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The Private Bank

Red Wing Public Schools ISD# 256

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Investment Review

THE PRIVATE BANK

May 24, 2021

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- Are NOT deposits of or guaranteed by the Bank or any Bank affiliate
- May Lose Value

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Red Wing Public Schools – OPEB Trust

Date of Trust:	September 2009
Type of Trust:	Irrevocable
Governing Law:	Minnesota State Statute 356A
Date of Actuarial Report:	Fiscal Year Ending June 30, 2018
Current OPEB Obligation:	$6,905,022
Investment Objective:	Moderate Growth & Income
Portfolio Life:	Greater than 10 years

Agenda

1. Portfolio Review
2. Market Charts

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Portfolio Review

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Investment Products: ▶ NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

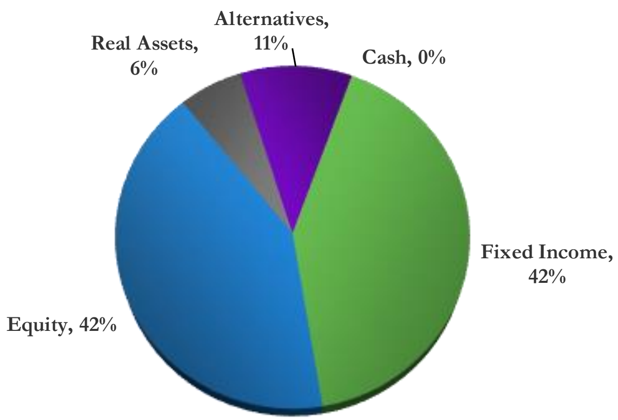
Red Wing Public Schools | Consolidated Portfolio

As of 4/30/21

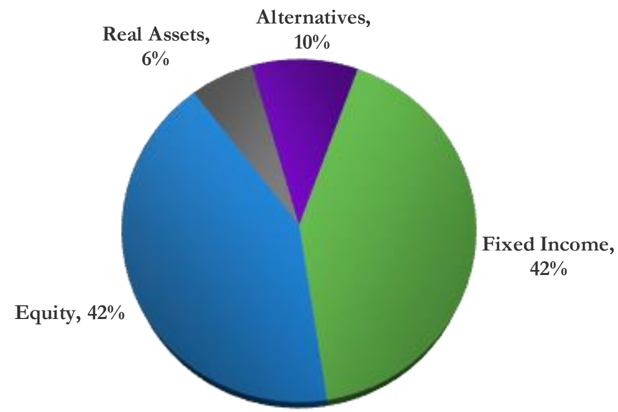
Account	Cash	Fixed Income	Equity						Real Assets	Alternatives	Grand Total
			Large Cap	Mid Cap	Small Cap	Developed Mkts	Emerging Mkts	Total			
Red Wing - Main	$484,483	$0	$923,630	$477,599	$243,161		$483,244	$2,127,635	$421,108	$1,164,085	$4,197,312
Red Wing - JEN LCG			$756,760					$756,760			$756,760
Red Wing - MFS LCV			$933,452					$933,452			$933,452
Red Wing - ACA MCV				$583,871				$583,871			$583,871
Red Wing - KAR SCG					$193,932			$193,932			$193,932
Red Wing - MCM INT						$117,403		$117,403			$117,403
Red Wing - TPA INT						$138,433		$138,433			$138,433
Red Wing - FIST		$4,164,322						$0			$4,164,322
Asset Allocation Total	**$484,483**	**$4,164,322**	**$2,613,842**	**$1,061,469**	**$437,094**	**$255,836**	**$483,244**	**$4,851,486**	**$421,108**	**$1,164,085**	**$11,085,485**
Equity Style Allocation			**54%**	**22%**	**9%**	**5%**	**10%**	**100%**			
% of Total Allocation	**4%**	**38%**	**24%**	**10%**	**4%**	**2%**	**4%**	**44%**	**4%**	**11%**	**100%**

Alternative Investments	
Principal Enhanced Property Fund	3.8%
Neuberger Long/Short Fund	3.4%
Robeco BP Long/Short Research Fund	3.4%
JH Seaport Long/Short Fund	3.6%

Asset Allocation



Target Allocation



Red Wing Public Schools | Receipt/Disbursement History

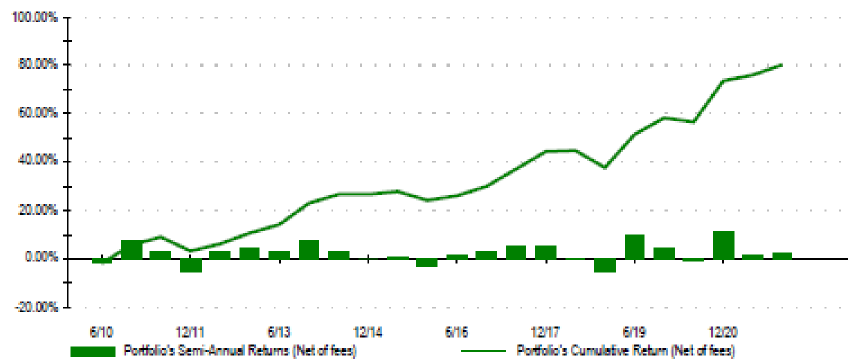
Contributions:	10/22/2009	Initial Funding of OPEB Trust	$12,556,457
	10/22/2009	Capitalized Interest	$201,858
		Total Contributions	**$12,758,315**
Disbursements:	7/6/2010	OPEB Distribution	($675,043)
	12/9/2010	Capitalized Interest	($201,858)
	7/20/2011	OPEB Distribution	($838,575)
	6/28/2012	OPEB Distribution	($794,380)
	6/28/2013	OPEB Distribution	($789,735)
	7/1/2014	OPEB Distribution	($669,665)
	10/6/2015	OPEB Distribution	($617,787)
	11/8/2016	OPEB Distribution	($688,504)
	11/3/2017	OPEB Distribution	($587,040)
	11/5/2018	OPEB Distribution	($615,656)
	11/7/2019	OPEB Distribution	($818,878)
	11/18/2020	OPEB Distribution	($889,233)
		Total Disbursements	**($8,186,355)**
		Adjusted Balance	**$4,571,960**

Current Market Value (4.30.21)	$11,085,485
Adjusted Balance	$4,571,960
Net Increase in Market Value	**$6,513,525**

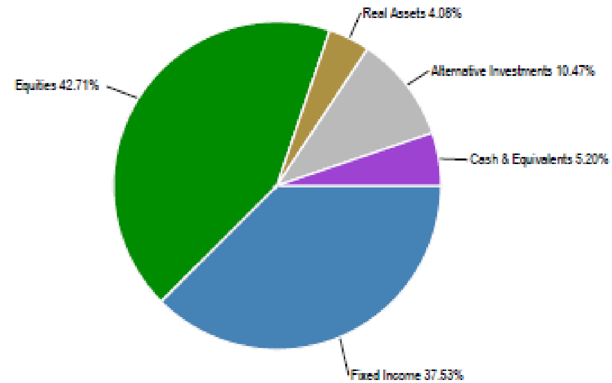
PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 1/1/10 TO 4/30/21

AGG775259 RED WING OPEB TRUST

PORTFOLIO RETURNS



ALLOCATION (BY CLASS)



PORTFOLIO SUMMARY	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS	LAST 5 YEARS	SINCE INCEPTION
Beginning Value[1]	10,629,364	10,704,753	10,082,256	10,996,449	10,811,315	8,736,904
Net Contributions & Withdrawals[2]	11	11	-889,458	-2,315,333	-3,587,737	-4,151,660
Investment Gain or Loss[1]	486,996	411,607	1,923,573	2,435,254	3,892,792	6,531,127
Ending Value[1]	11,116,370	11,116,370	11,116,370	11,116,370	11,116,370	11,116,370

