Executive Summary

Asset Allocation Strategy

March 15, 2018

The dollar and the currency balance of power in 2018

The U.S. dollar generally has had a weak and nervous start to 2018. After January's decline, the dollar recovered somewhat in February. Yet factors that might have been supportive of the dollar, such as a faster pace of Federal Reserve (Fed) rate increases, now carry less weight. Additionally, 2018 brings new drivers, such as the structurally large U.S. trade and budget imbalances—the so-called twin deficits. If we also consider the more aggressive U.S. trade and currency stance, the balance appears to have shifted from a neutral (though volatile) dollar outlook, to one of continued moderate depreciation.

We recently revised our dollar view for 2018. These changes reflect the developing balance of power that we believe will impact key currencies over the rest of this year. Looking at domestic drivers, the U.S. dollar is expected to be far less sensitive to how the market views the path of Fed rate increases than it is to longer-term factors such as increased Treasury security issuance (the perceived worsening of the U.S. fiscal deficit) and the Trump administration's more aggressive trade stance (actions that seek to improve the trade deficit).

This shift in focus from the Fed and interest-rate differentials to the "twin deficits" explains why our dollar outlook has been revised lower at the same time as our year-end 2018 federal funds and Treasury-yield targets are being raised. Instead of the dynamic in which rising bond yields relative to those abroad made U.S. fixed-income securities more attractive to foreigners, and thereby buoy the dollar, we now have a scenario in which U.S. bonds are relatively less attractive (given the deteriorating U.S. fiscal, and budget, outlook). This is reflected both in rising Treasury yields (i.e., falling bond prices) and a decline in the dollar's foreign-exchange value (as reflected in falling U.S. bond prices for overseas buyers).

Another important development is that currency markets now appear to have looked beyond the short-term U.S. interest-rate trajectory (i.e., the expected pace of fed funds rate normalization) as a driver of the dollar's value. Many market participants now accept the Fed's "dot plot" expectation of three rate hikes this year—and market speculation is increasing on the possibility of four rate hikes. Yet, the DXY has scarcely paused on its year-to-date decline.

If foreign-exchange participants continue to look beyond interest-rate differentials, then this will have implications not just for the euro, but also for the yen, which has been sensitive to this driver in the past. This development, along with others such as relative wage and price growth at home and abroad, the emerging U.S. trade and currency policy, and the evolution of domestic and international political risk, will require close monitoring as it informs the dollar's trajectory throughout 2018.

Economic summary. The second look at fourth-quarter U.S. gross domestic product (GDP) showed a decline to a 2.5% annualized quarter-over-quarter (QoQ) expansion rate. Personal consumption growth beat expectations, at 3.8%.

Fixed income. Most bond classes had negative returns in February and year to date (YTD) as tax reform and fiscal stimulus led to concerns over stronger U.S. economic growth and inflation, while a rebounding dollar led to foreign-currency-driven losses abroad. Local-currency emerging market bond returns led YTD performance (+3.7%), followed by unhedged developed market bond gains (+2.5%).

Equities. After a nice start to the year, equity markets tumbled in February as investor concerns over potential wage growth acceleration, higher general inflation, and the number of Fed rate hikes this year took their toll. The S&P 500 Index set an all-time record high on January 26, but fell slightly more than 10% by February 9. That was the first 10% correction for the S&P 500 Index in two years. On average, from 1928 to today, the index has experienced a 10% pullback every 11 months. All equity classes declined last month, but most remained positive YTD. The three domestic equity classes did manage to outperform their (developed and emerging market) international counterparts last month.

Real assets. Real assets had a challenging month in February, with commodities, master limited partnerships (MLPs), and real estate investment trusts (REITs) all down. Elevated interest rates hurt REITs, while broad commodity indices and MLPs were impacted most by collapsing energy prices.

Alternative investments. Early estimates from Hedge Fund Research, Inc. (HFR) indicate negative February returns, marking the first monthly decline for the global hedge fund index since October 2016. The rapid volatility increase, coinciding with the U.S. equity sell-off, was a key challenge to Systematic Macro and trend-following strategies that had significant equity exposure. These strategies then reduced equity risk and missed much of the late-February upside. Equity Hedge captured less than 40% of the global-equity downside, due to gains from market hedges and/or short equity positions that helped to offset losses (along with Information Technology exposure). Despite the equity-market weakness, credit markets saw less stress, which helped Event Driven and Relative Value strategies.

