock price of the world's largest retailer plunged after reporting earnings missed expectations although sales exceeded forecasts. The company attributed this discrepancy to its lower-priced strategy in response to tariff concerns.

The bottom line of second-quarter earnings from the two major consumer sectors show that both underperformed the overall S&P 500 Index growth rate, with Consumer Discretionary exceeding initial expectations while Consumer Staples narrowly beat consensus estimates with slightly negative growth.

The unexpected drawn-out tariff scenario that has been ongoing since April has led us to revise our 2025 U.S. economic growth forecast upward, while lowering expectations for 2026.[3] We still believe that tariff deferrals do not equate to elimination and anticipate they will ultimately constrain households and limit spending into late 2025 and early 2026. We believe this would potentially dilute the positive impacts of front-loaded tax cuts and deregulation.

Our outlook remains unfavorable for both Consumer Discretionary and Consumer Staples sectors, which — aside from the Health Care sector — have been the worst performing sectors year to date (through August 31, 2025).

---

[3] For details on our target changes, please see our report, "Adjusting our 2025 and 2026 targets", Wells Fargo Investment Institute, July 30, 2025.

Fixed Income

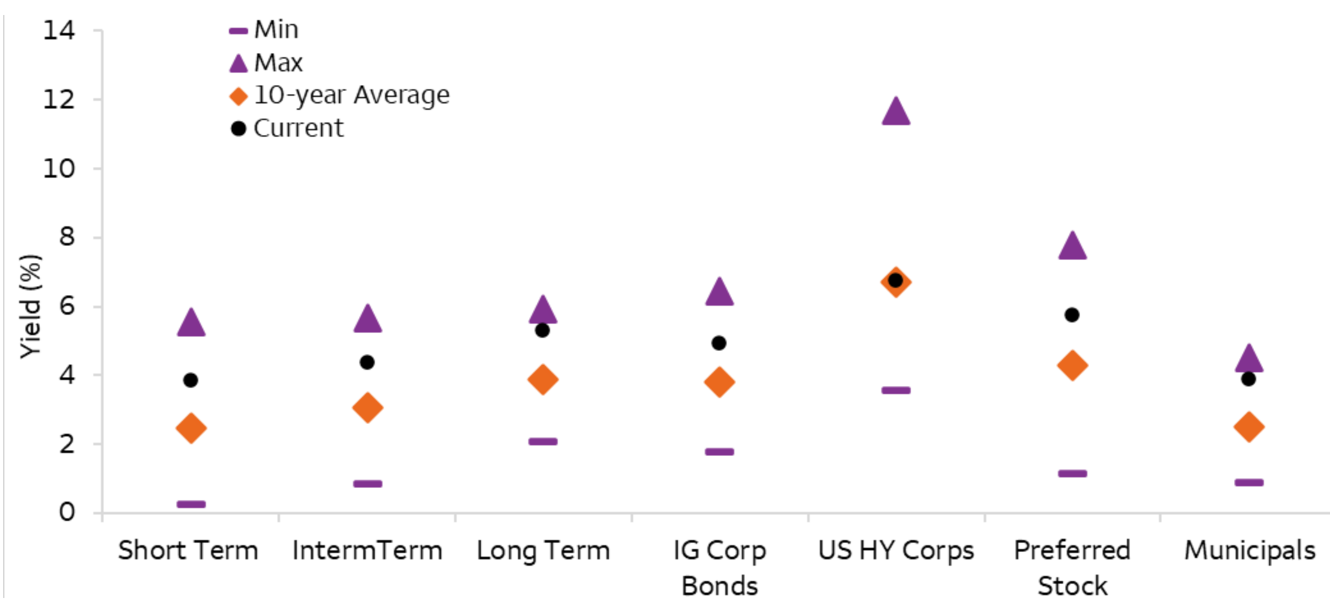
Luis Alvarado
Global Fixed Income Strategist

Yield still matters

We believe that current yields across a variety of fixed-income asset classes remain attractive, generally above their 10-year averages. As the Fed prepares to resume its anticipated interest rate cutting cycle, we are encouraging investors to gain exposure toward more yield-oriented investments and to diversify away from excess cash and cash-alternative positions. To boost income-generation potential in fixed-income portfolios, we favor a diversified income approach utilizing various asset classes.

