



Investment Strategy

Weekly guidance from our Investment Strategy Committee March 30, 2026

Equities Spotlight: Equity performance since outbreak of the Iran war2

- Since the Iran war began in late February, equity performance has shifted away from broad-based cyclical leadership, resulting in higher dispersion across geographies, assets classes, and sectors.
- In our view, diversification and rebalancing are important tools in portfolio risk-management.

Fixed Income: Telecom bonds: Durability through the uncertainty.....4

- Investment-grade bonds and preferred securities issued by telecommunication companies have typically traded at higher yields than the broader market.
- Given rising macroeconomic uncertainty, we point out that their earnings and credit quality are relatively uncorrelated with rising risks elsewhere.

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- While energy markets get all the headlines, the effective closure of the Strait of Hormuz, now entering its fifth week, poses a meaningful supply-chain shock for fertilizers and other commodities, creating near-term inflationary pressure through higher food and fuel costs.
- Our base case remains that the conflict will be short-lived and we believe these price pressures will be transitory.

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- Discounts in the secondary private-equity market have increased as investors’ need for liquidity appears to outweighs buyer demand across most categories.
- Despite weaker secondary-market pricing in 2025, current discounts and our expectation for economic growth by mid to late 2026 support a constructive long term outlook for Private Equity — Secondaries sub-strategies.

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Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

Equities Spotlight

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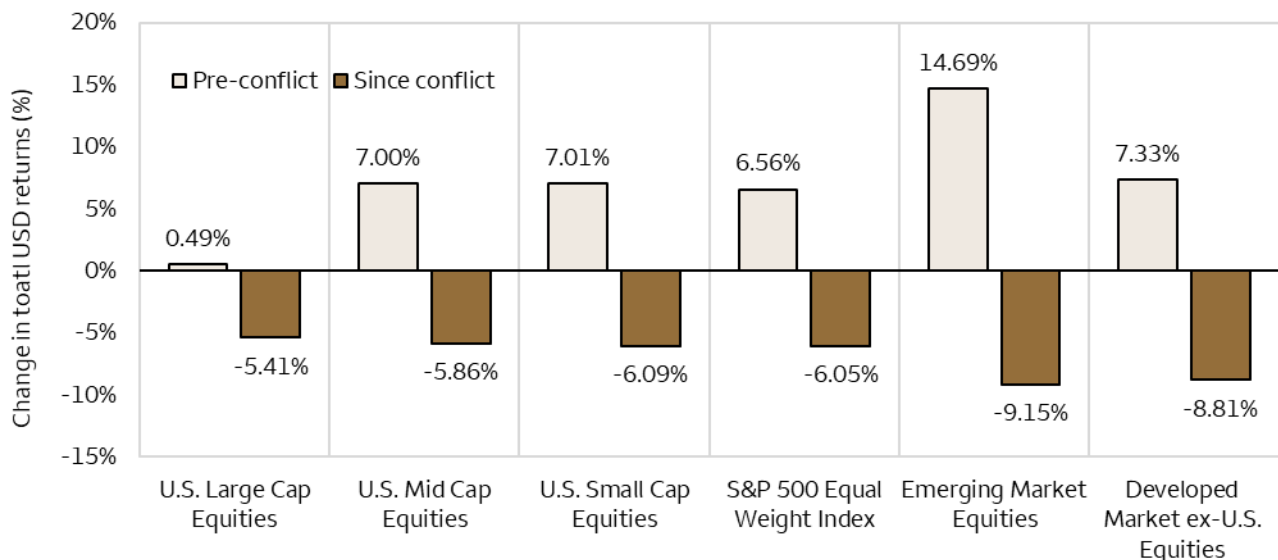
Equity performance since outbreak of the Iran war

Since the Iran war began in late February, equity market performance has shifted meaningfully away from the cyclical, broad based leadership that characterized the start of the year. Sector and regional returns suggest that the conflict did not result in a flight to quality assets such as gold, U.S. Treasuries or defensive equity sectors but instead accelerated rotation within equities, resulting in higher dispersion across geographies, asset classes, and sectors.