Ask your investment professional about the full edition of the Asset Allocation Strategy Report for more detailed information.

Wells Fargo Investment Institute Forecasts

	2018 year-end targets	2017	2016
Global economy			
Domestic GDP growth	2.9%	2.3%	1.5%
Domestic inflation	2.4%	2.1%	2.1%
Domestic unemployment rate	▼ 3.9%	4.1%	4.7%
Global GDP growth	3.7%	3.7%[1]	3.2%
Developed-market GDP growth	2.3%	2.3%[1]	1.7%
Developed-market inflation	2.0%	1.7%	1.3%
Emerging-market GDP growth	4.7%	4.7%[1]	4.3%
Emerging-market inflation	4.3%	4.8%	5.7%
Eurozone GDP growth	2.0%	2.7%	1.8%
Eurozone inflation	1.6%	1.4%	1.1%
Dollar/euro exchange rate	▲ $1.24-$1.32	$1.20	$1.05
Yen/dollar exchange rate	▼ ¥102-¥112	¥113	¥117
Global equities			
S&P 500 Index	2800-2900	2674	2239
S&P 500 operating earnings per share	$152	$129E	$117
Russell Midcap® Index	2200-2300	2078	1784
Russell 2000 Index	1650-1750	1536	1357
MSCI EAFE Index	2050-2150	2051	1684
MSCI Emerging Markets (EM) Index	1160-1240	1158	862
Global fixed income			
10-year U.S. Treasury yield	▲ 2.75%-3.25%	2.4%	2.44%
30-year U.S. Treasury yield	▲ 3.25%-3.75%	2.7%	3.07%
Fed funds rate	▲ 2.00%-2.25%	1.5%	0.75%
Global real assets			
West Texas Intermediate crude oil price ($ per barrel)	▲ $50-$60	$60	$54
Brent crude oil price ($ per barrel)	▲ $55-$65	$67	$57
Gold price ($ per troy ounce)	▲ $1,250-$1,350	$1,314	$1,152

▼/▲: recent forecast change. E = estimate. Wells Fargo Investment Institute forecasts. Forecasts are based on certain assumptions and views of market and economic conditions, which are subject to change. GDP = gross domestic product; [1]IMF estimate as of December 31, 2017. See end of report for important definitions and disclosures. Sources: FactSet, Bloomberg, International Monetary Fund, and Wells Fargo Investment Institute; as of March 15, 2018.

Past performance is no guarantee of future results.

Total Returns

Index	MTD	QTD	YTD	1 year	3 year	5 year
Fixed income						
U.S. Taxable Inv Grade Fixed Income	-0.9%	-2.1%	-2.1%	0.5%	1.1%	1.7%
High Yield Taxable Fixed Income	-0.8%	-0.3%	-0.3%	4.2%	5.2%	5.3%
DM Ex.-U.S. Fixed Income (Unhedged)	-0.6%	2.5%	2.5%	10.7%	3.8%	1.0%
EM Fixed Income (U.S. dollar)	-2.0%	-2.2%	-2.2%	3.3%	5.5%	3.6%
Equities						
U.S. Large Cap Equities	-3.7%	1.8%	1.8%	17.1%	11.1%	14.7%
U.S. Mid Cap Equities	-4.1%	-0.5%	-0.5%	12.0%	8.0%	13.0%
U.S. Small Cap Equities	-3.9%	-1.4%	-1.4%	10.5%	8.5%	12.2%
DM Equities Ex-U.S. (U.S. dollar)	-4.5%	0.3%	0.3%	20.7%	6.1%	7.5%
EM Equities (U.S. dollar)	-4.6%	3.4%	3.4%	31.0%	9.4%	5.4%
Real assets						
Public Real Estate	-6.6%	-6.6%	-6.6%	0.3%	1.6%	4.9%
Master Limited Partnerships	-9.7%	-4.5%	-4.5%	-15.2%	-10.4%	-3.5%
Commodities (BCOM)	-1.7%	0.2%	0.2%	1.6%	-4.7%	-8.1%
Alternative investments						
Global Hedge Funds	-1.8%	0.5%	0.5%	6.9%	3.8%	4.5%

DM indicates Developed-Market, EM indicates Emerging-Market.
Returns over one year are annualized.
Sources: Bloomberg Barclays, J.P. Morgan, Standard & Poor's, Russell Indices, MSCI Inc., FTSE, Alerian, Bloomberg, Hedge Fund Research, Inc.; as of February 28, 2018.