PERFORMANCE SUMMARY

	ENDING MARKET VALUE[1]	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[3]	LAST 5 YEARS[3]	SINCE INCEPTION[3]
TOTAL PORTFOLIO (Net of fees)	11,116,370	100.00%	4.57%	3.84%	19.70%	7.80%	7.44%	5.34%
FIXED INCOME	4,171,847	37.53%	-0.18%	-0.27%	1.77%	4.09%[4]	2.90%[4]	2.28%[4]
BBG BARC 1-5 Year Govt/Credit			-0.30%	-0.33%	1.26%	3.84%	2.35%	2.26%
BBG BARC Aggregate Bond Index			-1.91%	-2.61%	-0.27%	5.19%	3.19%	3.72%
BBG BARC 1-15 Yr Muni Blend (1-17)			-0.18%	0.30%	6.33%	4.75%	3.03%	3.67%
BBG BARC High Yield Corporate Index			1.61%	1.95%	19.67%	7.00%	7.46%	7.48%
BBG BARC High Yield Municipal Index			1.49%	3.61%	20.78%	7.64%	6.61%	7.07%
JP Morgan GBI x US			-3.77%	-5.19%	4.52%	2.09%	1.74%	1.76%
JP Morgan EMBI Global Index			-1.73%	-2.92%	13.97%	5.05%	4.74%	6.03%
BBG BARC Multiverse Index			-2.24%	-3.09%	4.70%	3.84%	2.86%	2.87%

[1] Values include Accrued Income.
[2] As accounts are added to/removed from the composite they are displayed as a contribution/withdrawal.
[3] Annualized Return
[4] Historical classification changes exist.

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PORTFOLIO PERFORMANCE SUMMARY (CONSOLIDATED) - REPORT PERIOD: 1/1/10 TO 4/30/21 AGG775259 RED WING OPEB TRUST

PERFORMANCE SUMMARY	ENDING MARKET VALUE[2]	CURRENT PORTFOLIO ALLOCATION	LAST 3 MONTHS	YEAR TO DATE	LAST 12 MONTHS	LAST 3 YEARS[1]	LAST 5 YEARS[1]	SINCE INCEPTION[1]
EQUITIES	4,747,980	42.71%	9.84%	8.94%	49.92%	16.01%[3]	16.14%[3]	12.43%[3]
S&P 500 Index			12.98%	11.84%	45.98%	18.67%	17.41%	14.67%
Russell Midcap Index			13.95%	13.65%	59.57%	16.71%	15.58%	14.40%
Russell 2000 Index			9.55%	15.07%	74.91%	15.23%	16.48%	13.55%
MSCI EAFE Net Index			7.74%	6.59%	39.88%	6.27%	8.87%	6.13%
MSCI Emerging Mkts Index-Net			1.71%	4.83%	48.71%	7.51%	12.50%	5.22%
MSCI All Country World Index			9.77%	9.30%	46.40%	13.91%	14.45%	10.58%
REAL ASSETS	453,963	4.08%	4.00%	5.33%	4.47%	5.30%	5.80%	5.42%
FTSE EPRA/NAREIT Developed Index			13.88%	12.99%	35.15%	7.60%	6.18%	8.47%
Bloomberg Commodity Total Return Index			12.82%	15.78%	48.52%	1.62%	2.26%	-3.21%
ALTERNATIVE INVESTMENTS	1,164,085	10.47%	9.19%	6.36%	22.05%	5.41%	5.95%	2.65%
HFRI Fund Weighted Composite Index (update			7.36%	8.68%	31.46%	8.42%	7.83%	5.36%
HFRI Relative Value (Total) Index (updated)			3.79%	5.15%	18.63%	4.77%	5.39%	5.34%
HFRI Macro (Total) Index (updated)			6.82%	6.93%	13.43%	5.28%	3.21%	2.19%
HFRI Event-Driven (Total) Index (updated)			8.04%	10.37%	36.01%	8.11%	8.33%	6.07%
HFRI Equity Hedge (Total) Index (updated)			8.75%	10.23%	42.22%	10.88%	10.54%	6.56%
OTHER	-	-	-	-	-	-	-	-
CASH & EQUIVALENTS	578,496	5.20%	0.00%	0.01%	0.04%	1.07%	0.83%	0.59%
Lipper Money Market Index			0.00%	0.01%	0.06%	1.20%	0.95%	0.43%

[1] Annualized Return
[2] Values include Accrued Income.
[3] Historical classification changes exist.

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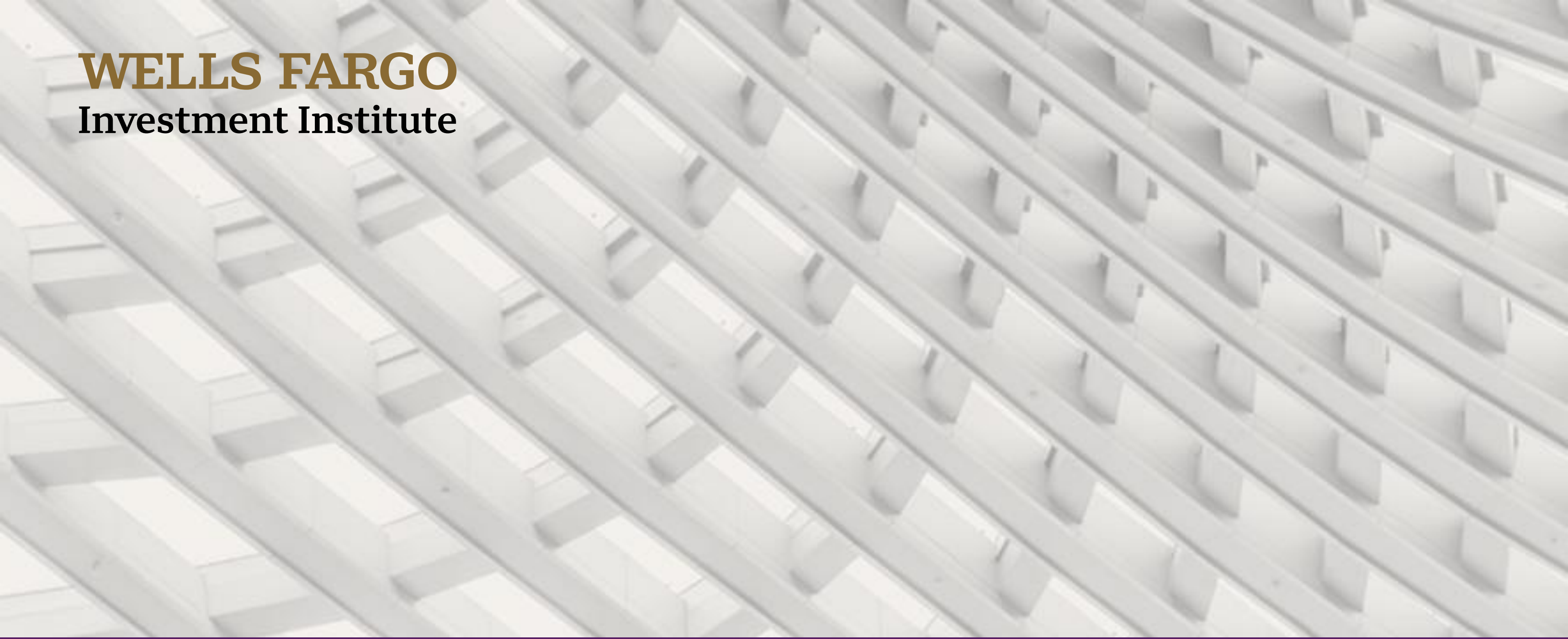

SECOND QUARTER **2021**

Market Charts

Turning data into knowledge

All data shown in the charts as of first quarter (Q1) 2021 and reflect the most recent information available. Please see disclosures for the risks associated with the asset classes and for the definitions of market-based and economic indexes.

