WELLS FARGO
INVESTMENT INSTITUTE

The Agile Investor

Taking Advantage of Shifting Markets

Conditions Are Favorable for Agile Investors

Since the Great Recession, the global economy has been in a low-interest-rate, low-return environment often characterized by deflationary risks. But the economic climate is starting to change. Judging by economic data and statements from the Federal Reserve (Fed), inflation in the U.S. has been slowly returning to its 2-percent target rate. Moreover, healthy levels of U.S. employment, coupled with rising wages, have boosted consumer confidence.

In the near term, we expect the domestic economy to continue to expand and inflation rates to gradually normalize. But the economy is only one part of the equation. We believe that investors must closely watch governmental policy actions, as they, too, can have significant investment implications.

IMPROVED CONFIDENCE

Consumer confidence has been on the rise. This has not escaped the Fed's notice. The central bank has cited upbeat trends—including moderate increases in household spending, improvement in the housing sector, and strong job gains—as reasons to expect future rate increases.

SUPPORTIVE POLICIES

Many investors anticipate that changes to economic policies could support markets. The potential for lower taxes and reduced regulation may support economic growth.

Agile Investors Adapt to Change

Current conditions create a sweet spot for agile investors—those who are willing to take advantage of timely opportunities and innovative investment approaches. Today's investors are seeking ways to navigate through current markets using a variety of strategies.

UNCERTAIN GEOPOLITICS

The Trump administration is facing challenges to its agenda. Overseas, Germany and France prepare for contentious election cycles. The U.K. has initiated the process of withdrawing from the European Union. Geopolitical hot spots in the Middle East, North Korea, and elsewhere may be cause for investor concern.

Opportunities Exist for Nimble Investors

Today, we face an uncertain political and financial landscape and mounting government debt, offset by healthy improvements in consumer and business optimism. If market stability gives way to volatility, as we suspect that it will, a new set of sector and asset-class winners and losers likely will emerge.

We believe this is a good time for agile investors who are willing to make tactical adjustments to their long-term portfolio allocations. We also urge investors to take a fresh look at integrating active and passive approaches and to consider innovative investment strategies.

In the following pages, we present proactive strategies for investors for navigating today's ever-changing economic and political environment.

Uncertain policy changes could create market inefficiencies and opportunities for active investors.

Following a disciplined plan with occasional tactical adjustments to take advantage of shifting macroeconomic conditions often works during times of uncertainty.

We expect several asset classes to trade within a range of values in the coming years, offering opportunities for tactical asset allocation—short-term adjustments to asset-class weights based on shorter-term expected performance.

WHAT'S INSIDE

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Key Questions Addressed in This Report

- What trends should investors consider to take advantage of potential near-term opportunities?
- Which environments favor active or passive approaches?
- How do investors incorporate tactical asset allocation into a strategic investment plan?
- How could investors benefit from emerging trends such as digital advisory services and social impact investing (SII)?

Take Another Look at Active Management

Today's investors can use a variety of investment styles—active, passive, or somewhere in between—to take advantage of market opportunities. Both active and passive strategies have relatively long histories. Yet scrutiny of active managers has intensified as passive strategies performed well throughout the latest economic recovery.

The combination of low interest rates, low inflation, and low volatility allowed most markets to move higher, without the pockets of inefficiency that active managers might exploit. Growing interest in passive strategies is reflected in the growth of exchange-traded funds (ETFs). According to the Investment Company Institute, the ETF market increased from approximately $400 billion in assets at the end of 2006 to more than $2 trillion in assets by the end of 2016.

Given that interest rates and inflation have begun to rise, it's likely that the environment could start to shift in favor of active management, suggesting that investors could benefit from holding active funds in their portfolios. We believe that a blended approach—which includes a mix of active, passive, and possibly other strategies such as the use of so-called smart-beta methodologies discussed below—may be suitable for many portfolios depending on the investor's risk and return objectives and where we fall in the economic cycle.

ACTIVE INVESTING

A manager uses discretion to choose securities that the fund will buy or sell in accordance with a particular investment strategy.

PASSIVE INVESTING

Also known as index-based investing, a fund seeks to earn the average return of an asset class or market segment that is used as a benchmark.

