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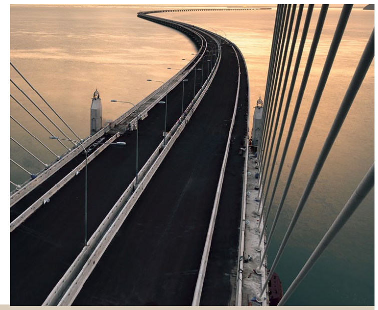


Investment Strategy

Weekly guidance from our Investment Strategy Committee **August 17, 2026**

Asset Allocation Spotlight

Veronica Willis
Global Asset Allocation Strategist

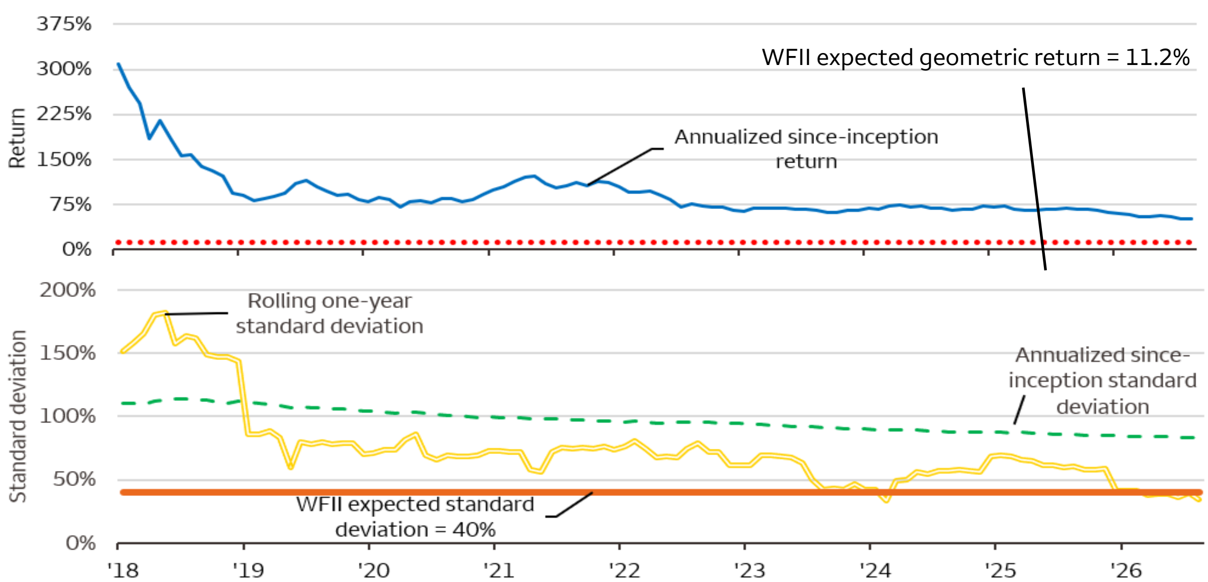
Digital Assets earn a strategic role

Over time, markets evolve and new asset classes emerge that may warrant consideration as part of a diversified portfolio. Digital Assets are the newest asset class for which we have developed capital market assumptions (CMAs), or long-term expectations for return, risk, and correlation across multiple market cycles. Digital Assets are electronically native assets that can be owned, transferred, and traded using blockchain technology. The category includes Bitcoin, Ethereum, tokenized assets, and other blockchain-based applications. While Digital Assets are often associated with innovation and significant price volatility, they increasingly are being evaluated through a traditional investment lens: as a potential source of return, diversification, and exposure to a growing segment of the global economy.

We have monitored Digital Assets as a potential emerging asset class for nearly a decade. The decision to add Digital Assets reflects the same investment framework used to evaluate other asset classes: expected return, risk, correlation, and potential portfolio impact across multiple market cycles. Digital Assets have evolved from a speculative niche market into an asset class with increasing institutional adoption, clearer regulation, and broader investor access.

