

Concept and Holdings

Dynamic Growth Equity List

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Dynamic Growth Equity List objective

The Dynamic Growth Equity List focuses on companies that we believe offer an above average growth potential and may be on track to become leaders in the markets they serve. Our objective is to offer investors a list of stocks that they can use to help build a well-diversified portfolio or to fill holes in an existing portfolio.

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Dynamic Growth Equity List — Concept review

Overview

Stocks for the Dynamic Growth Equity List (Dynamic Growth List or the List) are selected through independent research and an evaluation of the fundamentals of each individual company. The List seeks to meet or exceed the total return of the Russell Midcap Growth Index over an approximate one-year time frame. By design, the Dynamic Growth List includes riskier companies with higher betas (market sensitivity) and may include companies that exhibit significantly higher volatility than the market (S&P 500 Index) in general. We believe the List is most appropriate for moderate and long-term investors that have the ability to tolerate a higher level of risk — please see the section titled *Investment considerations* for a more thorough discussion of how the List may be used by investors.

Criteria

The Dynamic Growth List attempts to include a variety of companies across the different sectors of the market that exhibit above-average growth potential in both revenues and earnings. To be considered for the Dynamic Growth List, a company must have a market value of at least \$1.5 billion and annual revenue of at least \$500 million; we want stocks that have at least mid-cap status. Additionally, we look for companies that have grown revenues and earnings by at least 10% and have demonstrated an ability to achieve profitability or a trajectory towards profitability.

Compared to the broader market, growth stocks typically have faster expected earnings growth and premium valuations (higher price-to-earnings and price-to-book ratios). Because of growth expectations and premium valuations, sometimes even a modest change in a company's outlook can have a significant impact on its stock price, notwithstanding a potentially higher level of risk. We believe in a measured approach to balancing the risk through investment selection — specifically, by selecting companies that are more established and have a lower beta but still exhibit strong growth characteristics.

Our analysis begins with several thousand eligible companies, from which the universe is reduced to several hundred companies that meet our acceptable fundamental characteristics and acceptable daily trading volumes. The universe is further reduced to companies possessing valuation characteristics warranting their near-term consideration as a potential candidate for the List.

We aim to select what we feel are solid companies that offer above-average growth potential and may be on track to become leaders in the markets they serve. Furthermore, we look for specialized companies. In our view, specialized companies are able to increase sales and decrease expenses by focusing on those products and services driving the majority of their profitability.

Removing stocks

A company on the Dynamic Growth List may be removed if:

- Fundamentals unexpectedly weaken or an unforeseen development occurs (i.e., such as a change in management)
- The growth profile is no longer representative of criteria set for initial inclusion
- The valuation becomes less attractive
- There is an opportunity to replace a security with another we believe possesses a more attractive risk-reward situation

Benchmark

The Dynamic Growth List is benchmarked against the Russell Midcap Growth Index. The Russell Midcap Growth Index measures the performance of the midcap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with relatively higher price-to-book ratios, higher consensus EPS forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. Historically, the Russell Midcap Growth index has tended to have larger drawdowns during pullbacks in the market, but also higher returns when the overall market is trending higher because of the characteristics of the underlying holdings.

For a detailed discussion of list performance, please refer to the List's [Quarterly Performance](#) report.

Investment considerations

The Dynamic Growth List is a proprietary list of favored securities. Investors should realize that the List is not a discretionary program, nor is it intended to represent a well-diversified portfolio. From an investor's perspective, the Dynamic Growth List should not be viewed as a complete recommended portfolio, but more as a shopping list from which an investor and investment professional can choose stocks to complement or increase the beta of an existing portfolio. Investors are encouraged to work with their investment professional to discuss which, if any, securities included on the List may be appropriate additions for their portfolio based on individual needs, objectives, and tolerance for risk.

We suggest selecting stocks from at least eight of the eleven S&P 500 Index sectors in an effort to diversify across several industry groups. Although diversification is an important tool for helping to reduce risk, having a large number of individual stocks in your portfolio makes it increasingly difficult to keep track of each security's progress. In addition, if one stock represents only a fraction of the value of your portfolio, it will have less impact on the total return of your portfolio. Diversification does not guarantee a profit or protect against loss.