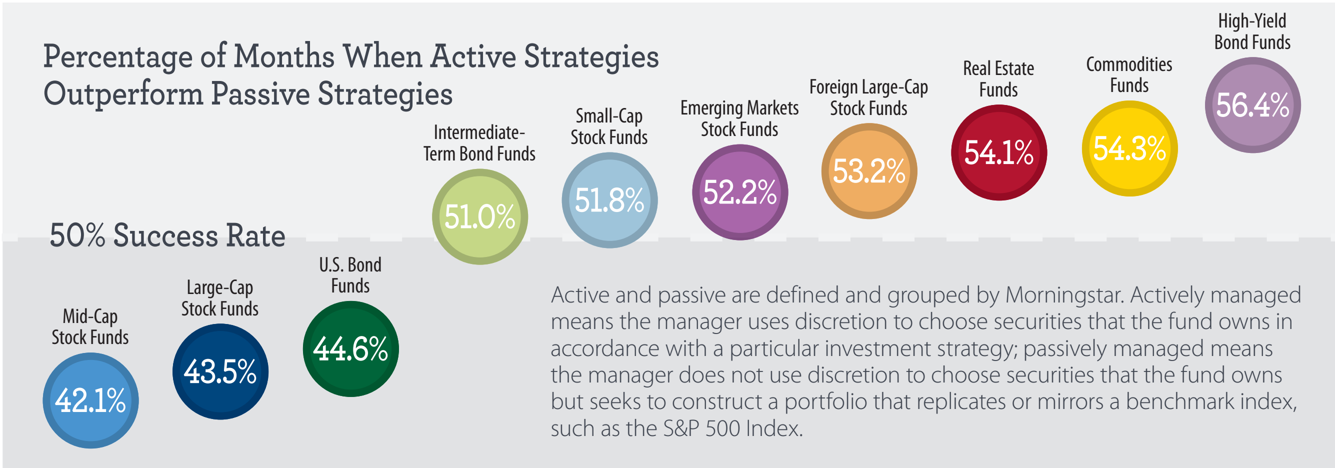
A Comparison of Active and Passive Investing

	Relative Costs	Benefits	Risks
Active	High—involves substantial research and possibly a fair amount of trading that can raise the cost of investing.	Active investing has historically outperformed toward the end of the economic cycle. It also can take advantage of inefficient sectors, such as small-cap equities and high-yield fixed income.	• Management risk—the asset manager's investment objective may not be achieved. • Generally higher management fees and operating costs. • Certain styles tend to drift in and out of favor, which can affect performance.
Passive	Low—involves limited trading, so the costs are usually low.	Passive investing tends to work best earlier in the economic cycle. It offers a low-cost way to invest in more-efficient markets like large-cap equities.	• Concentration risk—indexes can become concentrated in one or more sectors. • Cannot take advantage of changing market conditions that might affect performance. • May not be able to fully replicate an index.

Source: Wells Fargo Investment Institute

Active Managers Tend to Perform Better in Smaller and Less-Efficient Markets

Success rate of active strategies outperforming passive strategies



Sources: Wells Fargo Investment Institute and Morningstar Direct, as of December 31, 2016. The study included the analysis of all share classes of equity open-end mutual funds and exchange-traded funds, excluding money market funds, funds of funds, and obsolete funds. Data was extracted from Morningstar Direct using its search criteria to categorize the funds according to their respective asset class and subcategorize the funds as either active or passive strategies. The period of study is from January 31, 1987, to December 31, 2016, using monthly total returns. Morningstar's calculation of total returns account for management, administrative, and 12b-1 fees and other costs taken out of fund assets. Success rate is defined as the percentage of active strategies outperforming the passive strategy. Information is for illustrative purposes only and does not predict or depict the performance of any investment or the likelihood of achieving any return on an investment. The asset classes shown may not perform in a similar manner in the future. **Past performance is no guarantee of future results.**

The Best Environment for Active

The macroeconomic environment appears to be improving for active management. Based on Wells Fargo Investment Institute's analysis, active managers have outperformed passive managers in the latter stages of the past three U.S. economic cycles. Currently, monetary easing in the U.S. and other developed markets is slowly being reduced, which likely will lead to higher interest rates, greater asset-price dispersion, and increased volatility. These trends can be signs of a maturing economic cycle.

The success of an active approach often depends on the size and efficiency of the market in which an active manager seeks to gain an advantage. Investors could benefit from focusing their active approach on asset classes in which active managers typically have an edge.

Taking a Smart-Beta Approach

Smart-beta portfolios can offer a blend of active and passive approaches. These portfolios are typically index-based investments that attempt to capture investment factors or market inefficiencies in a rules-based way. For instance, a large-cap-index-based ETF may screen out stocks with above-average volatility. Smart-beta funds became popular with investors who wanted index-like fees and transparency while avoiding some of the drawbacks of traditional index funds that track market-weighted indices. As an example, traditional index funds typically allocate more assets to stocks as they become larger, which smart-beta advocates say can force investors into overvalued investments.