Regulatory developments especially improved transparency and accessibility. The approval of spot-price exchange-traded funds (ETFs), expanded custody capabilities, and broader institutional participation have helped create a more investable environment than existed just a few years ago. Digital Assets now offer more than a decade of market history, providing sufficient data to assess long-term risk and return characteristics. Although this history remains shorter than that of other asset classes, both returns and volatility have moderated as the market has matured (see Chart 1). We expect this trend to continue over the strategic CMA horizon, although Digital Assets are likely to remain the highest-risk asset class covered by our CMAs.

Chart 1. Digital assets: high risk, but maturing



Sources: Bloomberg, MarketVector, and Wells Fargo Investment Institute (WFII). Monthly data from January 2018 through July 2026. WFII expected geometric return and standard deviation are capital market assumptions, as of July 16, 2026. Chart depicts the rolling, annualized return, and standard deviation since the January 2015 inception of the MarketVector™ Digital Assets 100 Index, starting with the three-year return. Standard Deviation is a statistical measure of the volatility of a portfolio's returns. The higher the standard deviation, the greater volatility has been. Geometric return is the compounded average rate of return earned on an investment over multiple periods, reflecting the cumulative effect of gains and losses over time. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

In addition to introducing a CMA, we have updated our strategic asset allocation guidance to include a modest allocation to Digital Assets for growth-oriented investors. Although Digital Assets can move in tandem with equities during periods of market stress, their long-term correlation with traditional asset classes has remained relatively low (see Table 1). This suggests that a modest allocation may enhance diversification opportunities while keeping the overall portfolio risk impact manageable. At the same time, we believe its elevated volatility (both realized and expected) may make this an option for growth-oriented investors with a higher risk tolerance.

Accordingly, we recommend a 2% allocation for Growth & Income objectives and a 3% allocation for Growth objectives.[1] Digital Assets are not recommended for Income objectives because their higher risk profile may not align with the goals of more risk-averse, income-focused investors. The allocation is from a modest reduction in U.S. Mid Cap Equities, reflecting the tendency for Digital Assets to exhibit higher short-term correlations with U.S. equities during periods of market stress.

Table 1. Short-term Digital Assets correlations with U.S. equities may rise

Correlation with MarketVector™ Digital Assets 100 Index	Russell 3000 Index	Bloomberg U.S. Aggregate Bond Index	Bloomberg Commodity Index
Since inception (January 2015)	0.17	0.01	0.10
7 years	0.28	0.02	0.13
5 years	0.35	0.02	0.09
3 years	0.33	0.03	-0.01
1 year	0.43	0.16	-0.09

Sources: Bloomberg, MarketVector, and Wells Fargo Investment Institute, as of August 10, 2026. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

We believe Digital Assets may now warrant a limited role in a diversified, growth-oriented portfolio, but not an outsized one. Greater access, improved regulation, and deeper integration into the financial system have increased the asset class's investability. At the same time, its elevated volatility reinforces the importance of maintaining modest allocations and adhering to a disciplined approach focused on maintaining a modest allocation.

As with any emerging asset class, the path forward is unlikely to be smooth. Regulatory developments, market adoption, and investor sentiment will continue to influence outcomes. Yet the addition of Digital Assets to strategic allocations reflects a broader investment principle: diversified portfolios should evolve as markets evolve. For growth-oriented investors, we believe a modest allocation may provide exposure to an emerging asset class with high growth potential while preserving a disciplined focus on diversification, risk management, and long-term financial goals.

1. Wells Fargo Investment Institute, "2026 Capital Market Assumptions," July 2026.

Equities

Sameer Samana, CFA
Head of Global Equities and Real Assets

Equities start to overheat

The market's recent rally has been impressive, with the S&P 500 Index gaining 6% from its July 29 low through August 10. However, much of that advance was driven by a relatively small group of AI-related technology and consumer companies. While the Consumer Discretionary and Information Technology sectors have each risen by more than 11%, the S&P 500 Equal Weight Index, which gives every stock the same weight, has gained just 2.08%. That suggests the market's recent gains have not been broadly shared.