International Equity Market Strategy

Region	Regional guidance	Benchmark weight*
Developed Market Ex-U.S. Equities		
Europe	Neutral	61%
Pacific	**Favorable**	39%
Emerging Market Equities		
Emerging Asia	Neutral	74%
Emerging Europe, Middle East and Africa	Neutral	14%
Latin America	Neutral	12%

Source: Wells Fargo Investment Institute; as of February 28, 2018.
*Benchmarks are MSCI EAFE Index for DM and MSCI Emerging Markets Index for EM.

Strategic and Tactical Asset Allocation

Three asset groups: fixed income, equities, and real assets

STRATEGIC

	INCOME						GROWTH AND INCOME						GROWTH					
	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical
Cash Alternatives	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**4.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Total Fixed Income	**87.0%**	**84.0%**	**72.0%**	**67.0%**	**64.0%**	**59.0%**	**51.0%**	**46.0%**	**41.0%**	**35.0%**	**33.0%**	**26.0%**	**23.0%**	**19.0%**	**16.0%**	**11.0%**	**7.0%**	**5.0%**
U.S. Short Term Taxable	28.0%	28.0%	19.0%	19.0%	8.0%	8.0%	7.0%	7.0%	4.0%	4.0%	2.0%	2.0%	4.0%	4.0%	2.0%	2.0%	0.0%	0.0%
U.S. Intermediate Term Taxable	40.0%	42.0%	30.0%	30.0%	25.0%	25.0%	20.0%	20.0%	16.0%	16.0%	11.0%	11.0%	6.0%	6.0%	3.0%	3.0%	0.0%	0.0%
U.S. Long Term Taxable	5.0%	5.0%	7.0%	7.0%	10.0%	10.0%	10.0%	10.0%	7.0%	7.0%	4.0%	4.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
High Yield Taxable Fixed Income	5.0%	3.0%	6.0%	4.0%	8.0%	6.0%	6.0%	4.0%	6.0%	3.0%	7.0%	3.0%	4.0%	2.0%	3.0%	0.0%	2.0%	0.0%
Developed Market Ex-U.S. Fixed Income	6.0%	3.0%	5.0%	2.0%	5.0%	2.0%	3.0%	0.0%	3.0%	0.0%	3.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%	0.0%
Emerging Market Fixed Income	3.0%	3.0%	5.0%	5.0%	8.0%	8.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%
Total Equities	**6.0%**	**9.0%**	**20.0%**	**23.0%**	**28.0%**	**31.0%**	**39.0%**	**42.0%**	**49.0%**	**53.0%**	**57.0%**	**61.0%**	**68.0%**	**70.0%**	**75.0%**	**77.0%**	**84.0%**	**86.0%**
U.S. Large Cap Equities	2.0%	5.0%	12.0%	15.0%	15.0%	18.0%	17.0%	20.0%	21.0%	25.0%	25.0%	29.0%	29.0%	31.0%	29.0%	31.0%	27.0%	29.0%
U.S. Mid Cap Equities	2.0%	2.0%	2.0%	2.0%	4.0%	4.0%	7.0%	7.0%	9.0%	9.0%	11.0%	11.0%	12.0%	12.0%	13.0%	13.0%	15.0%	15.0%
U.S. Small Cap Equities	0.0%	0.0%	2.0%	2.0%	4.0%	4.0%	6.0%	6.0%	8.0%	8.0%	8.0%	8.0%	10.0%	10.0%	13.0%	13.0%	14.0%	14.0%
Developed Market Ex-U.S. Equities	2.0%	2.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	9.0%	9.0%	10.0%	10.0%	14.0%	14.0%
Emerging Market Equities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%	6.0%	6.0%	8.0%	8.0%	10.0%	10.0%	14.0%	14.0%
Total Real Assets	**4.0%**	**4.0%**	**5.0%**	**7.0%**	**5.0%**	**7.0%**	**7.0%**	**8.0%**	**7.0%**	**9.0%**	**7.0%**	**10.0%**	**7.0%**	**9.0%**	**7.0%**	**10.0%**	**7.0%**	**7.0%**
Public Real Estate	4.0%	4.0%	5.0%	7.0%	5.0%	7.0%	5.0%	8.0%	5.0%	9.0%	5.0%	10.0%	5.0%	9.0%	5.0%	10.0%	5.0%	7.0%
Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%

Strategic allocations are updated annually; last update was July 18, 2017. Tactical allocations are updated periodically; last update was January 3, 2018.