Using smart-beta products as direct substitutes for products tracking more well-known market-cap indices can be risky, as exposure offered by a smart-beta product could differ significantly from that provided by products tracking a market-cap-weighted index.

SMART-BETA INVESTING

Combines aspects of both active and passive investing. Smart-beta portfolios start with index-based investing and then use other methodologies to weight components within an index and may focus on a specific style or sector, for example.

Ways to Actively Manage Your Portfolio

We believe that reassessment and adaptation of investment assumptions will be necessary to achieve long-term financial goals in an environment in which asset prices trade within certain ranges. We examine prominent trends for the next few years and beyond.

ADJUST TO EQUITY MARKET DYNAMICS

- **Current Environment:** Although the equity market typically serves as a leading indicator for the economy, the anticipation sometimes over- or undershoots future economic growth. We believe the economy will continue to drive higher equity prices into the coming year and beyond, even though equity prices may fluctuate with passing sentiment swings.
- **Our Approach:** We recommend cyclical sectors such as Industrials and Consumer Discretionary. We also believe there is more room for earnings growth and index-price expansion in overseas markets than there is in the U.S., mainly due to the respective stages of their business cycles.

ADJUST YOUR BOND PORTFOLIO FOR RISING RATES

- **Current Environment:** As interest rates rise, bond values tend to fall. Against the backdrop of rising rates, investors may benefit from a more active approach to fixed-income investing.
- **Our Approach:** We recommend that investors diversify their income sources but consider owning more intermediate maturities given the potential for yield pickup.

CONSIDER ALTERNATIVE STRATEGIES

- **Current Environment:** In the present maturing stage of the economic cycle, alternative investments such as hedge funds can offer solid, risk-adjusted returns and relatively low risk for financially sophisticated, qualified investors.
- **Our Approach:** Qualified investors may want to consider alternative strategies that have low net exposure profiles, such as Equity Hedge and Relative Value.

DON'T FORGET ABOUT CURRENCY RISK

- **Current Environment:** Currency fluctuations can influence portfolio performance. A rising (or strengthening) dollar means that U.S. investors can buy international assets at lower prices, but current international holdings become less valuable in dollar terms. The opposite is true as well; when the dollar weakens, it costs more to buy new international assets, while currently held international assets should increase in value.
- **Our Approach:** Our current outlook is for a modestly rising U.S. dollar relative to developed market currencies and a fairly stable dollar value relative to emerging market currencies. We do not favor hedging currency risk at this time.

Take Advantage of Changing Globalization

While some investors have backed away from international investments in recent years, we continue to stress the opportunities that globalization can offer to investors. Although globalization is often associated with trade, it broadly refers to the cross-border movement of people, ideas, goods, services, and investment. Such movement can result in varying economic cycles around the globe.

Holding a global portfolio that is rebalanced regularly allows investors to add to holdings in countries where the economic and market environment might be more attractive and reduce holdings in countries where the economic and market conditions seem less favorable. Such diversification could aid portfolio results over time.

In addition, new types of global businesses are emerging that may prove attractive to investors. Firms that engage in foreign investment and cross-border data flows may be of interest to investors willing to further globalize their portfolios.

Globalization is still a strong force and, in our opinion, will remain an essential source of global investment opportunities. Globalization does not preclude problems in individual countries; those will still arise. But we believe agile investors should be able to separate countries into those that are more and less likely to benefit from globalization.