At the same time, investor optimism appears elevated. The S&P 500 Index is showing overbought conditions based on the Relative Strength Index (RSI), a measure of market momentum, while the CBOE Volatility Index (VIX), often called Wall Street's "fear gauge," remains near the low end of its 52-week range. Historically, a combination of strong gains, narrow leadership, and low implied volatility can leave markets vulnerable to unexpected setbacks.

Looking ahead, investors face several potential catalysts, including upcoming Federal Reserve (Fed) meetings, the U.S. midterm elections, an ongoing conflict in the Middle East, and key economic data releases. Any of these factors could influence market sentiment and increase volatility. For long-term investors, we believe this may be a good time to review portfolios and ensure allocations remain aligned with investment goals and risk tolerance. After such a strong run, rebalancing portfolios or trimming positions that have grown beyond their target weights may be worth considering, in our view.

While a near-term pullback is possible, the broader trend remains positive. Technical indicators suggest the S&P 500 Index could find support near its 50-day moving average (7,498), followed by its 200-day moving average (7,055).

Chart 2. S&P 500 Index is approaching overbought territory

Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from August 10, 2023, through August 10, 2026. SPX = S&P 500 Index. SMAVG (50) = 50-day simple moving average. SMAVG (200) = 200-day simple moving average. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Fixed Income

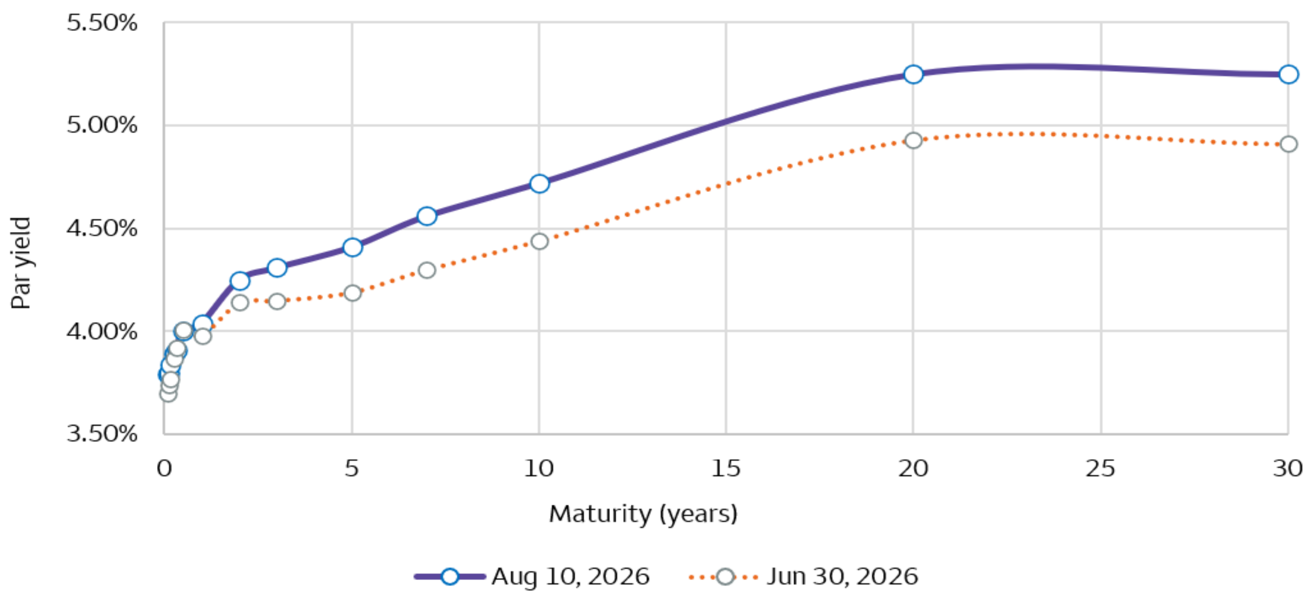
Brian Rehling, CFA
Co-Head of Global Fixed Income and Digital Asset Strategy

The risk building in long-term bonds

Something important is happening in the bond market: long-term Treasury yields are rising faster than short-term yields. Over the past six weeks, the 30-year Treasury yield climbed from 4.91% to 5.25%, while the two-year yield moved only modestly, from 4.14% to 4.25% (see Chart 3). That pushed the gap between the two from 0.77 percentage points to 1.00 percentage point.