Strategic and Tactical Asset Allocation

Four asset groups: fixed income, equities, real assets, and alternative investments (without private capital)

STRATEGIC

	INCOME						GROWTH AND INCOME						GROWTH					
	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical
Cash Alternatives	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**4.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Total Fixed Income	**77.0%**	**74.0%**	**64.0%**	**59.0%**	**56.0%**	**51.0%**	**41.0%**	**36.0%**	**31.0%**	**25.5%**	**23.0%**	**17.0%**	**17.0%**	**12.0%**	**8.0%**	**5.0%**	**6.0%**	**3.0%**
U.S. Short Term Taxable	21.0%	21.0%	14.0%	14.0%	4.0%	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
U.S. Intermediate Term Taxable	35.0%	38.0%	25.0%	26.0%	21.0%	21.0%	16.0%	16.0%	11.0%	11.5%	4.0%	4.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%
U.S. Long Term Taxable	5.0%	5.0%	7.0%	7.0%	10.0%	10.0%	9.0%	9.0%	6.0%	6.0%	5.0%	5.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%
High Yield Taxable Fixed Income	5.0%	3.0%	7.0%	5.0%	8.0%	6.0%	5.0%	3.0%	6.0%	3.0%	6.0%	2.0%	5.0%	0.0%	3.0%	0.0%	3.0%	0.0%
Developed Market Ex-U.S. Fixed Income	8.0%	4.0%	6.0%	2.0%	5.0%	2.0%	3.0%	0.0%	3.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Market Fixed Income	3.0%	3.0%	5.0%	5.0%	8.0%	8.0%	4.0%	4.0%	5.0%	5.0%	6.0%	6.0%	5.0%	5.0%	3.0%	3.0%	3.0%	3.0%
Total Equities	**6.0%**	**6.0%**	**16.0%**	**16.0%**	**24.0%**	**24.0%**	**35.0%**	**35.0%**	**44.0%**	**44.0%**	**52.0%**	**51.5%**	**62.0%**	**62.0%**	**71.0%**	**71.0%**	**82.0%**	**82.0%**
U.S. Large Cap Equities	2.0%	2.0%	10.0%	10.0%	11.0%	11.0%	13.0%	13.0%	20.0%	20.0%	22.0%	22.0%	24.0%	24.0%	25.0%	25.0%	25.0%	25.0%
U.S. Mid Cap Equities	2.0%	2.0%	2.0%	2.0%	6.0%	6.0%	7.0%	7.0%	8.0%	8.0%	9.0%	9.0%	11.0%	11.0%	13.0%	13.0%	16.0%	16.0%
U.S. Small Cap Equities	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%	6.0%	6.0%	6.0%	6.0%	8.0%	7.5%	10.0%	10.0%	12.0%	12.0%	15.0%	15.0%
Developed Market Ex-U.S. Equities	2.0%	2.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	7.0%	7.0%	9.0%	9.0%	11.0%	11.0%	13.0%	13.0%
Emerging Market Equities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	5.0%	5.0%	6.0%	6.0%	8.0%	8.0%	10.0%	10.0%	13.0%	13.0%
Total Real Assets	**2.0%**	**2.0%**	**5.0%**	**7.0%**	**5.0%**	**7.0%**	**7.0%**	**8.0%**	**7.0%**	**9.0%**	**7.0%**	**10.0%**	**7.0%**	**9.0%**	**7.0%**	**7.0%**	**5.0%**	**7.0%**
Public Real Estate	2.0%	2.0%	5.0%	7.0%	5.0%	7.0%	5.0%	8.0%	5.0%	9.0%	5.0%	10.0%	5.0%	9.0%	5.0%	7.0%	5.0%	7.0%
Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%	0.0%
Total Alternative Investments*	**12.0%**	**15.0%**	**12.0%**	**15.0%**	**12.0%**	**15.0%**	**14.0%**	**17.0%**	**15.0%**	**18.5%**	**15.0%**	**18.5%**	**12.0%**	**15.0%**	**12.0%**	**15.0%**	**5.0%**	**6.0%**
Hedge Fund–Relative Value	6.0%	9.0%	4.0%	7.0%	4.0%	7.0%	3.0%	3.5%	3.0%	3.5%	3.0%	3.5%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Hedge Fund–Macro	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	3.0%	3.0%
Hedge Fund–Event Driven	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	4.0%	4.0%	4.0%	4.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
Hedge Fund–Equity Hedge	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	4.5%	2.0%	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%	3.0%