KEY TAKEAWAYS

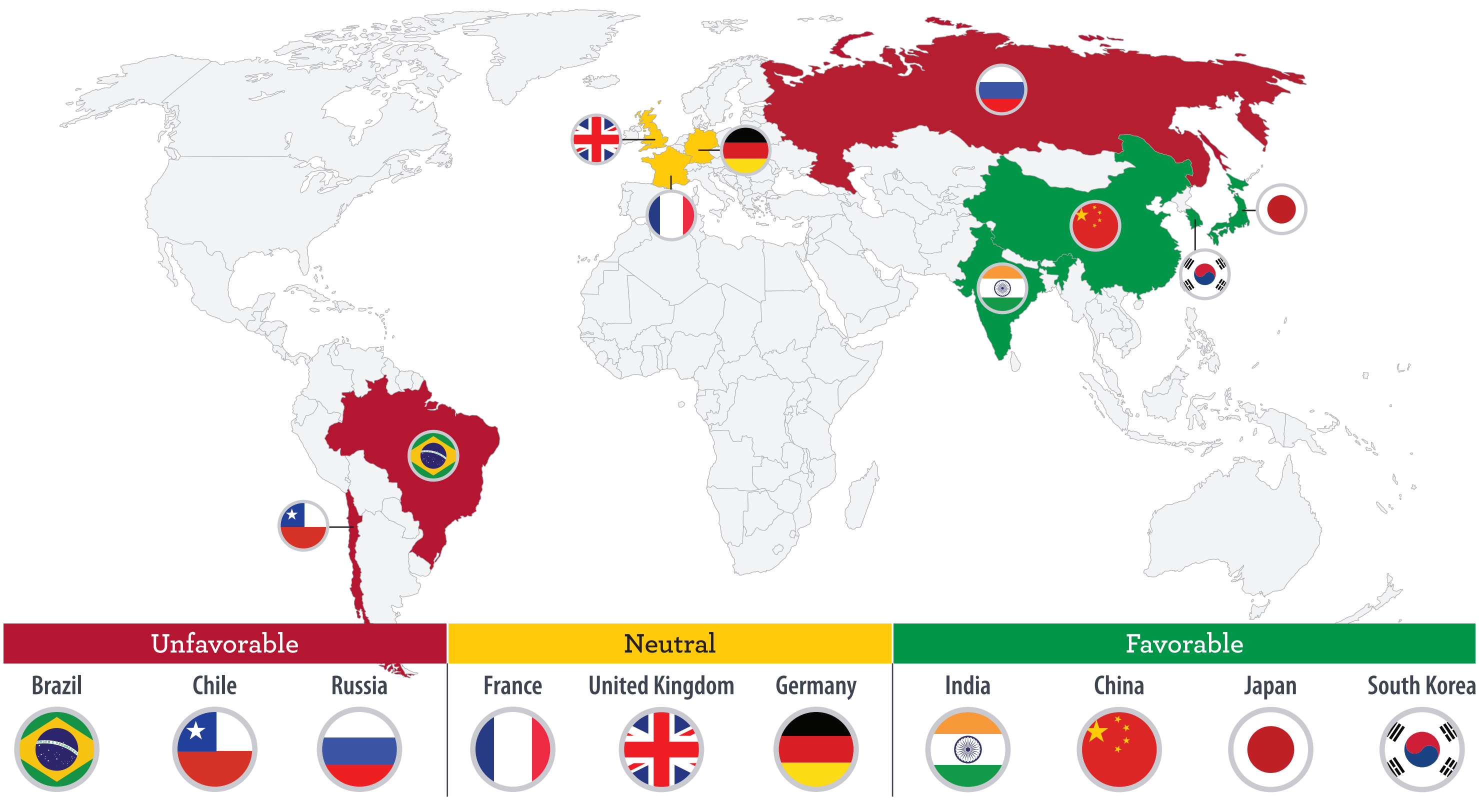
Investors could benefit from a blended approach that includes a mix of active, passive, and possibly newer strategies like smart beta.

In general, passive investing works best in deep and efficient markets, while active managers can have an edge in smaller, less-efficient markets.

Consider using global investments to gain access to varying economic cycles and emerging businesses around the globe.

Globalize Your Portfolio

Agile investors should watch for changing investment opportunities beyond the U.S.



Source: Wells Fargo Investment Institute, April 17, 2017

Plan for the Long Term, Adjust for the Short Term

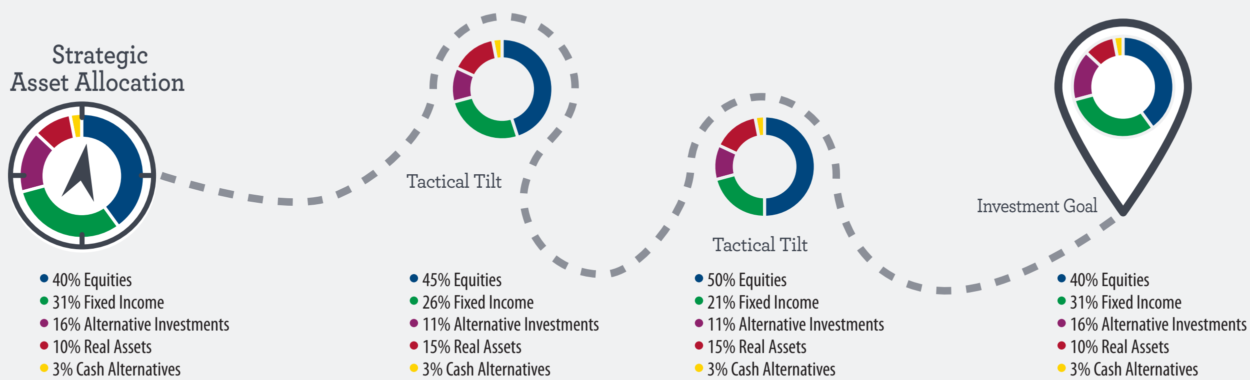
While strategic asset allocation sets risk and return expectations for a portfolio over the long term, it may be helpful to occasionally deviate from target allocations to exploit short-term opportunities. This is especially true during periods of market dislocations, which can distort valuations of particular asset classes. Such occasions may give agile investors opportunities to go against the crowd and potentially enhance returns.