Dynamic Growth Equity List — Holdings by sector

Table 1: List statistics

Company	Symbol	Price	Market Cap (billion)	NTM Consensus EPS Estimate	Consensus L- T EPS Growth Estimate	NTM P/E	NTM Price/ Sales	5-Yr Average NTM Price/ Sales	NTM EV/ EBITDA	5-Yr Average NTM EV/ EBITDA	TTM Return on Invested Capital
Communication Services¹			\$574.3		18%	19.2x	5.4x	5.6x	11.4x	12.3x	19%
Electronic Arts, Inc.	EA	\$128.18	\$34.4	\$7.32	14%	17.5x	4.4x	5.1x	11.8x	13.9x	11%
Meta Platforms, Inc.	META	\$439.19	\$1,114.2	\$20.62	23%	21.3x	6.7x	6.1x	11.1x	11.0x	27%
Consumer Discretionary			\$315.4		12%	23.8x	2.2x	2.4x	13.5x	17.4x	22%
Academy Sports & Outdoors, Inc.	ASO	\$56.70	\$4.2	\$6.80	6%	8.3x	0.7x	0.6x	4.9x	5.1x	15%
Airbnb, Inc.	ABNB	\$156.16	\$99.6	\$4.35	12%	35.9x	9.0x	12.1x	21.4x	278.3x	53%
Amazon.com, Inc.	AMZN	\$179.00	\$1,862.1	\$4.77	25%	37.5x	2.9x	2.8x	12.8x	19.6x	12%
Burlington Stores, Inc.	BURL	\$178.02	\$11.4	\$7.46	22%	23.9x	1.1x	1.6x	11.1x	15.4x	6%
Chipotle Mexican Grill, Inc.	CMG	\$3,138.66	\$86.2	\$57.93	23%	54.2x	7.4x	5.3x	34.5x	34.0x	20%
NIKE, Inc.	NKE	\$90.34	\$136.5	\$3.83	9%	23.6x	2.7x	3.9x	17.6x	25.7x	20%
O'Reilly Automotive, Inc.	ORLY	\$1,005.11	\$59.3	\$43.16	13%	23.3x	3.5x	3.3x	16.6x	14.7x	43%
Planet Fitness, Inc.	PLNT	\$58.66	\$5.1	\$2.48	12%	23.6x	4.6x	8.1x	13.8x	23.7x	6%
Tesla, Inc.	TSLA	\$179.99	\$574.0	\$2.76	7%	65.1x	5.4x	9.0x	33.9x	47.9x	22%
Consumer Staples			\$31.2		31%	44.2x	4.3x	6.9x	23.0x	37.4x	14%
Celsius Holdings, Inc.	CELH	\$72.34	\$16.8	\$1.08	-	66.7x	8.9x	11.6x	37.3x	95.7x	23%
The Estée Lauder Companies, Inc.	EL	\$127.37	\$45.7	\$3.86	31%	33.0x	2.9x	4.9x	16.6x	23.2x	5%
Financials			\$167.8		14%	19.9x	4.0x	6.9x	13.8x	23.1x	12%
Corpay, Inc.	CPAY	\$296.25	\$21.2	\$19.40	14%	15.3x	5.2x	6.1x	10.7x	13.6x	13%
Intercontinental Exchange, Inc.	ICE	\$128.68	\$73.7	\$6.12	10%	21.0x	7.6x	8.6x	15.3x	-	5%
Block, Inc.	SQ	\$66.84	\$41.2	\$3.25	33%	20.6x	1.7x	4.2x	12.5x	76.7x	0%
Visa, Inc.	V	\$267.32	\$534.9	\$10.42	14%	25.7x	14.2x	16.0x	19.9x	23.0x	30%
Health Care			\$66.6		19%	48.0x	6.8x	9.6x	28.3x	29.2x	7%
Danaher Corp.	DHR	\$246.89	\$182.8	\$7.83	-	31.5x	7.4x	6.5x	23.8x	20.8x	6%
DexCom, Inc.	DXCM	\$125.88	\$49.9	\$1.88	19%	66.9x	11.0x	14.5x	39.0x	49.0x	15%
Illumina, Inc.	ILMN	\$124.68	\$19.8	\$0.82	39%	151.5x	4.4x	9.9x	31.9x	-	-14%
Penumbra, Inc.	PEN	\$205.29	\$7.9	\$2.82	19%	72.8x	6.4x	10.3x	42.0x	-	7%
Zoetis, Inc.	ZTS	\$158.50	\$72.7	\$5.91	10%	26.8x	8.3x	10.2x	18.5x	-	20%
Industrials¹			\$41.6		16%	28.3x	1.7x	2.2x	14.2x	17.3x	21%
GXO Logistics, Inc.	GXO	\$49.27	\$5.9	\$2.71	12%	18.2x	0.6x	0.8x	8.3x	10.9x	-
Paycom Software, Inc.	PAYC	\$186.24	\$10.5	\$8.02	10%	23.2x	4.8x	15.2x	14.3x	41.1x	-
Trex Co., Inc.	TREX	\$89.14	\$9.7	\$2.22	20%	40.2x	7.6x	7.7x	24.4x	-	32%
Uber Technologies, Inc.	UBER	\$67.79	\$140.4	\$1.25	49%	54.4x	3.3x	3.3x	20.0x	-	9%
Dynamic Growth Equity List²			\$226.1		17%	27.3x	3.4x	4.1x	16.7x	21.1x	0.2x
Russell Midcap Growth Index		\$3,742	\$17.3	\$146.7	\$0.1	\$25.5	\$2.3	\$2.7	\$16.8	\$17.8	\$0.1