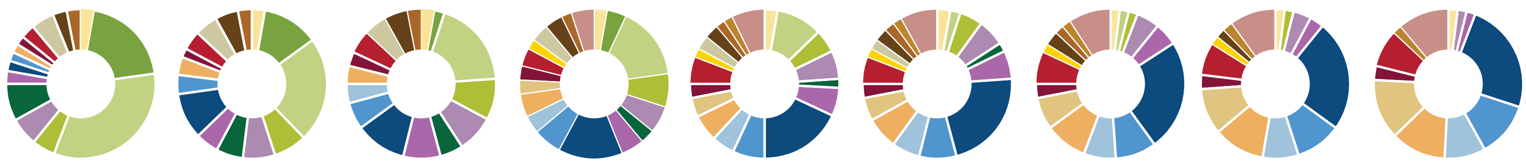
Strategic allocations are updated annually; last update was July 18, 2017. Tactical allocations are updated periodically; last update was January 3, 2018.

*Alternative investments are not suitable for all investors. 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. Please see the end of the report for important definitions and disclosures.

Strategic and Tactical Asset Allocation

Four asset groups: fixed income, equities, real assets, and alternative investments

STRATEGIC



	INCOME						GROWTH AND INCOME						GROWTH					
	Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive		Conservative		Moderate		Aggressive	
	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical	Strategic	Tactical
Cash Alternatives	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**4.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
Total Fixed Income	**75.0%**	**71.0%**	**60.0%**	**54.0%**	**51.0%**	**44.0%**	**39.0%**	**32.0%**	**29.0%**	**21.5%**	**21.0%**	**13.0%**	**14.0%**	**9.0%**	**9.0%**	**5.0%**	**4.0%**	**2.0%**
U.S. Short Term Taxable	20.0%	20.0%	12.0%	12.0%	2.0%	2.0%	4.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
U.S. Intermediate Term Taxable	33.0%	35.0%	23.0%	23.0%	19.0%	19.0%	14.0%	14.0%	10.0%	10.5%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
U.S. Long Term Taxable	5.0%	5.0%	7.0%	7.0%	9.0%	9.0%	7.0%	7.0%	5.0%	5.0%	5.0%	5.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%
High Yield Taxable Fixed Income	6.0%	4.0%	7.0%	5.0%	8.0%	6.0%	6.0%	2.0%	6.0%	0.0%	6.0%	0.0%	5.0%	0.0%	4.0%	0.0%	2.0%	0.0%
Developed Market Ex-U.S. Fixed Income	8.0%	4.0%	6.0%	2.0%	5.0%	0.0%	3.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Emerging Market Fixed Income	3.0%	3.0%	5.0%	5.0%	8.0%	8.0%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	3.0%	3.0%	2.0%	2.0%
Total Equities	**6.0%**	**6.0%**	**18.0%**	**18.0%**	**25.0%**	**25.0%**	**32.0%**	**32.0%**	**40.0%**	**40.0%**	**48.0%**	**47.5%**	**56.0%**	**56.0%**	**63.0%**	**63.0%**	**70.0%**	**70.0%**
U.S. Large Cap Equities	2.0%	2.0%	10.0%	10.0%	11.0%	11.0%	14.0%	14.0%	18.0%	18.0%	22.0%	22.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
U.S. Mid Cap Equities	2.0%	2.0%	4.0%	4.0%	6.0%	6.0%	6.0%	6.0%	7.0%	7.0%	8.0%	8.0%	9.0%	9.0%	10.0%	10.0%	12.0%	12.0%
U.S. Small Cap Equities	0.0%	0.0%	0.0%	0.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	6.0%	5.5%	7.0%	7.0%	8.0%	8.0%	9.0%	9.0%
Developed Market Ex-U.S. Equities	2.0%	2.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	6.0%	6.0%	7.0%	7.0%	9.0%	9.0%	11.0%	11.0%	12.0%	12.0%
Emerging Market Equities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%	7.0%	7.0%	10.0%	10.0%	13.0%	13.0%
Total Real Assets	**5.0%**	**5.0%**	**6.0%**	**8.0%**	**8.0%**	**10.0%**	**10.0%**	**11.0%**	**11.0%**	**13.0%**	**11.0%**	**14.0%**	**12.0%**	**14.0%**	**12.0%**	**13.0%**	**11.0%**	**12.0%**
Public Real Estate	2.0%	2.0%	2.0%	4.0%	3.0%	5.0%	3.0%	6.0%	3.0%	7.0%	3.0%	8.0%	3.0%	7.0%	3.0%	6.0%	3.0%	4.0%
Private Real Estate*	3.0%	3.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	6.0%	6.0%	6.0%	6.0%	7.0%	7.0%	7.0%	7.0%	8.0%	8.0%
Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	2.0%	0.0%	0.0%	0.0%
Total Alternative Investments*	**11.0%**	**15.0%**	**13.0%**	**17.0%**	**13.0%**	**18.0%**	**16.0%**	**21.0%**	**17.0%**	**22.5%**	**17.0%**	**22.5%**	**16.0%**	**19.0%**	**14.0%**	**17.0%**	**13.0%**	**14.0%**
Hedge Funds–Relative Value	5.0%	9.0%	5.0%	9.0%	5.0%	10.0%	4.0%	6.5%	3.0%	5.5%	2.0%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hedge Funds–Macro	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	0.0%	0.0%
Hedge Funds–Event Driven	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
Hedge Funds–Equity Hedge	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%	2.0%	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%	5.0%	2.0%	3.0%
Private Equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.0%	6.0%	7.0%	7.0%	8.0%	8.0%	9.0%	9.0%	10.0%	10.0%	11.0%	11.0%

