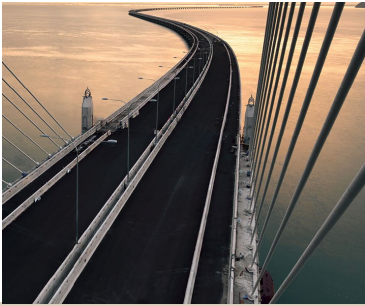


Investment Strategy



Weekly guidance from our Investment Strategy Committee July 27, 2026

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• The Maradona¹ theory of interest rates — that markets often move in anticipation of central bank actions — persists, but bond markets are increasingly shaped by forces beyond central bank policy expectations. • Greater uncertainty around market drivers increases the importance of the Federal Reserve (Fed) credibility and reinforces a selective approach to fixed-income investing.	
Equities: Second-quarter earnings face a high bar.....	4
• First-quarter earnings strength resets expectations, leaving the S&P 500 Index facing a high bar as second-quarter reporting reaches its midpoint. • We believe Financials and Information Technology (IT) sectors remain key areas of opportunity, though elevated IT valuations and low stock correlations could further increase already high single-stock volatility.	
Real Assets: Some energy prices matter more than others	5
• While oil has fallen significantly, gasoline is closer to recent highs; this is due to a perfect storm of factors that have impacted the supply of refined products across the globe. • To better understand the inflation outlook, investors should look beyond crude oil prices alone. Refined fuel prices — and the gap between fuel prices and crude oil prices, known as the “crack spread” — may provide a more accurate picture of future inflationary pressures.	
Alternatives*: Building portfolio resilience while markets shine	6
• Strong markets can be an ideal time to enhance portfolio resilience. In our view, diversifying strategies, including hedge funds, may have the potential to mitigate downside risk and improve long-term portfolio stability for qualified investors. • We believe qualified investors should review portfolio diversification now and consider alternative strategies as an option that may potentially help support long-term investment goals.	
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Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

1.Diego Maradona, famous Argentine soccer player.
*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.

Fixed Income Spotlight

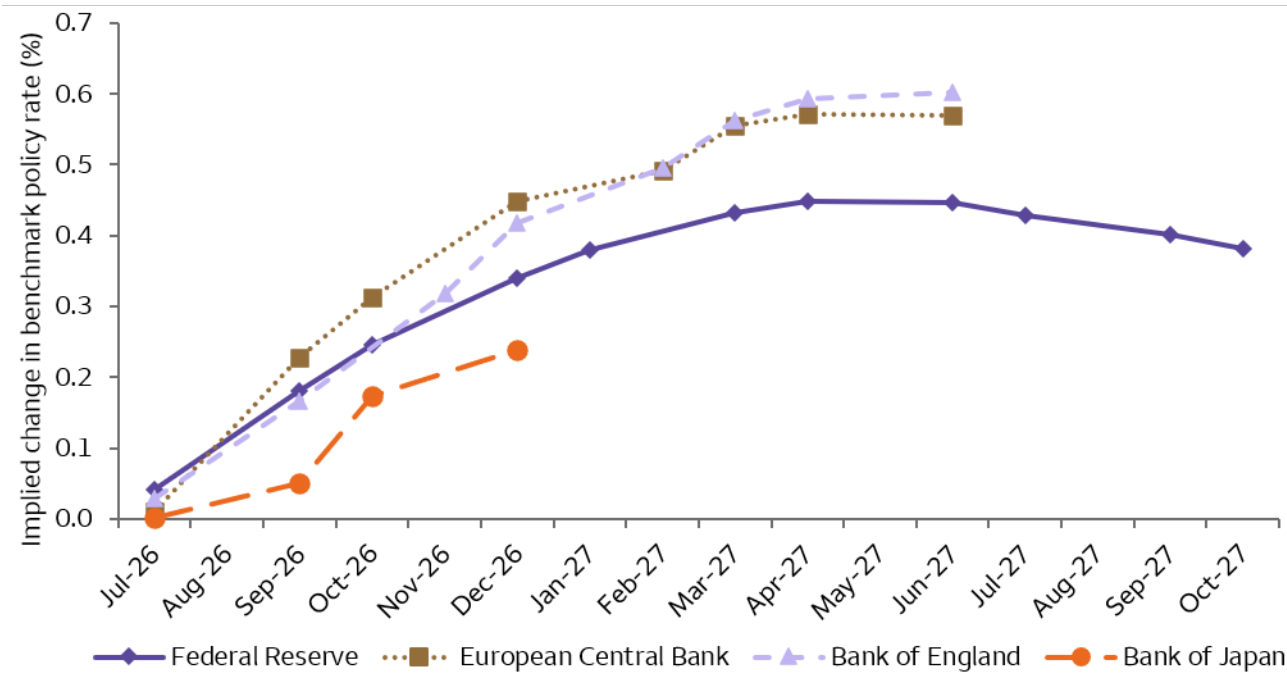
Luis Alvarado
Co-Head of Global Fixed Income Strategy