Different tools are used to set strategic and tactical asset allocations for investment portfolios. A strategic asset allocation sets the types of asset classes to be included and their longer-term target weightings. An investor's objectives, time horizon, and risk tolerance help determine an appropriate long-term strategy. Tactical allocations, by contrast, are opportunistic and shorter term. When we issue a tactical underweight or overweight, it simply means to shift dollars away from or toward an asset class to potentially capitalize on a short-term market condition.

TECHNICAL ANALYSIS

The study of historical price movements to gauge whether they hold clues to future price action. Certain factors, such as momentum and trends, can play a greater role over the shorter (tactical) horizon than over the longer (strategic) time frame.

Start With Strategic Asset Allocation, Then Make Tactical Decisions



Strategic asset allocation is the longer-term (10- to 15-year) approach to the mix of investments in your portfolio designed to help you pursue your investment goals.

Tactical asset allocation decisions (6- to 18-month) are designed to take advantage of shorter-term opportunities in specific asset classes by temporarily adjusting your strategic asset allocation mix.

Source: Wells Fargo Investment Institute. Allocations are hypothetical and for illustrative purposes only. They do not represent the composition of any portfolio. There is no guarantee any investment strategy will be successful or that a portfolio will meet its investment objectives. All investing involves risk, including the possible loss of principal.

Our approach to tactical allocation relies on a combination of factors, such as macroeconomic data, fundamentals, and technical analysis, to identify opportunities as they appear. Still, we believe tactical adjustments should be viewed in the same vein as security selection—something that can help add value but should be used within the context of a broader investment plan.

The Buy and Manage Strategy

After a portfolio's long-term asset allocation is set, it regularly should be rebalanced to maintain its long-term target allocations. One benefit of rebalancing is that it restores the original target allocations and risk levels; it also can help investors stay on track to meet long-term goals. Without rebalancing, portfolio positions might become concentrated, limiting a portfolio's flexibility. Regularly rebalancing to remain diversified can help mitigate that risk.

Rebalancing also may help an investor gain from the old adage "buy low and sell high." The best times to rebalance between 1989 and 2016 occurred when equity and bond prices were moving in opposite directions from one another (that is, negative correlation). Rebalancing helped much less when prices were moving up or down together (positive correlation).

Today, correlations are again falling. We believe that bond prices could retreat as inflation trends toward its historical average, while domestic equity prices should gain from sturdier economic growth. As bond and equity prices further diverge, we believe investors may be rewarded by rebalancing. Nevertheless, investors should consider the tax implications of trading prior to making changes.

KEY TAKEAWAYS

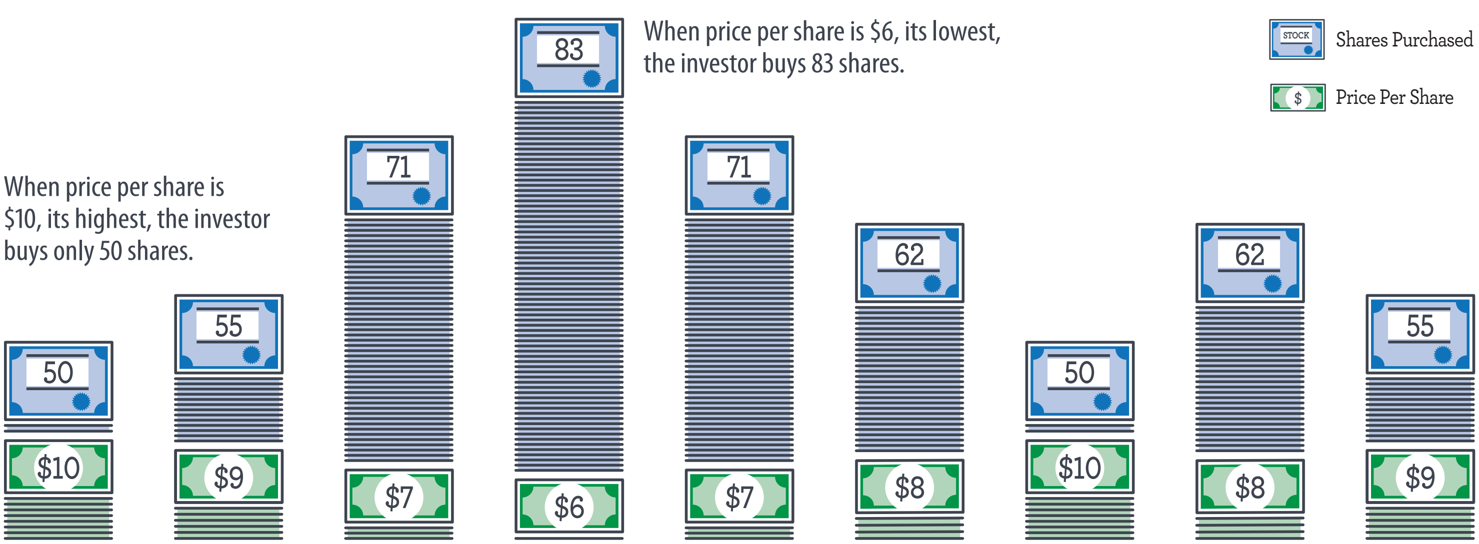
Our research has found that strategic asset allocation sets the expected risk and return for a portfolio over the longer term. However, tactical asset allocation can further enhance results.