Strategic allocations are updated annually; last update was July 18, 2017. Tactical allocations are updated periodically; last update was January 3, 2018.

*Alternative investments are not suitable for all investors. 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. Please see the end of the report for important definitions and disclosures.

Current Tactical Asset Allocation

Underweight	Evenweight	Overweight
Cash alternatives and fixed income		
High Yield Taxable Fixed Income Developed Market Ex.-U.S. Fixed Income	Cash Alternatives U.S. Taxable Investment Grade Fixed Income U.S. Short Term Taxable Fixed Income U.S. Intermediate Term Taxable Fixed Income U.S. Long Term Taxable Fixed Income Emerging Market Fixed Income	
Equities		
	U. S. Large Cap Equities U.S. Mid Cap Equities U.S. Small Cap Equities Developed Market Ex-U.S. Equities Emerging Market Equities	
Real assets		
Commodities	Private Real Estate*	Public Real Estate
Alternative investments*		
	Private Equity Hedge Funds–Macro Hedge Funds–Event Driven	Hedge Funds–Relative Value Hedge Funds–Equity Hedge

*Alternative investments are not suitable for all investors. 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. Please see the end of the report for important definitions and disclosures.

Source: Wells Fargo Investment Institute, February 28, 2018.

Fixed Income Sector Strategy: Domestic Investment-Grade Securities / Total Sector Returns

Sector	Benchmark weight	Recommended weight	Tactical recommendation		1 month	YTD	12 month
U.S. Government	40%	40%	Evenweight		-0.7%	-2.1%	-0.5%
Credit	30%	30%	Evenweight		-1.5%	-2.4%	2.1%
Securitized	30%	30%	Evenweight		-0.7%	-1.8%	0.2%
Total	100%	100%		U.S. Municipal Bonds:	-0.3%	-1.5%	2.5%
Duration			Evenweight				

Source: Wells Fargo Investment Institute, FactSet, February 28, 2018.

Sector guidance

Taxable sectors	Guidance
Treasury Securities	Neutral
Agencies	Unfavorable
Inflation-Linked Fixed Income	Favorable
Corporate Securities	Neutral
Preferred Securities	Neutral
Residential MBS	Neutral
Commercial MBS	Unfavorable
Asset Backed Securities	Neutral

Tax-Exempt Sectors	Guidance
Taxable Municipal	Neutral
State and Local General Obligation	Neutral
Essential Service Revenue	Favorable
Pre-Refunded	Favorable

Source: Wells Fargo Investment Institute, February 28, 2018.

