

Strategic Insights

This publication details Wells Fargo Advisors' Investment Strategy Committee's current forecasts for the economy and markets. It also includes our current recommended asset class weightings as well as equity sector weightings.

Economic and Market Forecast

	<i>as of 2/24/10 unless otherwise noted</i>	2010 <i>year-end</i>	2011 <i>latest</i>	2011 <i>year-end forecast</i>
Real GDP	<i>rolling four quarters</i>	2.8%	2.7% ¹	3.0%
Real GDP	<i>latest quarter % chg. annual rate</i>		2.8% ¹	
Unemployment	<i>end of period/latest</i>	9.4%	9.0% ²	9.0%
CPI Inflation	<i>rolling 12-months</i>	1.5%	1.6% ²	2.0%
Federal Deficit	<i>rolling 12-months</i>	\$1.3 tril.	\$1.3 tril. ²	\$1.5 tril.
Existing Home Sales (SAAR*)	<i>end of period/latest</i>	5.2 mil.	5.4 mil. ²	5.3 mil.
Oil Prices	<i>latest (as of 2/24/11)</i>	\$91.38	\$95.78	\$95.00
Gold	<i>latest (as of 2/24/11)</i>	\$1,420.78	\$1,402.88	\$1,450.00
U.S. Dollars per Euro	<i>latest (as of 2/24/11)</i>	\$1.34	\$1.38	\$1.27
Target Federal Funds Rate	<i>latest (as of 2/24/11)</i>	0.12%	0.12%	0.12%
10-Yr. Treasury	<i>latest (as of 2/24/11)</i>	3.30%	3.45%	3.50%
30-Yr. Treasury	<i>latest (as of 2/24/11)</i>	4.34%	4.54%	4.50%
MSCI EAFE Index	<i>latest (as of 2/24/11)</i>	1658.30	1714.78	1720
MSCI Emerging Markets Index	<i>latest (as of 2/24/11)</i>	1151.38	1087.10	1225
S&P 500	<i>latest (as of 2/24/11)</i>	1257.64	1306.10	1250-1300
S&P Operating Earnings	<i>trailing 4 quarters</i>	\$86.70/shr	\$86.70/shr ¹	\$89/shr
S&P 500 Price/Earnings	<i>trailing 4 quarters oper. earnings</i>	14.51	15.06 ¹	14.33

*SAAR - seasonally adjusted annual rate

¹ = data as of fourth quarter 2010 ² = data as of January 2011

Source: Bloomberg, Wells Fargo Advisors

Investment Strategy Committee Tactical Weightings

Major Markets	Recommended Weighting <i>as of 2/24/2011</i>
U.S. Large-Cap Stocks	neutral
U.S. Mid-Cap Stocks	over
U.S. Small-Cap Stocks	over
Growth Stocks	neutral
Value Stocks	neutral
International Developed Stocks	under
Emerging Market Stocks	neutral
Dollar	neutral
Commodities	neutral
Short-term IG* Bonds	neutral
Intermediate-term IG* Bonds	over
Long-term IG* Bonds	under
International Fixed Income	neutral
High Yield Securities	neutral
REITs	neutral

*IG: Investment-grade - treasuries, agency securities, mortgage-backed securities, corporate & municipal bonds

Note: weightings are relative to current firm asset allocation models

Sectors	Recommended Weighting	Percent of S&P	Guidance
Consumer Discretionary	Evenweight	10.6%	11.0%
Consumer Staples	Underweight	10.1%	8.0%
Energy	Evenweight	12.8%	11.0%
Financial	Underweight	16.2%	13.0%
Health Care	Underweight	10.6%	8.0%
Industrials	Overweight	11.2%	12.0%
Information Technology	Underweight	18.9%	15.0%
Materials	Overweight	3.7%	7.0%
Telecom	Overweight	2.9%	7.0%
Utilities	Overweight	3.1%	8.0%

note: weightings may not add due to rounding

Source: Bloomberg, Wells Fargo Advisors

Definitions

The S&P 500 Index consists of 500 industrial, financial, utility and transportation companies with market capitalizations of \$3 billion or more.