Company	Symbol	Price	Market Cap (billion)	NTM Consensus EPS Estimate	Consensus L-T EPS Growth Estimate	NTM P/E	NTM Price/ Sales	5-Yr Average NTM Price/ Sales	NTM EV/ EBITDA	5-Yr Average NTM EV/ EBITDA	TTM Return on Invested Capital
Information Technology¹			\$434.8		22%	35.3x	9.1x	9.8x	24.2x	31.7x	22%
CrowdStrike Holdings, Inc.	CRWD	\$295.44	\$71.5	\$3.91	24%	75.6x	18.3x	22.8x	60.5x	235.3x	3%
Keysight Technologies, Inc.	KEYS	\$144.95	\$25.3	\$6.12	1%	23.7x	5.1x	5.2x	16.8x	17.0x	15%
NVIDIA Corp.	NVDA	\$830.41	\$2,046.1	\$25.44	31%	32.6x	18.5x	17.6x	26.7x	34.5x	70%
Salesforce, Inc.	CRM	\$268.69	\$260.9	\$9.75	20%	27.6x	6.9x	7.1x	15.6x	21.2x	6%
ServiceNow, Inc.	NOW	\$685.61	\$140.4	\$13.91	30%	49.3x	12.3x	14.7x	33.4x	45.0x	21%
Workday, Inc.	WDAY	\$244.96	\$64.6	\$6.70	19%	36.6x	7.8x	9.1x	24.6x	35.5x	14%
Materials			\$64.2		14%	33.1x	4.0x	3.9x	19.5x	18.7x	10%
Ecolab, Inc.	ECL	\$224.98	\$64.2	\$6.79	14%	33.1x	4.0x	3.9x	19.5x	18.7x	10%
Real Estate			\$20.4		8%	14.2x	7.5x	12.9x	16.9x	25.2x	8%
SBA Communications Corp.	SBAC	\$189.12	\$20.4	\$13.34	8%	14.2x	7.5x	12.9x	16.9x	25.2x	8%
Dynamic Growth Equity List²			\$226.1		17%	27.3x	3.4x	4.1x	16.7x	21.1x	0.2x
Russell Midcap Growth Index		\$3,742	\$17.3	\$147	12%	25.5x	2.3x	2.7x	16.8x	17.8x	12%

Sources: FactSet, Wells Fargo Investment Institute, company reports. 1 – Rows with sectors show averages for Dynamic Growth List securities within the sector. 2 – Row shows average for Dynamic Growth List; simple average for market cap, return on invested capital; median for EPS growth estimate; harmonic average for PE. NTM = next twelve months. EPS = earnings per share. L-T = long-term. P/E = price-to-earnings ratio. EV/EBITDA = Enterprise Value / Earnings before Interest, Taxes, Depreciation and Amortization. TTM = trailing twelve months.