Domestic Equity Sector Strategy / Total Returns, S&P 500 Index Groups

Sector	S&P 500 weight*	Recommended weight	Tactical recommendation		1 month	YTD	12 month
Consumer Discretionary	12.7%	14.9%	**Overweight**		-3.5%	5.6%	22.2%
Consumer Staples	7.5%	5.5%	Underweight		-7.8%	-6.3%	-0.3%
Energy	5.5%	4.0%	Underweight		-10.8%	-7.4%	-2.8%
Financials	15.0%	16.4%	**Overweight**		-2.8%	3.5%	19.9%
Health Care	13.8%	17.2%	**Overweight**		-4.4%	1.9%	14.3%
Industrials	10.2%	11.6%	**Overweight**		-3.9%	1.1%	16.3%
Information Technology	25.2%	21.8%	Evenweight		0.1%	7.7%	36.3%
Materials	2.9%	3.0%	Evenweight		-5.3%	-1.3%	16.0%
Real Estate	2.6%	3.1%	Evenweight		-6.7%	-8.5%	-3.0%
Telecom Services	1.9%	2.5%	Evenweight		-7.1%	-6.5%	-5.0%
Utilities	2.7%	0.0%	Underweight		-3.9%	-6.8%	-2.0%
Total	100.0%	100.0%		S&P 500:	-3.7%	1.8%	17.1%

Sources: Bloomberg, Wells Fargo Investment Institute, February 28, 2018.
*Sector weightings may not add to 100% due to rounding.

Past performance is no guarantee of future results.

Forecasts are based on certain assumptions and on views of market and economic conditions which are subject to change.

Asset class risks

Asset allocation and diversification are investment methods used to manage risk. They do not assure or guarantee better performance and cannot eliminate the risk of investment losses. Your individual allocation may be different than the strategic long-term allocation above due to your unique individual circumstances, but is targeted to be in the allocation ranges detailed. The asset allocation reflected above may fluctuate based on asset values, portfolio decisions, and account needs.

Alternative investments, such as hedge funds, private capital funds, and private real estate funds, carry specific investor qualifications and involve the risk of investment loss, including the loss of the entire amount invested. While investors may potentially benefit from the ability of alternative investments to potentially improve the risk-reward profiles of their portfolios, the investments themselves can carry significant risks. Government regulation and monitoring of these types of investments may be minimal or nonexistent. There may be no secondary market for alternative investment interests and transferability may be limited or even prohibited.

The use of alternative investment strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, are speculative and involve a high degree of risk. These strategies may expose investors to risks such as short selling, leverage risk, counterparty risk, liquidity risk, volatility risk, the use of derivatives and other significant risks. The use of alternative investment strategies may require a manager's skill in assessing corporate events, the anticipation of future movements in securities prices, interest rates, or other economic factors. No assurance can be given that a manager's view of the economy will be correct which may result in lower investment returns or higher return volatility.

Private capital funds use complex trading strategies, including hedging and leveraging through derivatives and short selling. These funds often demand long holding periods to allow for a turnaround and exit strategy. Hedge fund and private equity/private capital 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.

Privately offered real estate funds carry significant risks. They are unlisted making them hard to value and trade. They are generally only available to accredited investors within the meaning of the U.S. securities laws. There can be no assurance a secondary market will exist for these funds and there may be restrictions on transferring interests.

Cash alternatives including bank certificates of deposits, Treasury bills, and ultra-short bond mutual funds have advantages and disadvantages depending on the type of instrument. They typically offer lower rates of return than longer-term equity or fixed-income securities and may not keep pace with inflation over extended periods of time. While government securities are backed by the full faith and credit of the federal government as to payment of principal and interest if held to maturity and are considered free from credit risk, they are subject to interest rate risk.

Investing in commodities is not suitable for all investors. Exposure to the commodities markets may subject an investment to greater share price volatility than an investment in traditional equity or debt securities. Investments in commodities may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. Products that invest in commodities may employ more complex strategies which may expose investors to additional risks.

Inflation-Indexed Bonds, including Treasury Inflation-Protected Securities (TIPS), are subject to interest rate risk, especially when real interest rates rise. This may cause the underlying value of the bond in the portfolio to fluctuate more than other fixed income securities.

Investing in foreign securities presents certain risks that may not be present in domestic securities. For example, investments in foreign, emerging and frontier markets present special risks, including currency fluctuation, the potential for diplomatic and potential instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards.

Investments in fixed-income securities are subject to market, interest rate, credit/default, liquidity, inflation and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and principal. High yield fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. Municipal 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). 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. Quality varies widely depending on the specific issuer. All fixed income investments may be worth less than their original cost upon redemption or maturity.

Equity securities are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities.

Mortgage-related and asset-backed securities are subject to the risks associated with investment in debt securities. In addition, they are subject to prepayment and call risks. Changes in prepayments may significantly affect yield, yielding investments may not be available for the Fund to purchase. These risks may be heightened for longer maturity and duration securities. Commercial Mortgage Backed Securities (CMBS) are a type of mortgage-backed security backed by commercial mortgages rather than residential real estate. CMBS tend to be more complex and volatile than residential mortgage-backed securities due to the unique nature of the underlying property assets.