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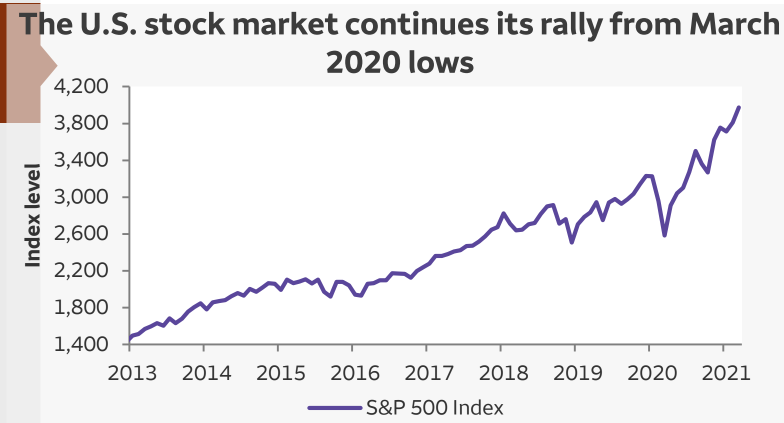
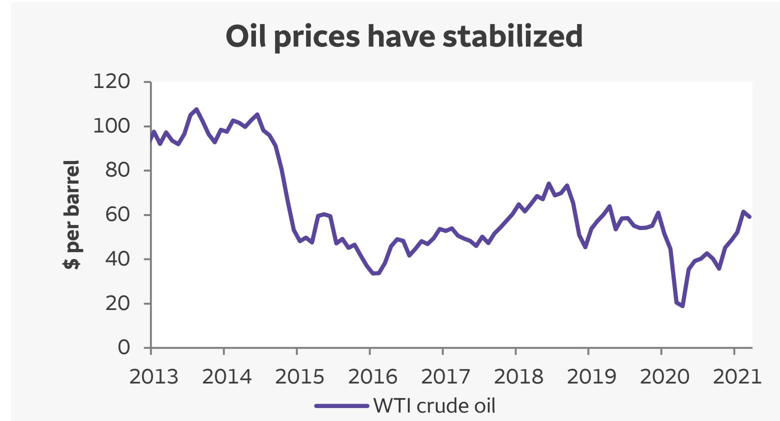
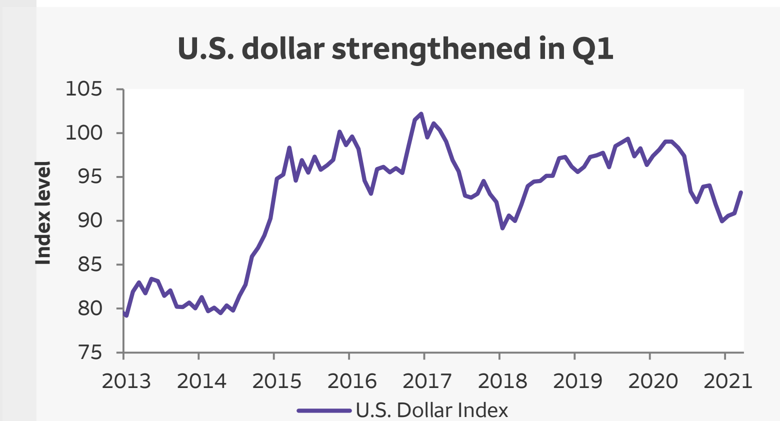
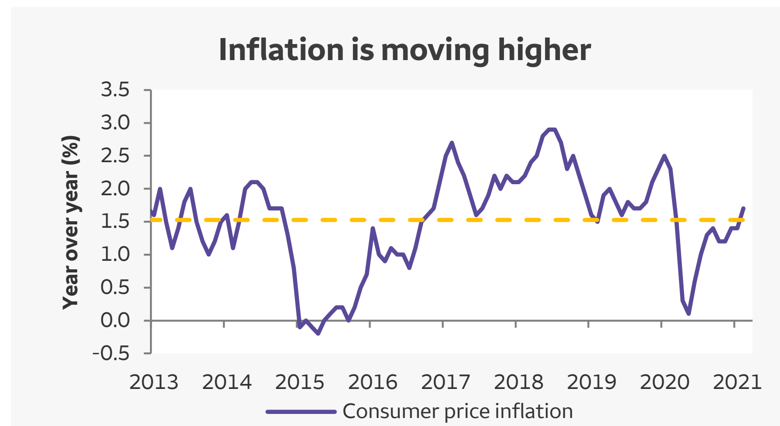
Where are we today?









Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2013 to March 31, 2021. Consumer price inflation: monthly data from January 1, 2013 to February 28, 2021. S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market. The Consumer Price Index measures the average price of a basket of goods and services. West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing. U.S. Dollar Index (USDX) measures the value of the U.S. dollar relative to the majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

Key takeaways

- We expect low inflation, continued central bank support, fiscal support, and the economy's reopening to push U.S. equities to fresh highs in 2021.
- A falling U.S. dollar and stable-to-higher commodities prices provide a positive backdrop for emerging market equities by boosting export revenues, easing dollar debt payment burdens and by allowing local central banks more room for policy stimulus.

Factors that affect the global economy

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Global economic forces

Tailwinds

- Aggressive monetary and fiscal stimulus
- Relatively low interest rates
- “Purchasing power” boost from low inflation
- “Pent-up” demand created by the lockdown
- Expanded coronavirus vaccinations accelerate the global economic reopening
- Increased savings and stock-market wealth

Headwinds

- Rise in coronavirus mutations
- Geopolitical risks, including the Biden administration’s relations with China and policies toward other global hot spots
- Lingering consumer caution amid pandemic concerns
- Modest increase in inflation and interest rates
- Worsening credit quality as forbearance and other loan relief ends

Source: Wells Fargo Investment Institute, as of March 31, 2021. Subject to change.

Key takeaways

- Tailwinds outweighing headwinds in propelling global growth to a solid 6.0% in 2021 center on the important consumer sector, accounting for over two-thirds of total demand.
- The most visible risk in the outlook is an overheating economy driving increases of inflation and interest rates, exposing a more credit-sensitive economy and financial market.

On average, U.S. consumer in good shape

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Fixed income
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Alternative investments
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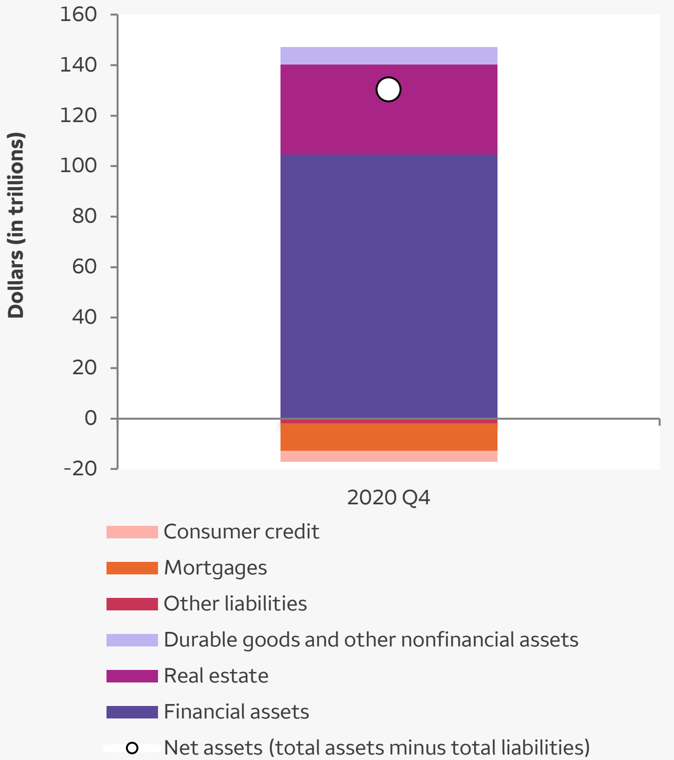
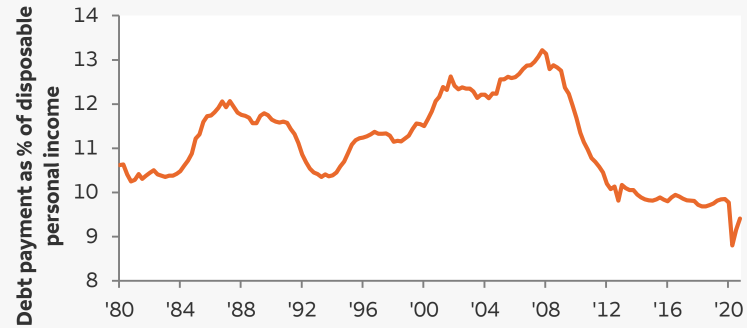
Risk considerations
Index definitions