Pre-war period (January – February)

Entering 2026, major non-U.S. equity markets continued outpacing the U.S. large-cap benchmark, but overall, U.S.-international relative equity performance was much more even compared to 2025. In the U.S., equity markets broadened out to begin this year with mid- and small-cap stocks significantly outperforming the S&P 500 Index, while the S&P 500 Equal Weight Index outperformed as well. This was consistent with expectations that U.S. economic growth would widen and accelerate into additional areas beyond the mega-cap tech stocks aligned with artificial intelligence (AI) that dominated in 2025.

Chart 1. How the Iran war has reshaped asset-class performance



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from December 31, 2025 – March 20, 2026. Pre-conflict measures from December 31, 2025 – February 27, 2026. Outbreak of Iran War March 2nd - March 20th. USD = U.S. dollars. U.S. Large Cap Equities = S&P 500 Index. U.S. Mid Cap Equities = Russell Midcap Index. U.S. Small Cap Equities = Russell 2000 Index. Emerging Market Equities = MSCI Emerging Markets Index. Developed Market ex-U.S. Equities = MSCI EAFE Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Energy, Materials, and Industrials were strong performers in the first two months within all three major global equity indexes¹, which was also consistent with economic growth accelerating globally. Conversely, Information Technology stocks underperformed, and we believe this was based on concerns regarding AI-related capital expenditures. Financials also faltered and we think this was due to private-credit concerns and diminished expectations for Federal Reserve (Fed) rate cuts.

1. The S&P 500 Index, MSCI EAFE Index, and MSCI Emerging Markets Index.
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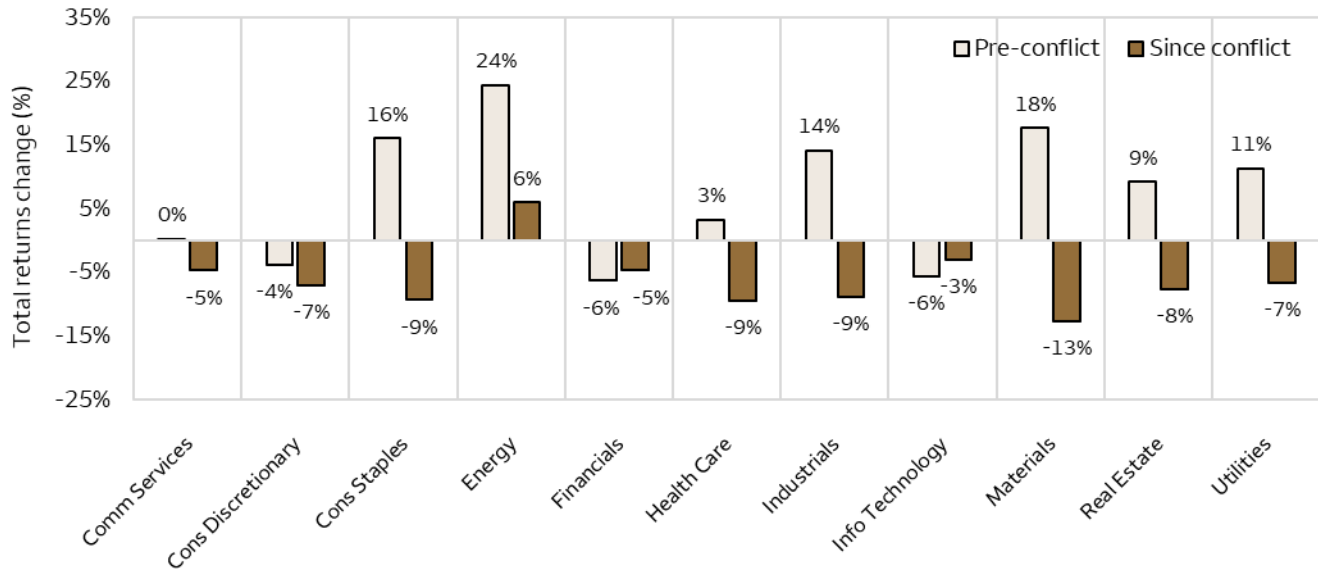
Since outbreak of Iran war

Since the conflict began in late February, relative equity performance across regions has reversed. As shown in Chart 1 above, domestic markets are now outperforming international markets, and within the U.S., the market-cap-weighted S&P 500 Index is the top performing equity class, followed by U.S. Mid Cap Equities, the S&P 500 Equal Weight Index, and U.S. Small Cap Equities.