The main reason is that investors are demanding more compensation to hold bonds for 20 or 30 years. The federal government continues to issue a large amount of debt to fund budget deficits. Inflation also remains above the Fed's comfort level, keeping uncertainty around future interest-rate policy elevated. When investors face more uncertainty, they typically ask for higher yields before committing money for longer periods.

Chart 3. U.S. Treasury yield curve steepens as long-term yields rise



Sources: U.S. Department of the Treasury, Daily Treasury Par Yield Curve Rates. Latest published observation available as of August 11, 2026. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

What does this mean for investors?

Long-term bonds and bond funds are especially sensitive to rising rates. If long-term yields continue to move higher, prices on these bonds would likely fall more than prices on shorter-term bonds. We currently have an unfavorable view on long-term bonds. We believe that short-term bonds still offer attractive income potential but with less price volatility because investors are not locked in for as long. For investors seeking income, we believe shorter maturities may provide a balance of yield and risk.

Real Assets

Mason Mendez
Global Real Assets Analyst

Gold's regaining momentum

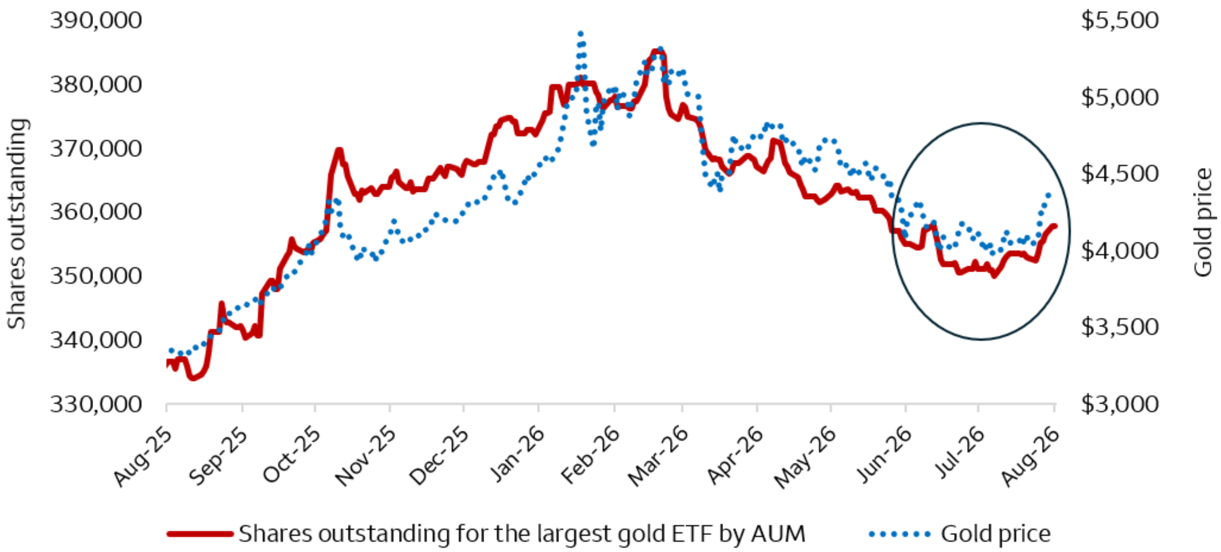
After a challenging five months, gold is regaining momentum, supported by hopes for progress toward negotiations in the Middle East and by investors scaling back expectations for Fed rate hikes. Gold prices rose more than 7% during the first week of August, marking the strongest weekly gain since January.[2] ETF flows also improved, with outflows stabilizing and even beginning to reverse higher (see Chart 4).