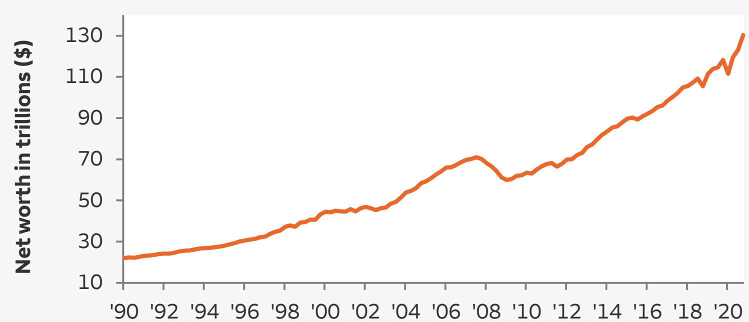
Consumer balance sheets remain strong



Household debt service ratio near all-time low



Household net worth has recovered



Sources: Bloomberg, Federal Reserve Board, and Wells Fargo Investment Institute. Consumer balance sheet data as of December 31, 2020. Household debt service ratio: quarterly data from January 1, 1980 to December 31, 2020. Household net worth: quarterly data from January 1, 1990 to December 31, 2020.

Key takeaways

- Overall, consumer finances have held up far better than they did during the global financial crisis. Support has come from ample savings, gains in wealth from rising stock and home values, the lift to cash flow from mortgage refinancing and respectable gains in earned income.
- Overall strength among working, particularly upper-income, households masks extreme distress among large segments of the unemployed.

Confidence at a turning point

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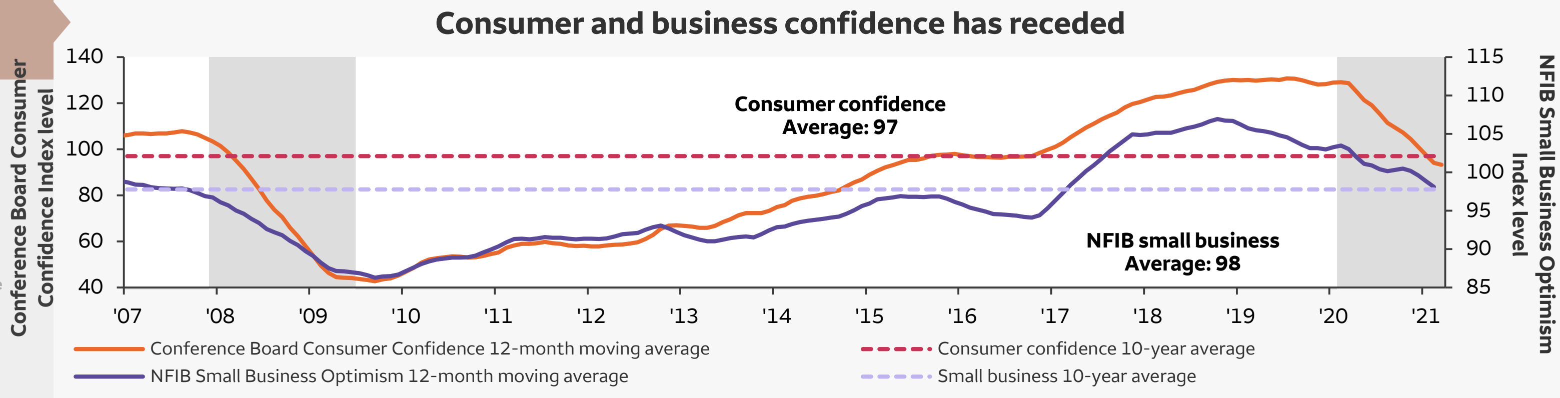

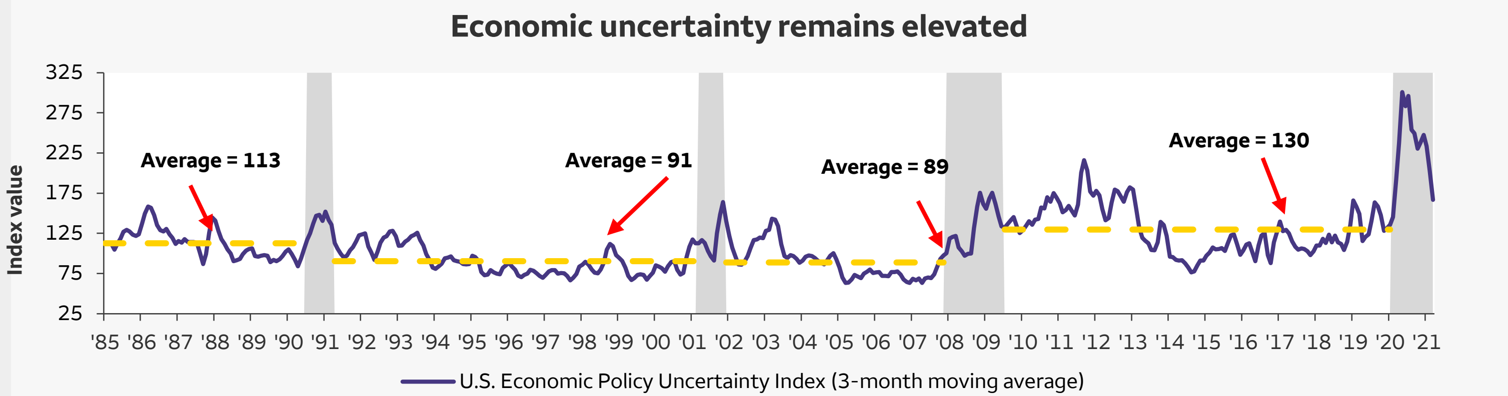

Sources: The Conference Board; National Federation of Independent Business (NFIB); Economic Policy Uncertainty Index—Baker, Bloom, and Davis; Bloomberg; and Wells Fargo Investment Institute. Consumer confidence: monthly data from January 1, 2007 to March 31, 2021. Small business optimism: monthly data from January 1, 2007 to February 28, 2021. Economic policy uncertainty: monthly data from January 1, 1985 to March 31, 2021. Shaded area represents a U.S. economic recession. The Consumer Confidence Index (CCI) tracks sentiment among households or consumers. The NFIB Small Business Index tracks the general state of the economy as it relates to businesses. The U.S. Economic Policy Uncertainty Index developed by Baker, Bloom, and Davis is based on newspaper coverage frequency as index proxies for movements in policy-related economic uncertainty.

Key takeaways

- COVID-19 containment is beginning to show up in policy and confidence indexes. Increases in consumer confidence and declines in policy uncertainty since the start of the year have helped lay the groundwork for the economy's post-pandemic recovery now beginning to gather steam.
- Small-business confidence continued to weaken into 2021. However, we believe it is bound to improve with the economic reopening boosting activity in the important dining, retail, and other small-dominated sectors.