In our view, two key factors behind the turnaround include:

1. The U.S. is the world’s largest oil producer and net exporter. In contrast, non-U.S. developed and emerging countries depend heavily on oil from the Middle East, with more than 80% of crude oil and natural gas passing through the Strait of Hormuz to Asia.² This makes them more vulnerable to supply disruptions.
2. Pre-war S&P 500 Index sector leadership was cyclical and broad based across regions and equity classes, consistent with an acceleration of global economic growth. Since the war started performance has become sharply more dispersed, with Energy significantly outperforming, Information Technology holding up, and defensive sectors surprisingly underperforming, as shown in Chart 2.

Chart 2. Sector-level performance , pre-conflict and since



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from December 31, 2025 - March 20, 2026. Pre-conflict measures from December 31, 2025 - February 27, 2026. Outbreak of Iran War March 2nd - March 20th. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

What it means for investors

Looking ahead, we believe the crude oil price surge is likely to produce some global consumer price inflation and spill over into slower economic growth. In our view, we see key factors already in place that should help mitigate the war’s economic and investment impact: corporate technology spending expected to reach \$650 billion this year³, with continued momentum in the AI space; deregulation; and significant tax refunds for individuals.

We prefer diversification and rebalancing for portfolios with long-term risk and return objectives. We see the current market volatility and rotation as an opportunity to consider exposure to U.S. Large Cap Equities and to rebalance from the Energy sector toward Financials, which has pulled back and remains among our favorable sectors.

We continue to favor Industrials and Utilities and believe the Information Technology sector is looking attractive, with forward price earnings multiples selling near historical averages. We also upgraded Emerging Market Equities to neutral last year as its benchmark index composition, the MSCI Emerging Markets Index, is heavily weighted toward the Information Technology sector with much lower multiples compared to the S&P 500 Index.

2. Federal Reserve Bank of Dallas, March 20, 2026.

3. Wells Fargo Investment Institute’s “Institute Alert: Iran War update: don’t extrapolate,” March 23, 2026.

Fixed Income

Eric M. Jasso, CFA

Taxable Analyst

Telecom bonds: Durability through the uncertainty

2026 has seen escalating uncertainty from many sources like AI, the Iran war, private credit, and a stretched consumer — to name a few. Credit Investors looking to mitigate these risks might consider the bonds and preferred securities issued by investment grade companies within the telecommunications sector.

The telecommunications sector has come to be dominated by a relatively small number of companies providing wireless and broadband services to businesses and consumers. While they compete on service and price amongst each other and against new entrants, annual shifts in earnings and market share have been relatively very small. The industry has not been heavily impacted by inflationary pressures and consumers have come to treat data connectivity as a basic necessity. The knock on these issuers has always been higher debt leverage than the rest of investment grade (IG), currently 10% higher than the IG average. However, capital intensity is expected to moderate after a period of elevated spectrum auctions and fiber acquisitions. Further, the companies conservative financial policies have promoted free cash flow and reduced interest-rate risk through refinancing debt across well-laddered maturity schedules.

Typically, bonds and preferred shares issued by these companies have traded at higher yields than others within investment grade. Given improved credit quality and defensive characteristics, this sector may be an option to consider.

Real Assets

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Middle East conflict disrupts global fertilizer supply