Undoubtedly, gold has struggled since March 2026, as rising U.S. inflation-adjusted yields and concerns that inflation could pressure the Fed to raise interest rates make gold, which does not pay its holders interest, relatively less attractive against interest bearing assets. However, despite gold's weak performance we believe we continue to see several underlying strengths.

Aggregate global demand was actually fairly resilient in the first half of 2026. International investors have been especially constructive amid heightened geopolitical and market uncertainties, inflation risks, and relatively low interest rates in select key markets — such as China. While gold's global spot price was down 5% through the first half of the year, Asian investors have actually been persistent purchasers, and when measuring gold's performance during Asia's trading hours the yellow metal is up 13%.[3] We believe these same geopolitical and market uncertainties reinforced gold's role and supported the rebound in central bank purchases during the second quarter.

Looking ahead, we believe these strengths can support gold's performance and re-enforces our favorable outlook for Precious Metals. That said, we believe gold's path higher will be uneven, as international demand is challenged by U.S. monetary headwinds. For these reasons, we remain favorable but revised our 2026 and 2027 year-end gold targets lower to 4,900–5,100 and 5,400–5,600 per troy ounce, respectively.

Chart 4. Momentum is picking up for gold ETFs



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from August 11, 2025 – August 11, 2026. The red line tracks shares outstanding for the largest U.S. gold ETF by assets under management, as of August 11, 2026. Gold is measured per troy ounce. ETF = exchange-traded fund. AUM = assets under management. **Past performance is no guarantee of future results.**

2. Bloomberg daily data is from July 31, 2026 – August 7, 2026.
3. Bloomberg and World Gold Council. Data is from December 31, 2025 – June 26, 2026.

Alternatives

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

Secondaries thrive amid exit challenges

Secondary transactions in private capital — where qualified investors buy and sell existing fund interests — have continued to expand in 2026.[4] Global transaction volume reached $120 billion, representing the largest first-half total on record and a 15% increase from 2025 (see Chart 5). We believe this growth reflects strong demand from both sellers and buyers amid a persistently subdued exit environment.

The range of secondary transactions also continued to expand. In 2026, both investors and fund managers actively initiated transactions, with each group accounting for roughly half of total market activity. At the same time, the buyer base broadened beyond dedicated secondaries funds to include institutional investors investing directly, as well as evergreen vehicles.[4]

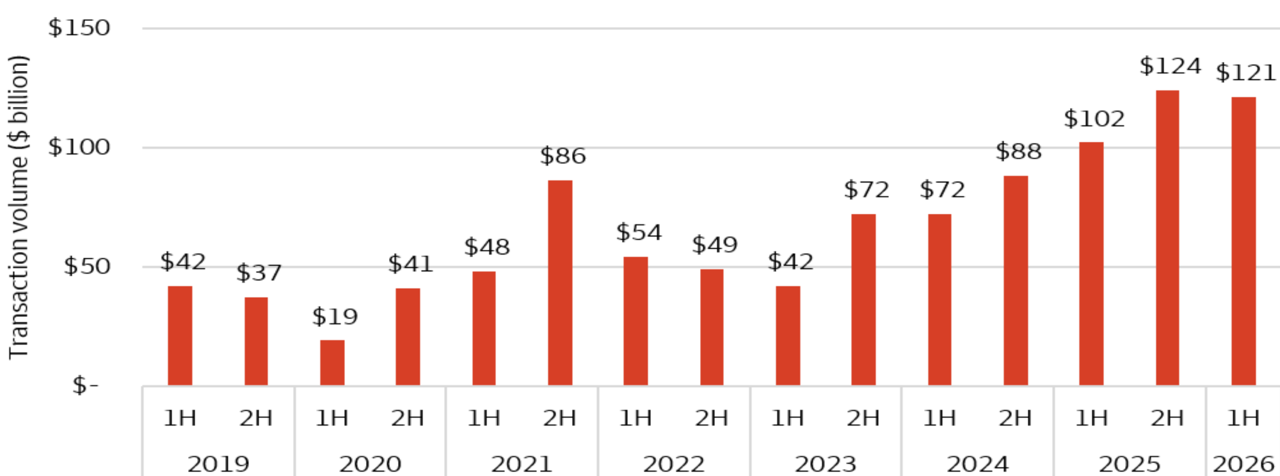
Private Equity Buyout Secondaries remained the largest segment, representing about 65% of total transaction volume.[4] However, secondary activity continued to expand into other asset classes, including Private Credit and Private Infrastructure, reflecting broader adoption and a growing opportunity set.