Soccer lessons for bond investors

The 2026 FIFA World Cup™ may be over, but one of the game's most enduring lessons remains surprisingly relevant for bond investors: Diego Maradona's famous 1986 goal against England. He picked up the ball inside his own half, ran almost in a straight line, and left five English defenders out of position. The brilliance was not the dribbling alone. It was that defenders anticipated moves he never made, pulling themselves out of position before he needed to beat them.

Former Bank of England Governor Mervyn King later turned that goal into a widely cited metaphor in central banking: the Maradona theory of interest rates.² His point was simple, markets often move based on what they expect a central bank to do, not only on what the central bank actually does. In King's example, policy rates barely moved, but expectations about future policy shifted enough to influence economic activity and financial conditions.

Chart 1. Markets are pricing a more restrictive policy interest rate outlook ahead



Sources: Bloomberg and Wells Fargo Investment Institute. Implied rate changes based on policy interest rate futures market pricing as of July 20, 2026, for central bank meetings from July 2026 through October 2027. Each data point represents the rate change priced in for that month's central bank meeting. **Forecasts are not guaranteed and based on certain assumptions and on views of market and economic conditions which are subject to change.**

2. Speech given by Mervyn King, Former Governor of the Bank of England. "Monetary Policy: Practice Ahead of Theory," London, England, May 17, 2005. In this report the "Maradona theory of interest rates" and "theory of interest rates" will be used to refer to the same concept.

That was also the logic behind much of the last 20 years. If investors believed the Fed would raise rates, bond yields could rise before any actual move. If investors believed cuts were coming, financial conditions could ease before the first cut. Expectations did part of the central bank's work.

The challenge today is that the Fed faces factors beyond its control that are influencing yields more significantly than they did in the prior 15 years. Those forces include uncertainty about rising inflation and government debt levels, as well as rising U.S. Treasury security issuance. These factors create uncertainties about future bond prices and so raise the term premium (the additional compensation investors demand for holding longer-term bonds). The previous era of low inflation, large-scale Fed balance sheet expansion, and low variability in yields, is giving way to one that seems less predictable.³

If today's Fed challenge is less about simply setting rates and more about preserving credibility, we believe Chair Kevin Warsh's reform agenda appears well suited to the task. His message has been clear: inflation must return to 2%, Fed independence matters, and policy should be guided by a flexible framework that can adapt to fast-changing market realities rather than by predetermined rate paths. His five task forces, focused on communications, the balance sheet, inflation frameworks, economic data, and productivity and employment, all point in that direction.

The connection to Maradona is especially interesting because King, who first introduced this soccer metaphor, is now part of the task force reviewing how the Fed communicates with markets. But this does not look like a return to detailed forward guidance. If anything, it points toward a different objective. Warsh may be attempting to shift the Fed from "trust our forecast" to "trust our framework." If investors question the Fed's ability or willingness to achieve its objectives, policy signals may have less influence over financial conditions.

That is why we believe the new fixed-income regime favors selectivity. For bond investors, income matters again, but not all yield is created equal. We recently upgraded U.S. Short-Term Fixed Income to favorable, moved U.S. Intermediate-Term Fixed Income to neutral, and maintained an unfavorable view on U.S. Long-Term Fixed Income. This positioning seeks to capture attractive income opportunities at the front end of the yield curve while reducing exposure to long-term interest-rate risk.

In many ways, the theory of interest rates is not disappearing; it is evolving. Expectations remain powerful, but they now operate in a market increasingly influenced by fiscal policy, Treasury issuance, inflation uncertainty, and artificial intelligence-related productivity enhancements. That makes credibility more important than ever. Viewed through that lens, Warsh's five task forces are not simply an institutional review. They are an effort to reinforce the foundation that makes the Maradona theory of interest rates work and adapt it to a more complex fixed-income landscape.