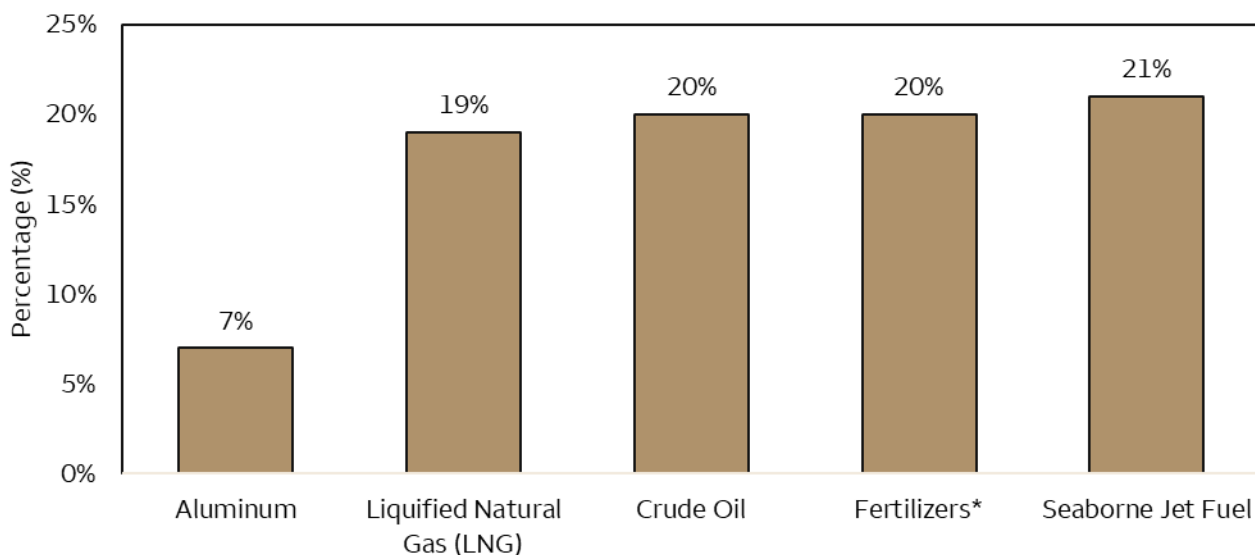
The effective closure of the Strait of Hormuz, now entering its fifth week, is disrupting global commodity supply chains well beyond energy, including the supply of aluminum, plastics, liquefied natural gas (LNG), and fertilizers (see Chart 3). The price of urea, the world’s most widely used solid fertilizer, has risen by 40%⁴ as of March 20, since the conflict began on February 28. Roughly 20% of the world’s fertilizer supply passes through the Strait of Hormuz, making this a significant input-cost shock for global agriculture.

Farmers typically secure fertilizers ahead of spring planting season. If this disruption is sustained, higher fertilizer prices raise the cost of crop production, while elevated oil prices push up the cost of transportation, food processing, and packaging, together feeding through to consumer food prices. We expect a modest but temporary bulge in headline consumer price index (CPI) driven by higher food and energy costs.

Our base case remains that this conflict will be short-lived, which would allow energy markets to reverse most of the increase in crude oil prices and limit the worst outcomes. A tighter monetary policy stance should also help contain inflation, with futures markets expecting no interest rate cuts and possibly a rate hike by year end, compared with expectations for two rate cuts prior to the conflict.

In the near term, we continue to see risks of higher costs for a variety of commodities and inputs as disruptions in the Strait of Hormuz persist. However, we view the most severe risks as largely transitory, and our expectation is for disruptions along the Strait of Hormuz to be short lived. For investors, we recommend using recent outperformances as an opportunity to trim allocations in outperformers, such as energy, and rotate into one of our favorable sectors — Precious and Industrial Metals.

Chart 3. Global supply of select commodities passing through the Strait of Hormuz



Sources: International Energy Agency (IEA), Environmental Investigation Agency (EIA), Dalsey, Hillblom, and Lynn (DHL), Chemical Markets Analysis, Financial Times, Wells Fargo Securities, and Wells Fargo Investment Institute. Data as of March 2026. *Fertilizers represents the median for urea, phosphate, and ammonia. Aluminum, Fertilizers, LNG measured based on tonnage; crude oil and seaborne jet fuel measured by barrels. Data as of March 2026.

4. U.S. Gulf Nola Urea Spot price, GCFPURGB Index. Data represents weekly fertilizer price assessments, from Green Markets, in U.S. dollars per standard ton. February 27, 2026: 470; March 20, 2026: 660. Increase: 40.43%.