Tactical allocations are opportunistic and shorter term, meant to last 6 to 18 months. Investors can use rebalancing to return to long-term target investment allocations.

Following a well-defined process that includes dollar cost averaging can help investors overcome emotional barriers that might prevent them from selling their winners and buying laggards.

How Dollar Cost Averaging Works

Following a process that includes dollar cost averaging can help investors keep their emotions in check and implement their long-term strategy. With dollar cost averaging, investors regularly put a set amount of new money into investments over an extended period. The chart below shows periodic investments of $500.



Example is for illustrative purposes only and does not reflect the performance of a specific investment. A periodic investment plan such as dollar cost averaging does not ensure a profit or protect against a loss in declining markets. Since such a strategy involves continuous investment, the investor should consider his or her ability to continue purchases through periods of low price levels.

Innovative Solutions for Agile Investors

Active Management Meets the Digital Age

Digital technology is affecting most industries, including asset management. Financial technology combines state-of the-art technology with investment management. In a recent report,[1] McKinsey & Company noted that it expects a surge of innovation from leading active managers. These managers will restructure platforms for greater efficiency, develop new levers of value creation, and move beyond security selection to grow capabilities in risk budgeting, sector selection, and asset allocation.

Measurement of Portfolio Performance Evolves

Measurement techniques for active managers also are being refashioned. Newer forms of gauging portfolio performance, such as active share, work well for showing differences in security selection, while the more traditional tracking error is better for measuring the volatility of a portfolio versus its benchmark. Ultimately, we believe enhancements in technology and measurement will improve transparency and execution, offering a potential win-win for managers and investors.

TRACKING ERROR

Tracking error is the difference between a portfolio's returns and the benchmark or index it is measured against.

ACTIVE SHARE

Active share measures the percentage of a portfolio's holdings that differ from that of its benchmark. The greater the difference, the higher the active share.

Digital Advice Is Growing Rapidly

Technology is changing the way investors manage their portfolios. Investors working with investment professionals can rely on them to understand their financial goals and make adjustments to their portfolios as warranted. Similarly, investors using a digital advice platform can choose to be agile, be globally diversified, and even have exposure to alternative investment strategies without making all the decisions on their own.

These tools can make tactical adjustments to your portfolio, rebalance assets on a regular schedule, and look for tax efficiencies. One potential downside of digital advice services is that you need to understand your investment objectives and risk tolerance well enough to complete the online questionnaires and establish an investment strategy that is appropriate for you.

1. *Thriving in the New Abnormal: North American Asset Management,* McKinsey, 2016

Invest With a Purpose

Investors are increasingly choosing to be active through the use of SII or socially responsible investing (SRI). SRI and SII aim to help investors align their personal values with investment objectives and effect change in areas such as health care, education, and the environment. We expect this trend to continue to gain popularity, particularly among Millennials.

The SII space has grown and evolved significantly since it began to enter the mainstream in the 1980s. We continue to see innovations in this part of the market, offering further opportunities for investors wanting to take advantage of newer investment vehicles. For example, one ETF introduced in 2016 supports female leadership by investing in companies that exhibit gender diversity in their senior leadership positions. The growing number of SII choices allows agile investors not only the potential to seize opportunities but to align with their values while doing so.

KEY TAKEAWAYS

Active managers are leveraging technology to improve both investment performance and operational efficiencies, objectives that are necessary to enhance returns over a passive index approach.