Strong economic growth has lifted the dollar

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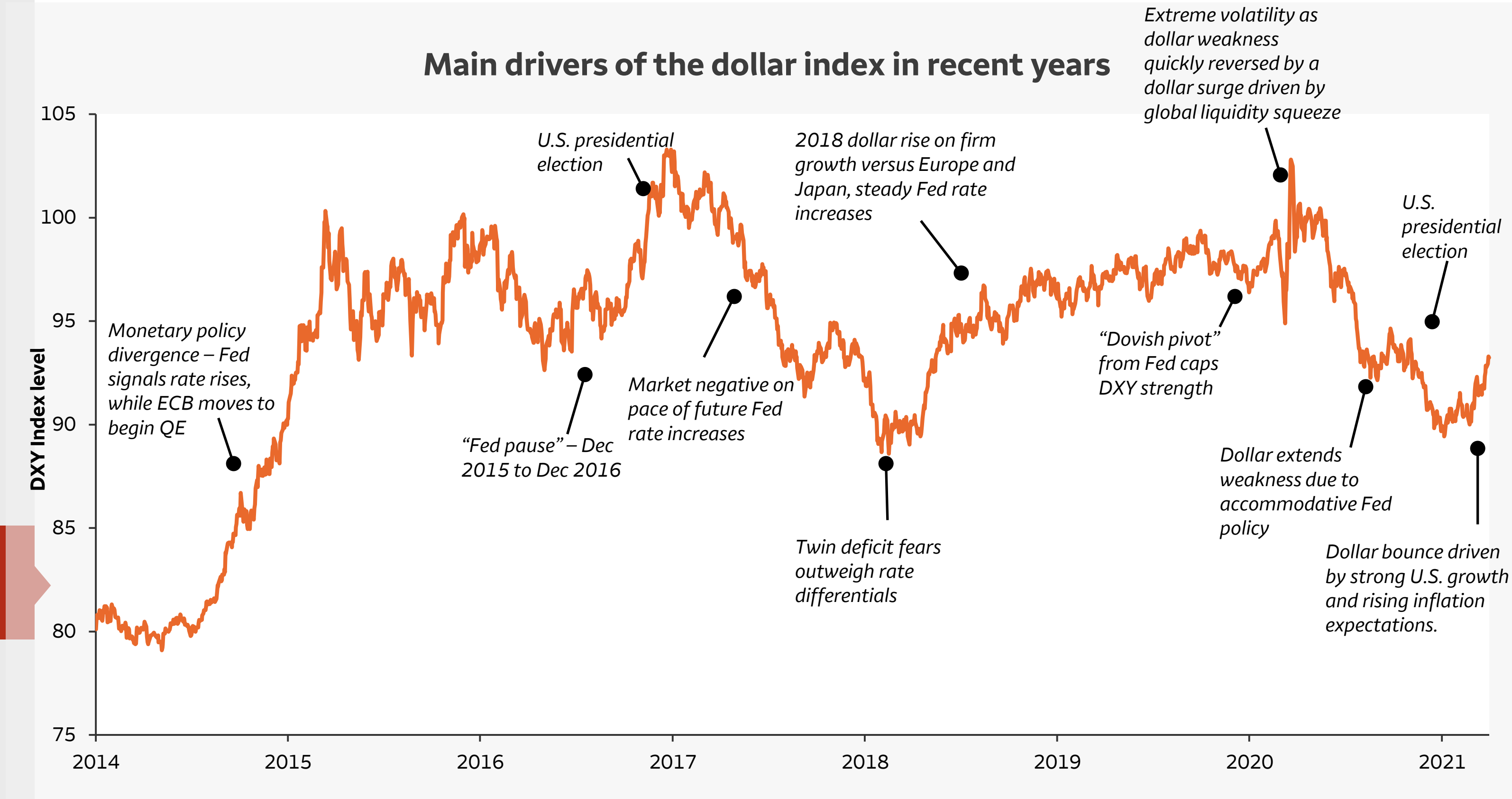

Sources: Bloomberg and Wells Fargo Investment Institute. Daily data from January 1, 2014 to March 31, 2021. The **DXY Index** measures the value of the U.S. dollar relative to major developed market currencies, notably the euro, the Japanese yen, and the British pound. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

Key Takeaways

- Factors driving the dollar's Q1 bounce — notably strong growth, rising inflation expectations and market challenges to the Fed's dovish stance — may continue in the short term. But we expect the U.S dollar's gradual downtrend, driven by expanding deficits and supported by continued Fed accommodation, to return later in the year.
- As global growth becomes less U.S.-centric, a recovery in trade and an increase in vaccinations will allow EM currencies to benefit from any renewed fall in the dollar later in 2021.

Expect lower returns for longer

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Economy

Equities

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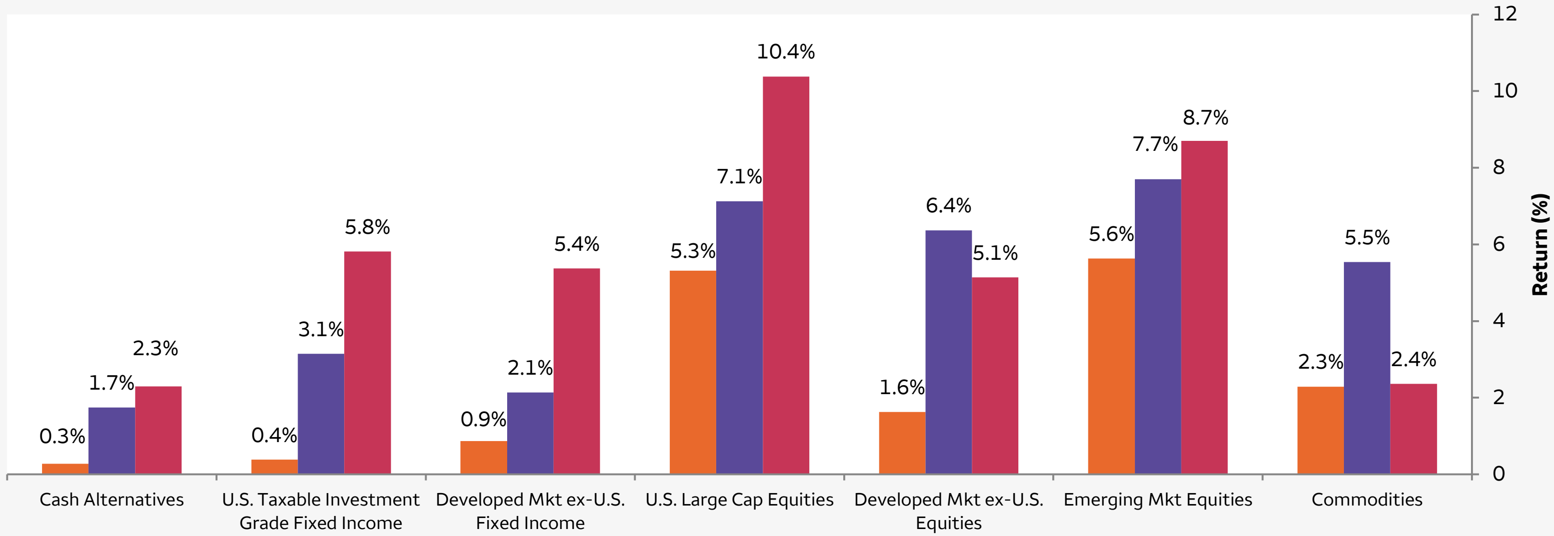
Index Definitions

We are forecasting generally lower strategic (10-15 years) returns than historical averages



Sources: Bloomberg, and Wells Fargo Investment Institute. Historical average returns are for data from January 1, 1991 to March 31, 2021. Cyclical return assumptions are as of April 1, 2021. Strategic return assumptions are as of July 16, 2020. Cyclical and strategic hypothetical returns are forward-looking geometric return estimates from Wells Fargo Investment Institute of how asset classes and combinations of classes may respond during various market environments. Hypothetical returns do not represent the returns that an investor should expect in any particular year. They are not designed to predict actual performance and may differ greatly from actual performance. There are no assurances that any estimates given will be achieved. Historical average returns are for data from January 1991 to June 2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Indexes in order represented by Bloomberg Barclays U.S. Treasury Bill (1–3 Month) Index, Bloomberg Barclays U.S. Aggregate Bond Total Return Index, JP Morgan GBI Global Ex U.S. Total Return Index, S&P 500 Total Return Index, MSCI EAFE Total Return Index, MSCI Emerging Markets Total Return Index, Bloomberg Commodity Index. See following page for index definitions and risks.

Key Takeaways

- Investors may need to consider saving more or spending less in this environment to reach their financial goals.