Alternatives

Mark Steffen, CFA, CAIA

Global Alternative Investment Strategist

Discounts remain in Private Equity — Secondaries

Qualified investors in private equity typically commit their money for the duration of a fund's life, which typically lasts between six and 12 years. Because the underlying investments are illiquid and long term in nature, fund investors have limited ways to access their capital early. One potential option is the secondary market, where qualified investors can sell their fund interests to another buyer. While not every fund stake (or limited-partnership interest) has an active secondary market, these transactions have become more common, particularly among institutional investors looking to rebalance their portfolios.⁵

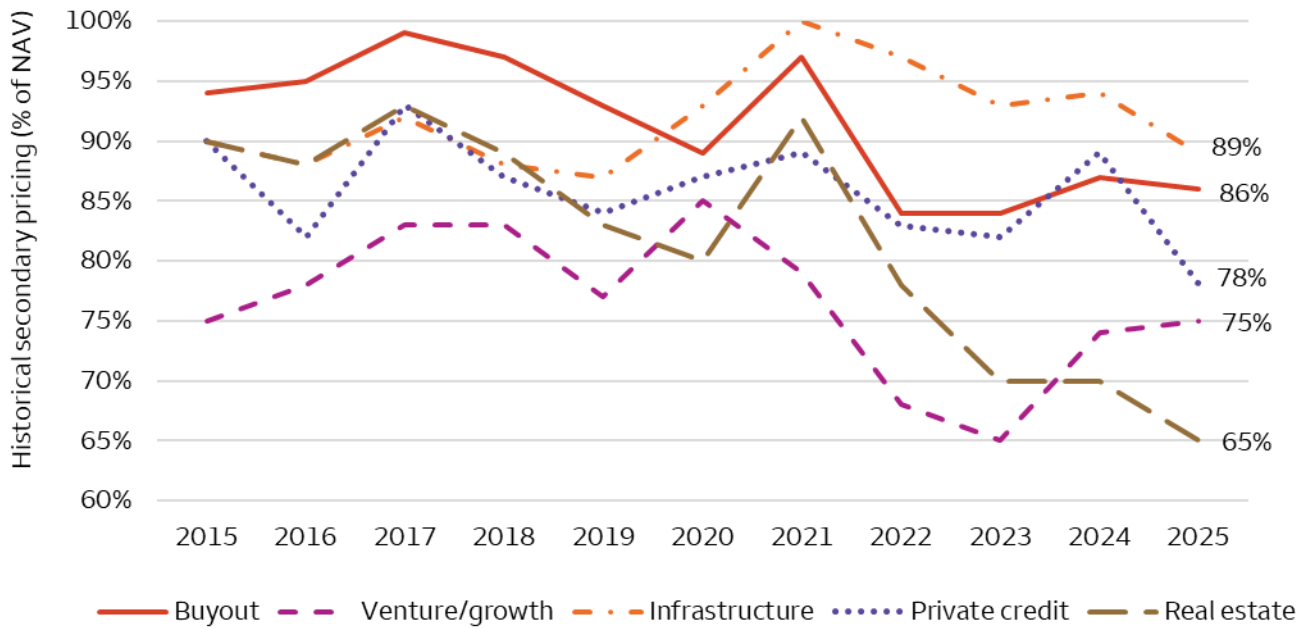
Buyers in the secondary market intend to purchase these fund interests at a discount to the fund's current net asset value. Beyond the potential price advantage, we believe secondary investors may benefit from greater visibility into the underlying investments, a shorter wait for potential cash distributions, and a shorter overall investment timeline. This is because these interests are often purchased partway through a fund's life. By that point, most (or all) of the fund's capital has already been invested, and the portfolio may be entering a phase where assets are being sold and capital is returned to investors.

After improving in 2024, secondary market valuations weakened in 2025 with prices declining across most categories (see Chart 4). The main exception was venture/growth secondaries, which posted modest gains for the year. In general, secondary prices have declined as a growing backlog of mature private-equity investments led more qualified investors to access secondary markets for liquidity, thereby resulting in greater supply.⁶ Despite the near-term pricing pressures, we remain constructive on Private Equity — Secondaries sub-strategies. In our opinion, current pricing discounts, together with an expected improvement in economic growth by mid to late 2026, could support a more favorable pricing environment over time. Yet, a prolonged period of higher energy prices and its implications for short-term interest rates may impact valuations across private-equity markets, including secondaries.