- Investment-grade (IG) credit and corporate bonds — High-quality IG credit and corporate bonds currently offer reasonably attractive carry (yield) potential. We believe that investors should emphasize sound credit analysis, with a strong focus on selectivity among issuers and sectors. Given the relative steepness of the IG corporate yield curve relative to the Treasury yield curve today, we see incremental value in short- and intermediate-term corporate bonds.
- IG municipal securities — In early September, municipal-to-Treasury yield ratios remained attractive in the intermediate portion of the yield curve. Furthermore, tax-equivalent municipal-bond yields remain competitive relative to Treasury and with corporate-bond yields.
- High-yield debt — We continue to observe attractive yield levels in the high-yield corporate market. Granted, narrow high-yield corporate spreads appear to be pricing minimal risk, but the yield offer may serve as a cushion to help absorb moderate-price declines in case spreads widen.
- Preferred securities — Yields above 5.00% typically are available in a well-diversified portfolio of preferred securities, currently. While we believe that the preferred sector's yield potential remains attractive, this yield opportunity brings risks for investors. We suggest that investors consider a professional manager to oversee their preferred allocations.

Yield comparison



Sources: Bloomberg and Wells Fargo Investment Institute, as of August 29, 2025. Data from August 29, 2015, to August 29, 2025. IG = Investment-grade. HY = High-yield. 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 quoted above. **Past performance is no guarantee of future results**. All representative indexes are defined on page 11.

Real Assets

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

REIT earnings growth declines — internal gains normalize

In the second quarter of 2025, the REIT industry reported a 5.1% decrease in funds from operations (FFO) per share relative to the second quarter of 2024 — these results followed relatively weak first-quarter 2025 FFO-per-share growth of 0.2%.[4] Additionally, REITs reported 2.7% growth in net operating income (NOI) from their same-store portfolios relative to the second quarter of 2024. Most REIT investors view same-store performance as a good indicator of internal growth.

We view the same-store NOI growth generated during the second quarter of 2025 as reasonable and roughly in line with same-store NOI growth reported over the previous five quarters. We believe REITs did not have an overly challenging internal growth comparison with second-quarter 2024, when they generated a 3.2% increase in same-store NOI. Although we do not believe REITs faced a challenging comparison period for FFO-per-share growth (which declined 2.5% in second-quarter 2024), it is worth noting that following the pandemic, REITs reported strong FFO-per-share growth from second-quarter 2021 through year-end 2022, with average quarterly FFO-per-share growth of nearly 21% over that period. Over this seven-quarter period, REITs also generated stronger same-store NOI growth, averaging 7.1% per quarter. We believe higher interest costs (resulting from the Federal Reserve rate, which saw increases in 2022 and 2023), slowing rent growth, and higher property operating expenses contributed to the FFO-per-share decline reported in second-quarter 2025.

In conjunction with their second-quarter 2025 earnings, the majority of REITs we closely monitor updated their 2025 earnings guidance — while most REITs reiterated their prior 2025 outlooks, a few lowered guidance (primarily Lodging/Resort REITs) and several boosted their 2025 expectations. We suggest investors considering REITs to focus on Data Center, Telecommunications, and Industrial REITs given positive long-term demand drivers.

4. All data provided by the National Association of Real Estate Investment Trusts (Nareit). Data as of August 14, 2025.

Alternatives

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

Merger & acquisition activity continued to rebound

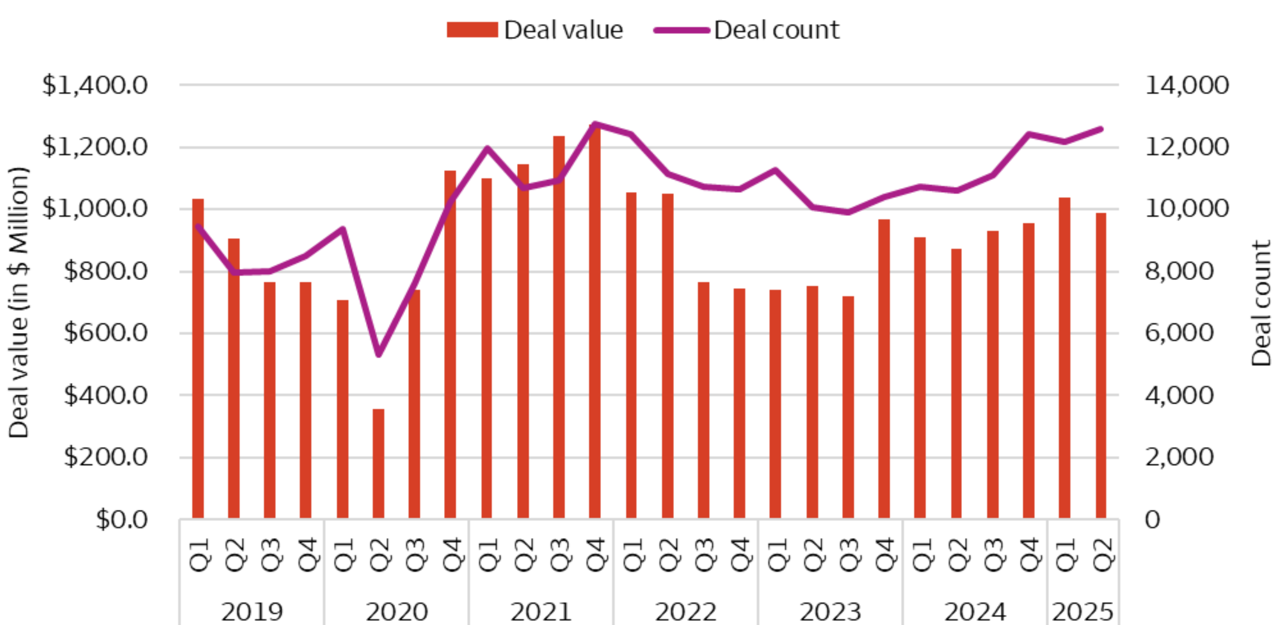
Despite trade friction and recession concerns in the second quarter, the M&A market continued its recovery. In the first half of the year, global deal value reached over $2 trillion across 24,000 transactions, representing a 15% growth over the same period last year (chart below).