Factors that may reduce gross investment return

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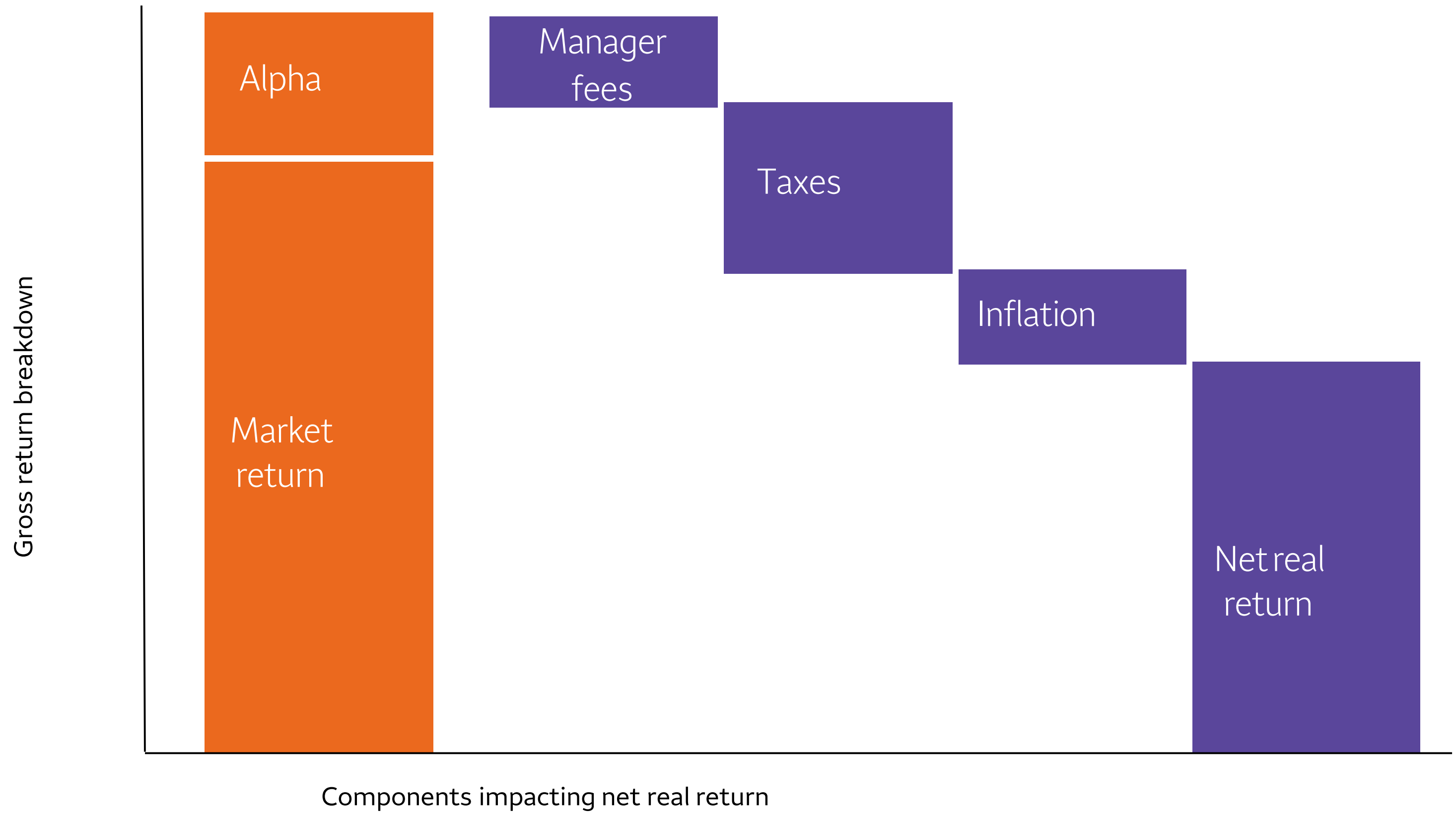

Source: Wells Fargo Investment Institute, as of March 31, 2021. For conceptual and illustrative purposes only. The size of the bars do not indicate the exact expected returns on a real or gross basis.

Key Takeaways

- An investor's net real return may differ from the market return due to manager fees, taxes, and inflation.
- Investors in the highest tax brackets may be able to use tax-efficient strategies to improve the net real return that is realized.

Equity scorecard

Asset class	1Q21 return (%)	YoY return (%)	P/E (trailing 12 months)			Dividend yield (%)
			Current[1]	20-year average[2]	20-year median	
U.S. Large Cap Equities	6.17	56.35	32.43	18.81	18.29	1.46
U.S. Mid Cap Equities	8.14	73.64	42.55	22.19	21.30	1.32
U.S. Small Cap Equities	12.70	94.85	N/A	74.88	37.94	1.00
Developed Market ex-U.S. Equities	3.60	45.15	40.50	25.18	17.68	2.30
Emerging Market Equities	2.34	58.92	23.71	11.91	12.95	1.90
Frontier Market Equities	0.85	39.61	14.56	–	–	3.12

Sources: Bloomberg, and Wells Fargo Investment Institute, as of March 31, 2021. YoY = year over year. YTD = year to date. P/E = price/earnings. *For illustrative purposes only*. Large cap = S&P 500 Index. Mid cap = Russell Midcap Index. Small cap = Russell 2000 Index. Developed market Ex-U.S. = MSCI EAFE Index. Emerging market = MSCI Emerging Markets Index. Frontier market = MSCI Frontier Markets Index. The **S&P 500 Index** is a market capitalization-weighted index generally considered representative of the US stock market. **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000 Index. **Russell 2000 Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index. **MSCI EAFE (DM)** and **MSCI Emerging Markets (EM)** Indices are equity indices which capture large and mid cap representation across 21 DM countries (excluding Canada and the U.S.) and 24 EM countries around the world. The **MSCI Frontier Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of frontier markets. Yields and returns represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

Key Takeaways

- Equity markets climbed in the first quarter of 2021, with positive developments seen in vaccine distribution, additional fiscal stimulus in the U.S., and a recovering global economy.

1. Current P/E for U.S. Small Cap Equities is N/A because current trailing 12 months earnings are negative for the Russell 2000 Index.
2. March 2009 to June 2009 and September 2020 to December 2020 P/Es for small cap have been removed due to their outlier condition.