Equities

Alex Sagal
Global Equity Analyst

Second-quarter earnings face a high bar

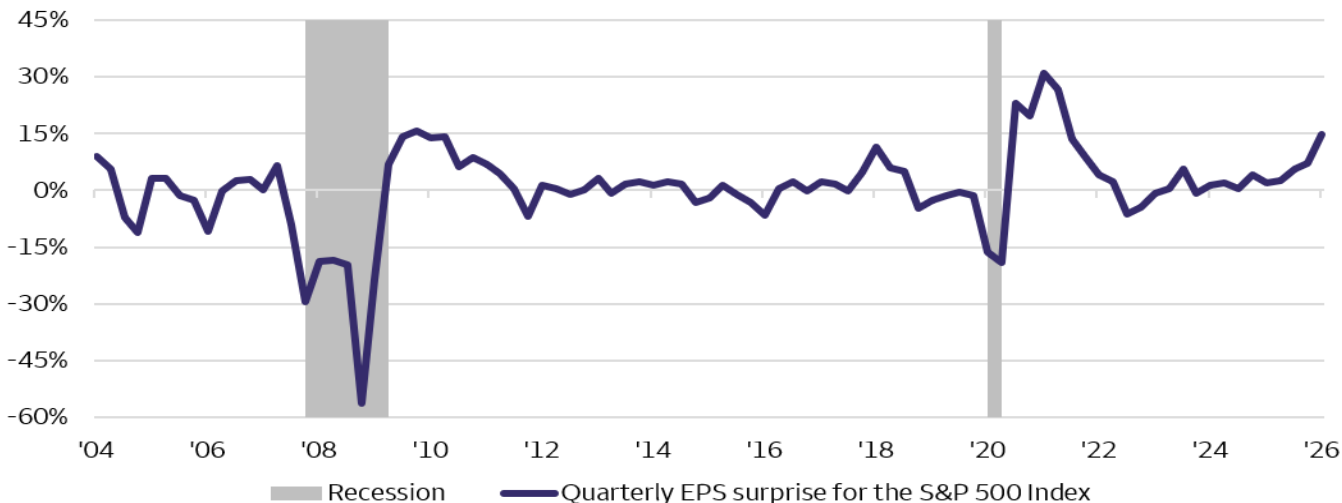
First-quarter earnings materially reset expectations for the remainder of the year. S&P 500 Index earnings per share (EPS) in the first quarter of 2026 vastly exceeded expectations from the beginning of the quarter, with EPS beating initial estimates by a record margin outside of a post-recession rebound period (see Chart 2). That upside translated into aggregate S&P 500 Index earnings growth of 26% and revenue growth of 10.5%, significantly raising the bar for the second quarter. Now, with the second-quarter earnings season approaching its midpoint, consensus expectations call for another strong quarter, with S&P 500 Index earnings projected to grow 24% and revenue expected to increase 13%.

Results reported thus far suggest corporate fundamentals remain resilient. Large-cap banks, for example, delivered strong quarters supported by trading, investment banking, and other market-making activity. The early earnings picture has generally reinforced our constructive view of Financials, a sector that continues to benefit from healthy capital markets activity and our expectation for a steeper yield curve.

IT, another sector we view favorably, remains a key driver of overall earnings growth. Consensus expectations call for 64% second-quarter earnings growth for the sector, compared with 24% for the S&P 500 Index. While reported results have generally been supportive, elevated expectations could still create volatility as investors scrutinize valuations, AI-related capital spending, and the pace of monetization. Another wrinkle is the growing divergence between muted index-level volatility and elevated single-stock volatility. While the S&P 500 Index has remained relatively calm, volatility among individual stocks has continued to rise. As earnings season progresses, sustained stock-specific volatility could begin to translate into greater index-level volatility.

For investors concerned about IT valuations, we would consider broadening exposure toward Financials, Materials, and Utilities, while maintaining discipline amid geopolitical, inflation, and interest-rate uncertainty. At the asset-class level, we remain favorable on U.S. Large Caps, supported by strong balance sheets, resilient economic growth, and continued earnings momentum.