Master Limited Partnerships (MLPs) involves certain risks which differ from an investment in the securities of a corporation. MLPs may be sensitive to price changes in oil, natural gas, etc., regulatory risk, and rising interest rates. A change in the current tax law regarding MLPs could result in the MLP being treated as a corporation for federal income tax purposes which would reduce the amount of cash flows distributed by the MLP. Other risks include the volatility associated with the use of leverage; volatility of the commodities markets; market risks; supply and demand; natural and man-made catastrophes; competition; liquidity; market price discount from Net Asset Value and other material risks.

Preferred stocks are subject to issuer-specific and market risks. They 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.

There are special risks associated with an investment in real estate, including the possible illiquidity of the underlying properties, credit risk, interest rate fluctuations and the impact of varied economic conditions.

The prices of small and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Technology and internet-related stocks, especially of smaller, less-seasoned companies, tend to be more volatile than the overall market.

Index definitions

An index is unmanaged and not available for direct investment.

Fixed income representative indices

Cash Alternatives/Treasury Bills. Bloomberg Barclays US Treasury Bills (1-3M) Index is representative of money markets.

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

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

U.S. Long Term Fixed Income. Bloomberg Barclays US Aggregate 10+ Year Bond Index is unmanaged and is composed of the Bloomberg Barclays US Government/Credit Index and the Bloomberg Barclays US 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. Taxable Investment Grade Fixed Income. Bloomberg Barclays US Aggregate Bond Index is a broad-based measure of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

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

Developed Market Ex-U.S. Fixed Income (Hedged). J.P. Morgan GBI ex U.S. Hedged is an unmanaged index market representative of the total return performance in U.S. dollars on an unhedged basis of major non-U.S. bond markets.

Emerging Market Fixed Income (U.S. dollar). J.P. Morgan Emerging Markets Bond Index (EMBI Global) currently covers more than 60 emerging market countries. Included in the EMBI Global are U.S.-dollar-denominated Brady bonds, Eurobonds, traded loans, and local market debt instruments issued by sovereign and quasi-sovereign entities.

Equity representative indices

U.S. Large Cap Equities. S&P 500 Index is a capitalization-weighted index calculated on a total return basis with dividends reinvested. The index includes 500 widely held U.S. market industrial, utility, transportation and financial companies.

U.S. Mid Cap Equities. Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 27% of the total market capitalization of the Russell 1000 companies.

U.S. Small Cap Equities. Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Developed Market Ex-U.S. Equities (U.S. dollar)/(Local). MSCI EAFE Index (Europe, Australasia, Far East) 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. and Canada.

Emerging Market Equities (U.S. dollar)/(Local). MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of 23 emerging markets.

Real assets representative indices

Public Real Estate. FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real-estate companies and REITs in developed countries worldwide.

MLPs. Alerian MLP Index is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class. The index, which is calculated using a float-adjusted, capitalization-weighted methodology, is disseminated real-time on a price-return basis and on a total-return basis.

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

Alternative strategies representative indices

Global Hedge Funds. HFRI Fund Weighted Composite Index. A global, equal-weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net-of-all-fees performance in U.S. dollars and have a minimum of $50 Million under management or a 12-month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

Relative Value. HFRI Relative Value (Total) Index. Strategy is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. RV position may be involved in corporate transactions also, but as opposed to ED exposures, the investment thesis is predicated on realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction.

Macro. HFRI Macro (Total) Index. Encompass a broad range of strategies predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard-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. Although some strategies employ RV techniques, Macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments rather than on realization of a valuation discrepancy between securities. In a similar way, while both Macro and equity hedge managers may hold equity securities, the overriding investment thesis is predicated on the impact movements in underlying macroeconomic variables may have on security prices, as opposed to EH, in which the fundamental characteristics on the company are the most significant are integral to investment thesis.

Event Driven. HFRI Event Driven (Total) Index. Maintains positions in companies currently or prospectively involved in corporate transactions of a wide variety 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. Exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company-specific developments. Investment theses are typically predicated on fundamental (as opposed to quantitative) characteristics, with the realization of the thesis predicated on a specific development exogenous to the existing capital structure.

Equity Hedge. HFRI Equity Hedge (Total) Index. Equity Hedge: Investment Managers who maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. EH managers would typically maintain at least 50% exposure to, and may in some cases be entirely invested in, equities, both long and short.

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