Investors are bracing for even higher inflation

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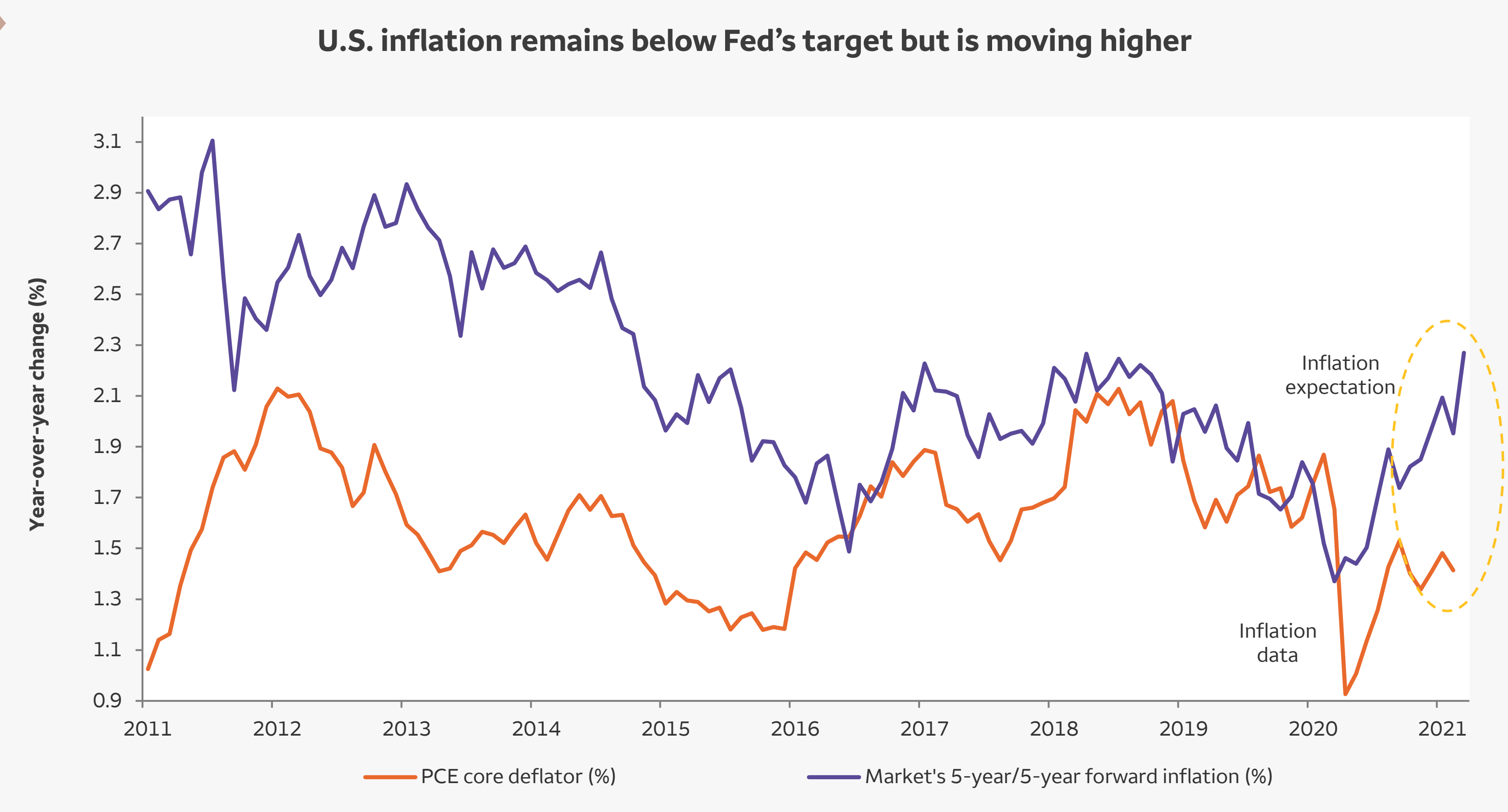

Sources: Bloomberg and Wells Fargo Investment Institute. Market's 5-year/5-year forward inflation rate: monthly data from January 1, 2011 to March 31, 2021. PCE core deflator: monthly data from January 1, 2011 to February 28, 2021. PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100. The market's 5-year/5-year forward inflation rate is a common measure that is used by central banks and dealers to look at the market's future inflation expectations.

Key takeaways

- Investors anticipating a strong growth recovery have looked beyond still-subdued inflation and are expecting inflation to move higher.
- Higher inflation expectations increase the odds that the Federal Reserve will stay the course with its generous credit stance.

S&P 500 valuations under different interest rate regimes

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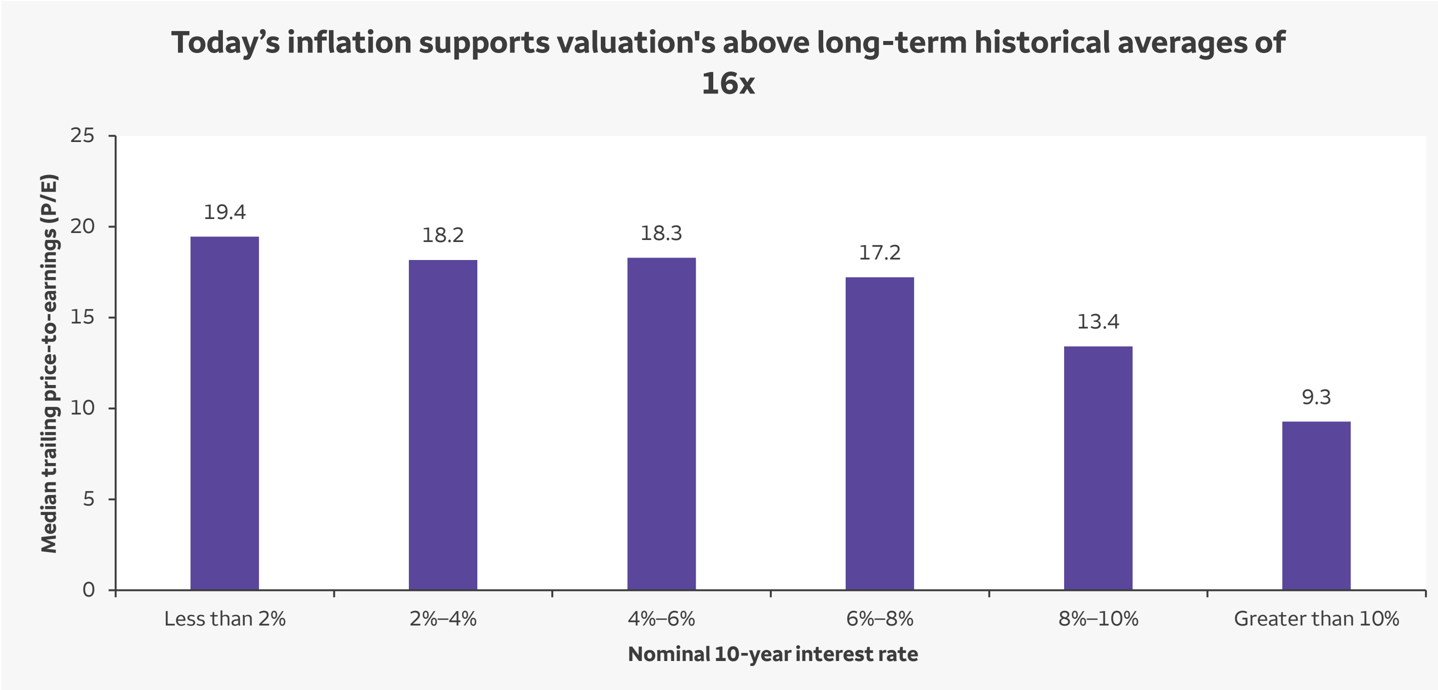
Risk Considerations
Index Definitions