Table 2: Additional list statistics

Symbol	Sub-Industry	Price	52-Week Low	52-Week High	Dividend Per Share	Dividend Yield	Fiscal Year End	S&P Credit Rating	Date Added To List
Communication Services¹						0.5%			
EA	Interactive Home Entertainment	\$128.18	\$117.47	\$144.53	\$0.76	0.6%	MAR	BBB+	12/1/15
META	Interactive Media & Services	\$439.19	\$229.85	\$531.49	\$2.00	0.5%	DEC	AA-	3/2/16
Consumer Discretionary						0.3%			
ASO	Other Specialty Retail	\$56.70	\$42.83	\$75.73	\$0.38	0.7%	FEB	BB	2/27/23
ABNB	Hotels Resorts & Cruise Lines	\$156.16	\$103.55	\$170.10	\$0.00	0.0%	DEC	-	1/4/22
AMZN	Broadline Retail	\$179.00	\$101.15	\$189.77	\$0.00	0.0%	DEC	AA	11/7/13
BURL	Apparel Retail	\$178.02	\$115.66	\$232.69	\$0.00	0.0%	FEB	BB+	4/6/17
CMG	Restaurants	\$3,138.66	\$1,768.64	\$3,241.42	\$0.00	0.0%	DEC	-	9/6/23
NKE	Footwear	\$90.34	\$88.66	\$128.38	\$1.48	1.6%	MAY	AA-	1/11/16
ORLY	Automotive Retail	\$1,005.11	\$860.10	\$1,169.11	\$0.00	0.0%	DEC	BBB	3/19/15
PLNT	Leisure Facilities	\$58.66	\$44.13	\$83.12	\$0.00	0.0%	DEC	-	2/14/17
TSLA	Automobile Manufacturers	\$179.99	\$138.80	\$299.29	\$0.00	0.0%	DEC	BBB	11/30/20
Consumer Staples						1.0%			
CELH	Soft Drinks & Non-alcoholic Beverages	\$72.34	\$29.92	\$99.62	\$0.00	0.0%	DEC	-	3/19/24
EL	Personal Care Products	\$127.37	\$102.22	\$246.48	\$2.64	2.1%	JUN	A+	6/30/12
Dynamic Growth List²						0.4%		BBB+	10/14/18
Russell Midcap Growth Index		\$3,742	\$2,982	\$3,976	\$25.96	0.7%			