Chart 2. EPS surprised to the upside in the first quarter and raised expectations for the second quarter



Sources: Bloomberg and Wells Fargo Investment Institute. Data range includes the earnings season from the first quarter of 2004 through the first quarter of 2026. EPS = earnings per share. EPS surprise is defined as the difference between realized results and beginning of quarter expectations as a percent. Recession periods are 1/1/2008 - 6/30/2009 and 3/1/2020 - 4/30/2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Real Assets

Sameer Samana, CFA

Head of Global Equities and Real Assets

Some energy prices matter more than others

Although crude oil and gasoline prices have fallen from their recent highs, West Texas Intermediate (WTI) oil has declined more sharply, down 26% from April 7 to July 20, 2026 — while gasoline is down only 10% from April 30 to July 20, 2026. This widening gap, known as the “crack spread” (the difference between crude oil and refined fuel prices), has risen to multi-year highs, surpassing levels seen during the 2022 energy shock.

Several factors are driving this unusual market dynamic. Ongoing disruptions to energy exports from the Middle East have limited global fuel supplies, while attacks on Russian energy infrastructure have reduced refining output and prompted restrictions on diesel exports. At the same time, most countries maintain strategic reserves of crude oil rather than refined fuels, causing gasoline and diesel inventories to tighten as demand continues. In the U.S., refining capacity remains constrained, with many facilities already operating near maximum levels and delaying routine maintenance to sustain production.

These challenges are unlikely to be resolved quickly. As a result, gasoline and diesel prices could remain elevated even if crude oil prices stay relatively low. In our view, this may keep inflation higher than many investors expected and could contribute to a higher interest-rate environment. Combined with midterm election-related uncertainty and the seasonally weaker months of August through October, we believe markets may experience greater volatility in the months ahead.

In this environment, investors should ensure portfolios remain well diversified and regularly rebalanced. We continue to view commodities as an attractive asset class, particularly base and precious metals. While energy prices are being supported by current supply disruptions, any easing of geopolitical tensions could limit future gains in the energy sector.

Chart 3. Crack spreads are at all-time highs



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from July 20, 2021, to July 20, 2026. CRK321M1 Index = Bloomberg Nymex WTI Cushing Crude Oil First Month 321 Crack Spread, a widely used refining margin benchmark. SMAVG (50) = 50-day simple moving average. SMAVG (200) = 200-day simple moving average. RSI = Relative Strength Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Alternatives

Mark Steffen, CFA, CAIA

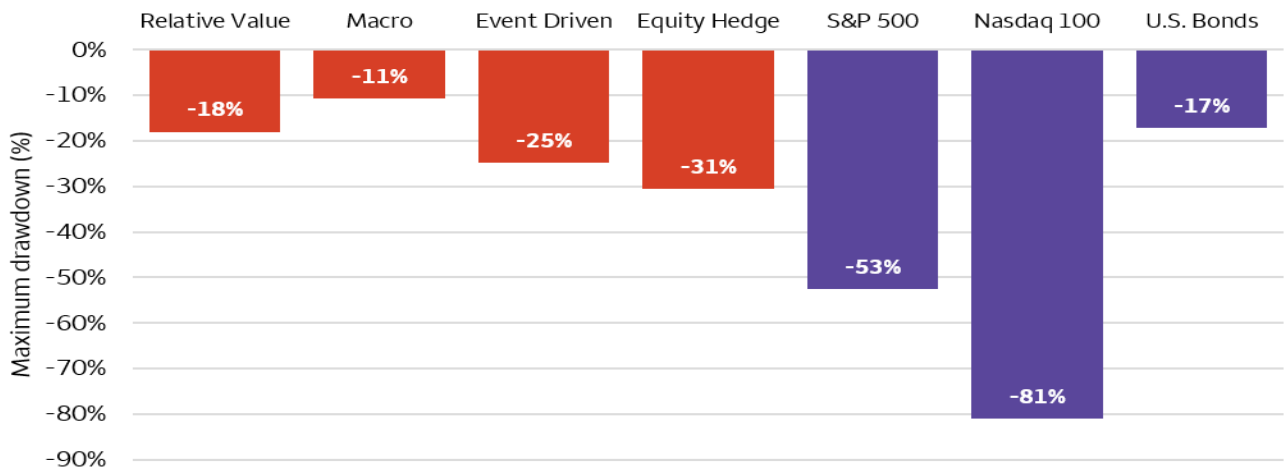
Global Alternative Investment Strategist

Building portfolio resilience while markets shine

As the saying goes, the best time to buy an umbrella is when the sun is shining. The same principle applies to investing. We believe periods of strong market performance can be an opportunity to strengthen portfolio resilience. According to Bloomberg, the S&P 500 Index is on pace to deliver its fourth consecutive year of returns exceeding 15%, with two of those years producing gains of more than 23%, as of July 20, 2026. Extended stretches of above-average equity returns are generally uncommon. The only period longer in recent history occurred during the run-up to the technology bubble, when the market posted five consecutive years of gains above 15%. As markets continue to perform well, we believe qualified investors may benefit from adding diversifying strategies that are less tied to the movements of traditional stocks and bonds.