According to Pitchbook, the Information Technology sector led the way, posting a 28% year-over-year increase in deal value during the second quarter. But growth wasn't limited to Information Technology; the Industrials and Materials sectors also saw a wave of value-driven transactions, reflecting broader sector participation. From a geographic perspective, the U.S. attracted the highest deal value while Europe led in deal count. Both regions also saw strong cross-border transactions, which we believe highlights the global nature of the rebound.

In terms of acquirer type, large corporations have been active buyers so far this year. According to Pitchbook, many corporations aimed to utilize strategic consolidations to adapt to the shifting policy environment. However, private-equity buyers have been more cautious, with their share of the top 10 deals decreasing to 30% from 50% last year.

Looking ahead, we believe greater clarity on legislation and tariffs, along with the potential for lower policy rates and a more business-friendly regulatory landscape, can support the momentum in M&A activities. This environment could also provide a favorable backdrop for Merger Arbitrage sub-strategies, which benefit from steady deal flow. Additionally, we believe renewed participation from private-equity sponsors is needed to help revitalize the private markets and spark a new cycle of growth.

M&A deals rebounded in the first half of 2025



Sources: Pitchbook and Wells Fargo Investment Institute. Data as of June 30, 2025.

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.

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
	Emerging Market Equities U.S. Small Cap Equities	Developed Market Ex-U.S. Equities	U.S. Large Cap Equities U.S. Mid Cap Equities	

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Commodities Private Real Estate		

Alternative Investments**

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

Source: Wells Fargo Investment Institute, September 8, 2025.

*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

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

Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market.

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. **Municipal bonds** offer interest payments exempt from federal taxes, and potentially state and local income taxes. Municipal bonds are subject to credit risk and potentially the Alternative Minimum Tax (AMT). Quality varies widely depending on the specific issuer. 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. 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. **Real estate** has special risks including the possible illiquidity of underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. **Communication Services** companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the Communication Services sector may also be affected by rapid technology changes, pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. Risks associated with the **Consumer Discretionary** sector include, among others, apparel price deflation due to low-cost entries, high inventory levels and pressure from e-commerce players, reduction in traditional advertising dollars, increasing household debt levels that could limit consumer appetite for discretionary purchases, declining consumer acceptance of new product introductions, and geopolitical uncertainty that could affect consumer sentiment. **Consumer Staples** industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Investing in the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. **Real estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

There are special risks associated with investing in preferred securities. Preferred securities are subject to interest rate and credit risks. Interest rate risk is the risk that preferred securities will decline in value because of changes in interest rates. Credit risk is the risk that an issuer will default on payments of interest and principal. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, the issue may be callable which may negatively impact the return of the security. Preferred dividends are not guaranteed and are subject to deferral or elimination.

Cash alternatives typically offer lower rates of return than longer-term equity or fixed-income securities and provide a level of liquidity and price stability generally not available to these investments. Some examples of cash alternatives include: Bank certificates of deposit; bank money market accounts; bankers' acceptances, federal agency short-term securities, money market mutual funds, Treasury bills, ultra-short bond mutual funds or exchange-traded funds and variable rate demand notes. Each type of cash alternatives has advantages and disadvantages which should be discussed with your financial advisor before investing.

Alternative investments, such as hedge funds, private 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

An index is unmanaged and not available for direct investment.

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

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

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

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

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

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

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

MSCI EAFE Index (USD/Local) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of 21 developed markets, excluding the U.S. & Canada.

MSCI Emerging Markets (EM) Index (USD/Local) is a free float-adjusted market capitalization index that is designed to measure equity market performance of 23 emerging market countries.

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. Returns assume reinvestment of dividends and capital gain distributions.

U.S. Dollar Index indicates the general int'l value of the USD. The index does this by averaging the exchange rates between the USD and major world 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.