Symbol	Sub-Industry	Price	52-Week Low	52-Week High	Dividend Per Share	Dividend Yield	Fiscal Year End	S&P Credit Rating	Date Added To List
Financials¹						0.5%			
CPAY	Transaction & Payment Processing Services	\$296.25	\$204.04	\$319.94	\$0.00	0.0%	DEC	BB+	1/25/23
ICE	Financial Exchanges & Data	\$128.68	\$103.81	\$140.43	\$1.80	1.4%	DEC	A-	6/30/12
SQ	Transaction & Payment Processing Services	\$66.84	\$38.85	\$87.52	\$0.00	0.0%	DEC	BB+	5/8/18
V	Transaction & Payment Processing Services	\$267.32	\$216.14	\$290.96	\$2.08	0.8%	SEP	AA-	3/2/16
Health Care						0.3%			
DHR	Life Sciences Tools & Services	\$246.89	\$182.09	\$269.61	\$1.08	0.4%	DEC	A-	12/1/15
DXCM	Health Care Equipment	\$125.88	\$74.75	\$142.00	\$0.00	0.0%	DEC	-	2/18/20
ILMN	Life Sciences Tools & Services	\$124.68	\$89.00	\$213.91	\$0.00	0.0%	DEC	BBB	12/5/18
PEN	Health Care Equipment	\$205.29	\$180.93	\$348.67	\$0.00	0.0%	DEC	-	11/5/19
ZTS	Pharmaceuticals	\$158.50	\$144.80	\$201.92	\$1.73	1.1%	DEC	BBB	4/24/24
Industrials						0.2%			
GXO	Air Freight & Logistics	\$49.27	\$48.11	\$67.57	\$0.00	0.0%	DEC	BBB-	8/2/21
PAYC	Human Resource & Employment Services	\$186.24	\$146.15	\$374.04	\$1.50	0.8%	DEC	-	12/7/22
TREX	Building Products	\$89.14	\$51.03	\$101.91	\$0.00	0.0%	DEC	-	3/9/21
UBER	Passenger Ground Transportation	\$67.79	\$29.22	\$82.14	\$0.00	0.0%	DEC	BB-	3/19/24
Information Technology						0.1%			
CRWD	Systems Software	\$295.44	\$115.67	\$365.00	\$0.00	0.0%	JAN	BB+	2/28/22
KEYS	Electronic Equipment & Instruments	\$144.95	\$118.57	\$172.72	\$0.00	0.0%	OCT	BBB	11/5/19
NVDA	Semiconductors	\$830.41	\$266.25	\$974.00	\$0.16	0.0%	JAN	A+	10/5/17
CRM	Application Software	\$268.69	\$190.76	\$318.72	\$1.60	0.6%	JAN	A+	3/19/15
NOW	Systems Software	\$685.61	\$427.68	\$815.32	\$0.00	0.0%	DEC	A-	2/18/20
WDAY	Application Software	\$244.96	\$174.25	\$311.28	\$0.00	0.0%	JAN	BBB	12/5/18
Materials						1.0%			
ECL	Specialty Chemicals	\$224.98	\$156.72	\$231.86	\$2.28	1.0%	DEC	A-	6/30/12
Real Estate						2.1%			
SBAC	Telecom Tower REITs	\$189.12	\$185.23	\$258.76	\$3.92	2.1%	DEC	BB+	1/26/15
Dynamic Growth List²						0.4%			
Russell Midcap Growth Index		\$3,742	\$2,982	\$3,976	\$25.96	0.7%			

Sources: FactSet, Wells Fargo Investment Institute, company reports. 1 – Rows with sectors show averages for Dynamic Growth List securities within the sector. 2 – Row shows average for Dynamic Growth List; simple average for dividend yield, credit rating, date added.

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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.

Growth stocks tend to fluctuate more than the overall market and growth may not be realized. The growth style of investing tends to shift in and out of favor.

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.

There is no guarantee dividend-paying stocks will return more than the overall market. Dividends are not guaranteed and

are subject to change or elimination.

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 share price volatility. These risks are heightened in emerging markets.

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. **Communication Services** companies are vulnerable to their products and services becoming outdated because of technological advancement and the innovation of competitors. Companies in the communication services sector may also be affected by rapid technology changes, pricing competition, large equipment upgrades, substantial capital requirements and government regulation and approval of products and services. In addition, companies within the industry may invest heavily in research and development which is not guaranteed to lead to successful implementation of the proposed product. 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. **Consumer Staples** industries can be significantly affected by competitive pricing particularly with respect to the growth of low-cost emerging market production, government regulation, the performance of the overall economy, interest rates, and consumer confidence. The **Energy** sector may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, and changes in exchange rates, depletion of natural resources, and risks that arise from extreme weather conditions. Investing in the **Financial Services** companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. Some of the risks associated with investment in the **Health Care** sector include competition on branded products, sales erosion due to cheaper alternatives, research and development risk, government regulations and government approval of products anticipated to enter the market. 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. **Materials** industries can be significantly affected by the volatility of commodity prices, the exchange rate between foreign currency and the dollar, export/import concerns, worldwide competition, procurement and manufacturing and cost containment issues. **Real estate** investments have special risks, including possible illiquidity of the underlying properties, credit risk, interest rate fluctuations, and the impact of varied economic conditions. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. **Utilities** are sensitive to changes in interest rates, and the securities within the sector can be volatile and may underperform in a slow economy.

Diversification does not guarantee a profit or protect against loss.

Standard & Poor's uses upper-case letters to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds". Ratings may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability.

Price to earnings ratio (PE ratio) is a valuation ratio of company's current share price compared to its per-share earnings. $PE = \text{market value per share} / \text{EPS}$.

Dividend payout ratio is the percentage of a company's earnings paid out as dividends. Dividend payout ratio = dividend per share / EPS.

Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index. Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the total market capitalization of the Russell 3000 Index. Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

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.

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