Hedge funds are one example of a diversifying strategy. Because their returns are often driven by factors that differ from traditional investments, they can potentially perform independently of stock and bond markets. In our view, this may potentially help reduce overall portfolio volatility and improve resilience during periods of market stress. Chart 4 highlights the largest peak-to-trough declines (beginning December 31, 1989 through June 30, 2026), known as maximum drawdowns, for several hedge fund categories alongside traditional equity and fixed-income benchmarks. Two of the most followed indexes, the S&P 500 Index and Nasdaq 100 Index, experienced maximum drawdowns of 53% and 81%, respectively. By comparison, hedge fund strategy drawdowns ranged from 11% for Macro strategies to 31% for Equity Hedge strategies.

Chart 4. Largest historical peak-to-trough declines in equity, fixed income, and hedge fund markets



Source: Bloomberg. Data as of June 30, 2026. Monthly data from December 31, 1989, through June 30, 2026. Max drawdown is defined as the largest peak-to-trough decline over the time period listed (December 31, 1989 to June 30, 2026) for each of the respective benchmarks. Equity markets are represented by the S&P 500 Index and the Nasdaq 100 Index. Bond markets are represented by the Bloomberg U.S. Aggregate Bond Index. Hedge fund strategies are represented by the HFRI Relative Value Total Index (Relative Value), the HFRI Macro Total Index (Macro), the HFRI Event Driven Total Index (Event Driven), and the HFRI Equity Hedge Total Index (Equity Hedge). Please see end of report for index definitions. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

While no investment strategy can eliminate risk, we believe qualified investors may want to consider combining hedge funds with a traditional stock and bond portfolio to potentially help navigate difficult market environments. Greater diversification may make portfolios resilient during market downturns and help investors stay focused on their long-term goals rather than reacting to short-term volatility.

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
	Developed Market Ex-U.S. Fixed Income U.S. Long Term Taxable Fixed Income	Cash Alternatives Emerging Market Fixed Income High Yield Taxable Fixed Income U.S. Intermediate Term Taxable Fixed Income	U.S. Short 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. Mid Cap Equities	U.S. Large Cap Equities	

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Digital Assets Private Real Estate	Commodities 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, July 27, 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

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. 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. **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. 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.

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

HFRI Equity Hedge Total Index — Hedge Fund strategies primarily focused on equity securities and equity-linked derivatives. Sub strategies for these Sub-strategies include long/short, market neutral, fundamental, sector-oriented, and multi-strategy.

HFRI Event Driven Total Index — Hedge Fund strategies that invest in securities of companies involved in specific corporate transactions, including mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated and frequently involve additional derivative securities.

HFRI Macro Total Index – The macro index includes managers which execute a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom-up theses, quantitative and fundamental approaches and long and short-term holding periods.

HFRI Relative Value Total Index - Hedge Fund strategies focused on capturing the pricing discrepancies between related securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses. Security types range broadly across equity, fixed income, derivative or other security types.

NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The Index was developed with a base value of 125 as of February 1, 1985. Prior to December 21, 1998, the Nasdaq 100 was a cap-weighted index.

Relative Strength Index (RSI) is a momentum indicator that attempts to determine overbought and oversold conditions of an asset. It oscillates between 0 (very oversold) and 100 (very overbought).

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.

Note: HFRI Indices have limitations (some of which are typical of other widely used indices). These limitations include survivorship bias (the returns of the indices may not be representative of all the hedge funds in the universe because of the tendency of lower performing funds to leave the index); heterogeneity (not all hedge funds are alike or comparable to one another, and the index may not accurately reflect the performance of a described style); and limited data (many hedge funds do not report to indices, and, therefore, the index may omit funds, the inclusion of which might significantly affect the performance shown). The HFRI Indices are based on information self-reported by hedge fund managers that decide on their own, at any time, whether or not they want to provide, or continue to provide, information to HFR Asset Management, L.L.C. Results for funds that go out of business are included in the index until the date that they cease operations. Therefore, these indices may not be complete or accurate representations of the hedge fund universe, and may be biased in several ways. Returns of the underlying hedge funds are net of fees and are denominated in USD.

An index is unmanaged and not available for direct investment.

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