5. Evercore 2025 Secondary Market Survey Highlights. Volume estimates are based on insights from Evercore's Private Capital Advisory (PCA) team, the largest global secondaries advisory platform. PCA works closely with limited partners, general partners, and other market participants across a comprehensive range of liquidity solutions. The analysis reflects PCA's ongoing market dialogue, research, transaction activity, and a proprietary survey with more than 100 unique secondary buyer responses, alongside relevant third-party market data. CAIA – Introductory Guide to Investing in Private Equity Secondaries.

6. Citi Executive M&A Summary – 2025 Year-In-Review.

Chart 4. Historical pricing of secondary market transactions across private-capital categories



Sources: Greenhill Private Capital Advisory transactions and Wells Fargo Investment Institute. Data as of December 31, 2026. NAV = net asset value. Since 2001, Greenhill Advisory has advised on more than 8,000 partnership interest transfers that account for over \$420 billion in private equity — secondary transactions, representing approximately 55% of the total market volume. The data shown categorizes transactions as buyout, venture/growth, infrastructure, private credit, and real estate strategies based on the fund’s intended strategy. **Past performance is no guarantee of future results.**

Alternative investments, such as hedge funds, private equity, private debt and private real estate funds are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of U.S. securities laws.

Tactical guidance*

Cash Alternatives and Fixed Income

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Long Term Taxable Fixed Income U.S. Short Term Taxable Fixed Income	Cash Alternatives Developed Market Ex-U.S. Fixed Income Emerging Market Fixed Income High Yield Taxable Fixed Income	U.S. Intermediate Term Taxable Fixed Income	

Equities

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
	U.S. Small Cap Equities	Developed Market Ex-U.S. Equities Emerging Market Equities	U.S. Large Cap Equities U.S. Mid Cap Equities	

Real Assets

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Commodities Private Real Estate	Private Infrastructure	

Alternative Investments**

Most Unfavorable	Unfavorable	Neutral	Favorable	Most Favorable
		Hedge Funds—Equity Hedge Hedge Funds—Macro Hedge Funds—Relative Value Private Equity Private Debt	Hedge Funds—Event Driven	

Source: Wells Fargo Investment Institute, March 30, 2026. Please see Wells Fargo Investment Institute's Asset Allocation Strategy Report for more detailed, investable ideas in each asset group.

*Tactical horizon is 6-18 months

**Alternative investments are not appropriate for all investors. They are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. Please see end of report for important definitions and disclosures.

Risk considerations

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

There are special risks associated with investing in preferred securities. Preferred securities are subject to interest rate and credit risks. Interest rate risk is the risk that preferred securities will decline in value because of changes in interest rates. Credit risk is the risk that an issuer will default on payments of interest and principal.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

Hedge fund strategies, such as Equity Hedge, Event Driven, Macro and Relative Value, may expose investors to the risks associated with the use of short selling, leverage, derivatives and arbitrage methodologies. Short sales involve leverage and theoretically unlimited loss potential since the market price of securities sold short may continuously increase. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. Derivatives generally have implied leverage which can magnify volatility and may entail other risks such as market, interest rate, credit, counterparty and management risks. Arbitrage strategies expose a fund to the risk that the anticipated arbitrage opportunities will not develop as anticipated, resulting in potentially reduced returns or losses to the fund.

Secondary investments are interests in existing private equity funds that are acquired in privately negotiated transactions after the end of the private equity fund's fundraising period. Typically these funds have portfolios of existing investments as well as capital available for new investments.

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.

Definitions

Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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. The 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.

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.

Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

S&P 500 Equal Weighted Index (EWI) includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

The GCFPURGB Index refers to the **Urea (Granular) FOB U.S. Gulf** price benchmark, a key metric for fertilizer trading, with futures traded on the CME Group. These are financial futures contracts based on the price assessments of granular urea produced in the U.S. Gulf, published by industry price reporters ICIS and Profercy.

An index is unmanaged and not available for direct investment.

Investment Grade bonds - A rating that indicates that a bond has a relatively low risk of default. Bond rating firms, such as Standard & Poor's, use different designations consisting of upper- and lower-case letters 'A' and 'B' 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".

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