Pricing in the secondary market remained relatively stable, generally near long-term historical averages across strategies. We believe this environment has facilitated transactions while helping align the interests of both buyers and sellers.

Relative to primary investments, we believe secondaries may offer diversified exposure, greater visibility into underlying assets, and potentially attractive entry pricing for qualified investors. As with other private capital investments, however, qualified investors should consider risks including limited liquidity, valuation uncertainty, and higher fees.

Given resilient market growth and the potential for diversification and differentiated risk-adjusted returns, we maintain a favorable guidance on secondaries strategies.

Chart 5. Secondary transaction volume has stayed over $120 billion in first half of 2026



Sources: Evercore. Data as of June 30, 2026. See disclosure for secondary transaction data collection. 1H = first half. 2H = second half. **Past performance is no guarantee of future results.**

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.

4. Evercore, “H1 2026 Secondary Market Review,” July 21, 2026.

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, August 17, 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

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

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

Cryptocurrency and other digital assets often involve significant risks and can be highly volatile. Their value may fluctuate substantially, and investors could lose all or a significant portion of their investment. Digital assets may be subject to market, liquidity, regulatory, and operational risks and may be subject to heightened risks of fraud, cyber incidents, and market manipulation. Digital assets may not provide the same regulatory protections as traditional investment products and often are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), or any government agency. Investors should carefully consider their investment objectives, risk tolerance, and financial circumstances before investing in cryptocurrency or other digital assets.

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.

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. 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.

Definitions

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

Bloomberg U.S. Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market including government, corporate and mortgage-backed securities.

Chicago Board Options Exchange (CBOE) Volatility Index (VIX) reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

MarketVectorTM Digital Assets 100 Index is a market cap-weighted index which tracks the performance of the 100 largest and most liquid digital assets in the global cryptocurrency market, rebalanced monthly. Base date 31 December 2014, with a base value of 100.00. Larger assets (e.g., Bitcoin, Ethereum) have proportionally greater influence on the index. MarketVector uses verified market data to calculate daily market caps.

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).

Russell 3000 Index includes the largest 3,000 publicly traded companies in the U.S., providing a comprehensive benchmark for the U.S. stock market. It is designed to reflect the performance of the broad U.S. equity market and is widely used by investors and financial professionals to gauge market trends and performance.

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.

S&P 500 Equal Weight Index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

An index is unmanaged and not available for direct investment.

Evercore gathers secondary market data primarily through its advisory role in fund manager-led (also known as GP-led) and investor-led (also known as LP-led) transactions, conducting extensive annual surveys of over 140+ institutional investors, including pension funds and family offices. As the largest secondary market advisor, they leverage this, alongside data from their large advisory teams to track transaction volumes, pricing, and investor behavior. Specific data sources are summarized below.

- Advisory Position & Deal Flow: As a top-ranked advisor in private equity and private credit secondaries, Evercore uses internal data from transactions they facilitate to track market trends.
- Annual Secondary Market Surveys: Evercore conducts detailed, annual surveys, collecting data from a wide range of investors (public/private pensions, sovereign wealth funds, family offices) to gauge sentiment and volume.
- Market Monitoring & Estimates: Evercore analyzes data from the broader private credit and equity markets to monitor secondary deal volume and pricing trends.
- Direct Interaction with Market Participants: The firm gathers data through ongoing dialogues with investors and private equity managers (GPs).

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