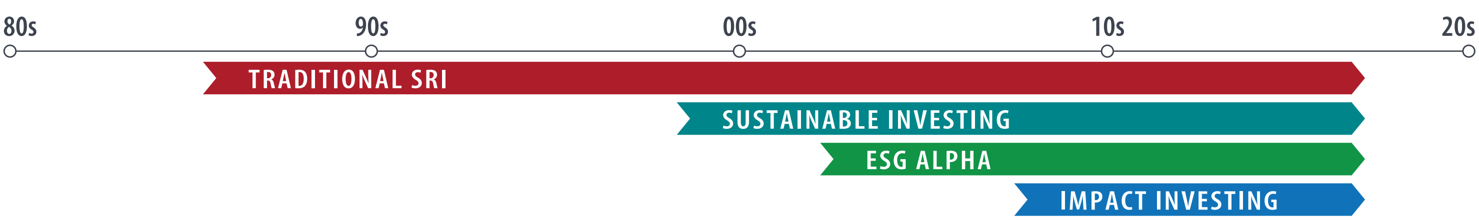
The union of data analytics and ever-increasing computing power has enabled firms to deliver tailored products, such as digital advisors, to clients.

We expect the trend toward socially conscious investing to continue to grow and evolve, particularly among Millennials.

The Evolution of Social Impact Investing

Today, one in six dollars under professional management in the U.S. is invested in socially responsible strategies.

Traditional SRI	Sustainable Investing	ESG Alpha	Impact Investing
SRI originated in the U.S. based on the nuclear freeze movement and South African boycott. Over time, it expanded to environmental and labor relations.	Sustainable investing involves a shift to center on sustainability issues, especially climate change, with a focus on creating solutions.	Investors attempt to use environmental, social, and corporate governance (ESG) information to seek alpha—returns above a fund's benchmark.	Targeted investments are made in private markets, aimed at social or environmental issues such as microenterprise, community development, or clean technology.
Investment Emphasis Managers exclude companies that investors seek to avoid, such as those involved with alcohol, weapons, or tobacco.	**Investment Emphasis** Investors look for companies that address global environmental and social problems.	**Investment Emphasis** Investors work closely with company management and advocate for changes that are beneficial to shareholders and stakeholders.	**Investment Emphasis** Investments are made in companies with the intention to generate a social or environmental impact.



Sources: Wells Fargo Investment Institute; *The Impact of Sustainable and Responsible Investment*, US SIF Foundation, June 2016. An investment's social policy could cause it to forgo opportunities to gain exposure to certain industries, companies, sectors, or regions of the economy that could cause it to underperform similar portfolios that do not have a social policy. A socially responsible investing style may shift in and out of favor.

Opportunities in Today's Environment

Investments That May Reward Agile Investors

STOCKS

We suggest that equity investors remain broadly and globally diversified, regularly rebalance holdings to target allocations, and exploit periods of volatility to add high-quality stocks to a diversified portfolio. We recommend that investors overweight the Industrials, Consumer Discretionary, Financials, and Health Care sectors. We are underweight the Energy, Utilities, and Consumer Staples sectors. Looking ahead, we expect opportunities to emerge in industries that should benefit from trends such as globalization, growing and aging populations, and alternative energy. Policy changes from the Trump administration, such as increased infrastructure spending, also may present opportunities over the next few years.

BONDS

At this point in the cycle, we favor the intermediate portion of the U.S. yield curve and recommend moving up in credit quality. We are underweight developed market as yields remain below those of U.S. Treasury securities, and further U.S. dollar appreciation would negatively affect performance. Longer-term fundamentals favor the dollar, yet there is the potential for wide swings in the currency's value as markets adjust to normalizing interest rates and inflation. We believe investors also should consider currency factors and oil prices when adding international bond exposure. As interest rates continue to rise, active strategies should be poised to better capture market dislocations and potentially mitigate downside risks.

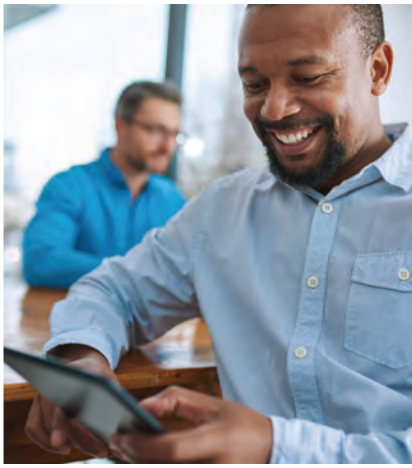
REAL ASSETS

Real estate investment trusts should benefit from their relatively attractive yields and potential for growth as the recovery continues to support demand for real estate. We expect commodity prices to trade within a fairly narrow range of values in the coming year, offering tactical opportunities in this asset class. As prices move to the downside of our published ranges, we would be buyers; as they move to the upside of our ranges, we would be sellers.