MSCI EAFE Index: Compiled by Morgan Stanley Capital International (MSCI), the Morgan Stanley Europe, Australasia and Far East Index is a value-weighted index of the equity performance of major foreign markets. In effect, it is a non-American world index of over 1000 stocks.

MSCI Emerging Market Index: Created by MSCI and designed to measure equity market performance in global emerging markets.

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. The CPI is calculated by taking price changes for each item in the predetermined basket of goods and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living. Merrill Lynch High Yield Master II Index tracks the performance of U.S. dollar denominated below investment-grade corporate debt publicly issued in the U.S. domestic market.

An index is not managed and is unavailable for direct investment.

Short-term Fixed Income: Fixed Income instruments that mature in one to six years.

Intermediate-Term Fixed Income: Fixed Income instruments that mature in six to 12 years.

Long-Term Fixed Income: Fixed Income instruments whose maturities are greater than 12 years.

Bond prices fluctuate inversely to changes in interest-rates. Therefore, a general rise in interest rates can result in the decline of the value of your investment.

International Fixed Income: International fixed income securities (bonds) include any type of fixed income investment made in financially established markets outside of the U.S. These instruments may be denominated in U.S. dollars or in foreign currencies. Bonds are promissory notes and usually make a series of interest payments followed by a return of principal at maturity. If sold prior to maturity, the price that can be obtained for a bond may be more or less than face value, depending on interest rates at the time the bond is sold and the remaining term of the bond.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater asset price volatility.

High Yield: Non-investment grade fixed income securities (rated Ba1 or lower by Moody's and/or BB+ or lower by S&P). These investments are considered to be speculative and are subject to a higher degree of risk.

High-yield bonds, commonly known as junk bonds, are subject to greater risk of loss of principal and interest, including default risk, than higher rated bonds. The prices of these bonds may be volatile, and they are generally only suitable for aggressive investors.

International: Financial markets in developed economies outside of the U.S.

Emerging Markets: Financial markets in countries with developing economies. These markets are typically immature compared to those of the world's major financial centers but are becoming increasingly sophisticated and integrated into international markets; they provide potentially higher returns but are intensely volatile.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability and different accounting standards. This may result in greater asset price volatility.

REITs: Real estate investment trusts (REITs) trade on the major exchanges and invest in real estate directly, either through properties or mortgages.

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

Large-Cap Growth: Stocks that have a market cap greater than \$5.2 billion and a price-to-book ratio greater than 2.60.

Large-Cap Value: Stocks that have a market cap greater than \$5.2 billion and a price-to-book ratio less than or equal to 2.60.

Mid-Cap Growth: Stocks that have a market cap between \$1.1-\$5.2 billion and a price-to-book ratio greater than 2.60.

Mid-Cap Value: Stocks that have a market cap between \$1.1-\$5.2 billion and a price-to-book ratio less than or equal to 2.60.

Small-Cap Growth: Stocks that have a market cap less than \$1.1 billion and a price-to-book ratio greater than 2.60.

Small-Cap Value: Stocks that have a market cap less than \$1.1 billion and a price-to-book ratio less than or equal to 2.60.

The prices of small-cap 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.

Commodities: Basic goods used in commerce that are generally interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services.

Buying commodities allows for a source of diversification for those sophisticated persons who wish to add commodities to their portfolios and who are prepared to assume the risks inherent in the commodities market. Any purchase represents a transaction in a non-income-producing commodity and is highly speculative. Therefore, commodities should not represent a significant portion of an individual's portfolio.

Important Information and Disclaimers

Past performance is not a guarantee of future results.

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

Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments may be worth less than original cost upon redemption or maturity. Income from municipal securities is generally free from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-free, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal Alternative Minimum Tax (AMT).

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.

Any market prices are only indications of market values and are subject to change. The material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. Additional information is available upon request.

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