ALTERNATIVE INVESTMENTS

An agile investor quickly ascertains both risks and opportunities on a global scale and has the flexibility to invest opportunistically, both long and short. Perhaps no other asset group more clearly accommodates the agile investor than alternative investments. Given alternative investments' potential to enhance both returns and diversification while also protecting against the downside, we believe that financially sophisticated, qualified investors seeking to build more agile portfolios will increasingly look to alternative investments, especially as the economic and credit cycles mature. In this environment, we prefer strategies that have low net exposure profiles, such as Equity Hedge and Relative Value. These strategies allow investors to participate in global equity, credit, and fixed-income markets without having to take directional exposure.





Stay Open to Change

The aging recovery, polarized and populist politics, geopolitical risks, and evolving investment trends all have the potential to affect portfolio performance. Today, these factors are creating an investment climate that is rapidly changing. For this reason, we believe investors should be agile—that is, ready to make adjustments to their portfolios as opportunities arise.

Growth Investors: Be tactical with equity sectors and with international exposure. Qualified investors may want to consider alternative investments as a way to hedge equity market risk.

Income Investors: Be tactical with bond duration as interest rates rise and consider moving a bit further out along the yield curve (to intermediate maturities) to seek to pick up additional income.

General techniques for being nimble include tactical asset allocation, rebalancing opportunistically, and using active managers to watch and respond to market trends. Portfolios can be tactically adjusted by overweighting or underweighting asset groups—such as fixed income or equities—according to the macroeconomic outlook and asset valuations. Within asset groups, allocations to specific asset classes—such as large-cap stocks or intermediate-term bonds—can be adjusted based on relative performance and risk expectations. And within asset classes, sectors and styles of investing may be favored as opportunities present themselves.

Looking ahead, we believe that investors should continue adapting to rapidly changing market and industry trends. These include the use of information technology to accomplish tasks such as simplifying and automating portfolio management or looking to specialty managers to accomplish goals beyond investment performance, such as support of social or environmental causes.

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Mr. Alvarado researches and analyzes economic and market trends for the investment strategy team. He joined the investment strategy team in 2012 from Wells Fargo Advisors, where he served as a client service associate. Prior to Wells Fargo Advisors, Mr. Alvarado worked as a personal banker in Los Angeles.

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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. Asset allocation and diversification are investment methods used to help manage risk. They do not ensure a profit or protect against a loss.

Risk Considerations:

Alternative investments, such as hedge funds, are not suitable for all investors and are open only to "accredited" or "qualified" investors within the meaning of the U.S. securities laws. They 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. **Equity Hedge** strategies maintain positions both long and short in primarily equity and equity derivative securities. **Relative Value** strategies focus on exploiting perceived imbalances or valuation discrepancies between related markets or instruments. They involve the use of short selling and derivatives and other aggressive investment practices.

Stocks are subject to market risk, which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in stocks are generally more volatile than other types of securities. **Mid- and small-cap stocks** are generally more volatile, subject to greater risks, and less liquid than large-company stocks. **Bonds** are subject to market, interest-rate, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. **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. Investments in **foreign securities** entail special risks, such as currency, political, economic, and market risks. These risks are heightened in emerging markets. 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. There are special risks associated with an investment in **real estate**, including the possible illiquidity of the underlying property, credit risk, interest-rate fluctuations, and the impact of varied economic conditions.

Investments that are concentrated in a **specific sector**, industry, or company may be subject to a higher degree of market risk than investments that are more diversified, which may result in greater share-price volatility. Investments in the Energy sector are subject to the adverse economic events within that industry. A downturn in the **Energy** sector of the economy, adverse political, legislative, or regulatory developments or other events could have a large impact on an investment in this sector. **Health Care** industries are subject to a variety of risks, including greater utilization rates, aging population, pharmaceutical/drug costs, government regulations, and government approval of products and services, among other things. This can have a significant effect on investment in the industries within this sector. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation, and government regulations, among other things, all of which can significantly affect a portfolio's performance. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Investment Expertise and Advice to Help You Succeed Financially

Wells Fargo Investment Institute is home to more than 100 investment professionals focused on investment strategy, asset allocation, portfolio management, manager reviews, and alternative investments. Its mission is to deliver timely, actionable advice that can help investors achieve their financial goals.

For assistance with your investment planning or to discuss the points in this report, please talk to your investment professional.

0417-04312 IHA-3820602 0000594098 (Rev 00, 1 ea)