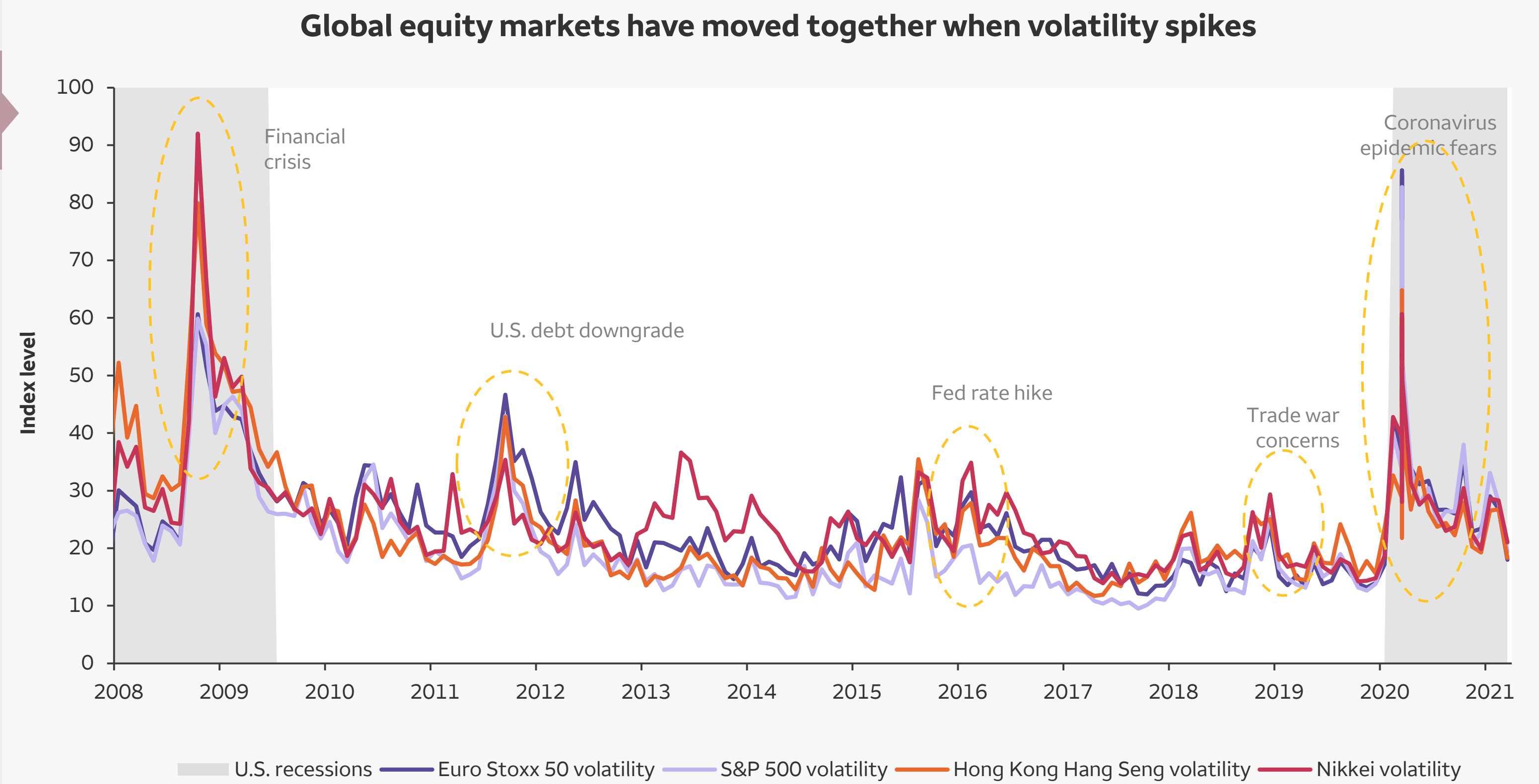
Nominal 10-year interest rate	Less than 2%	2%–4%	4%–6%	6%–8%	8%–10%	Greater than 10%
Average inflation	1.51%	1.85%	2.54%	4.62%	6.10%	7.24%

Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 1963 to February 28, 2021. The median price to earnings was calculated using the S&P 500 index from 1963 – 2020. The S&P 500 Index is a market-capitalization-weighted index considered representative of the U.S. stock market. Inflation represented by the Consumer Price Index. The Consumer Price Index measures the average price of a basket of goods and services. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results**.

Key Takeaways

- We expect 2021 to be one of the best years for economic growth in decades.
- We expect this economic growth to lead to a spike in inflation before it moderates and a modest increase in long term rates. Yet, we do not expect meaningful declines in P/E multiples, which have historically not declined until rates reach significantly higher levels.

Volatility rose several times during this cycle



Sources: Bloomberg and Wells Fargo Investment Institute. Monthly data from January 1, 2008 to March 31, 2021. For illustrative purposes only. S&P 500 volatility measured by the CBOE Volatility Index® (VIX®). Euro STOXX 50 volatility measured by the VSTOXX Index. Hong Kong Hang Seng volatility measured by the HSI Volatility Index. Nikkei volatility measured by the VNKY Index. These indexes measure the markets expectations for implied or expected volatility based on option prices. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** 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.

Key Takeaways

- Volatility receded quickly following the pandemic spike, and has settled at slightly higher levels than prior to the pandemic, indicating a bit of residual uneasiness among investors.
- We expect periods of market uncertainty in 2021, but volatility can often present opportunities to invest in markets at a lower price point.

Market resilience

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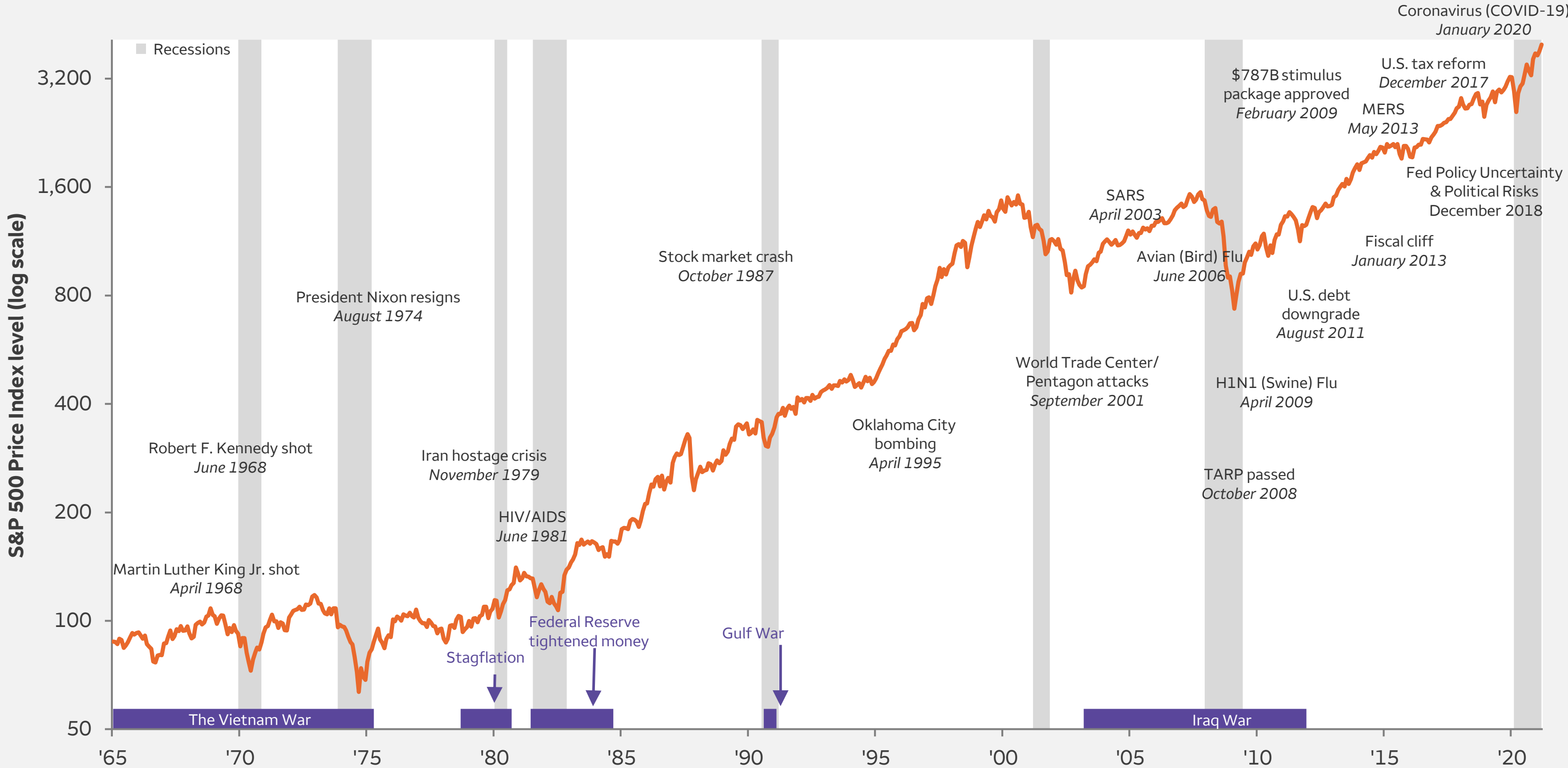
U.S. markets have displayed resilience despite uncertain events



Sources: Wells Fargo Investment Institute, Bloomberg, and Ned Davis Research. Monthly data from January 1, 1965 to March 31, 2021. Shaded areas represent recessions. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. The **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

Key Takeaways

- Volatility is a normal part of market behavior and can present opportunities for long-term investors.
- Geopolitical crises, terrorist attacks, economic recessions, epidemics, or consequential central bank policies can trigger short-lived yet influential market disruptions.

Staying the course

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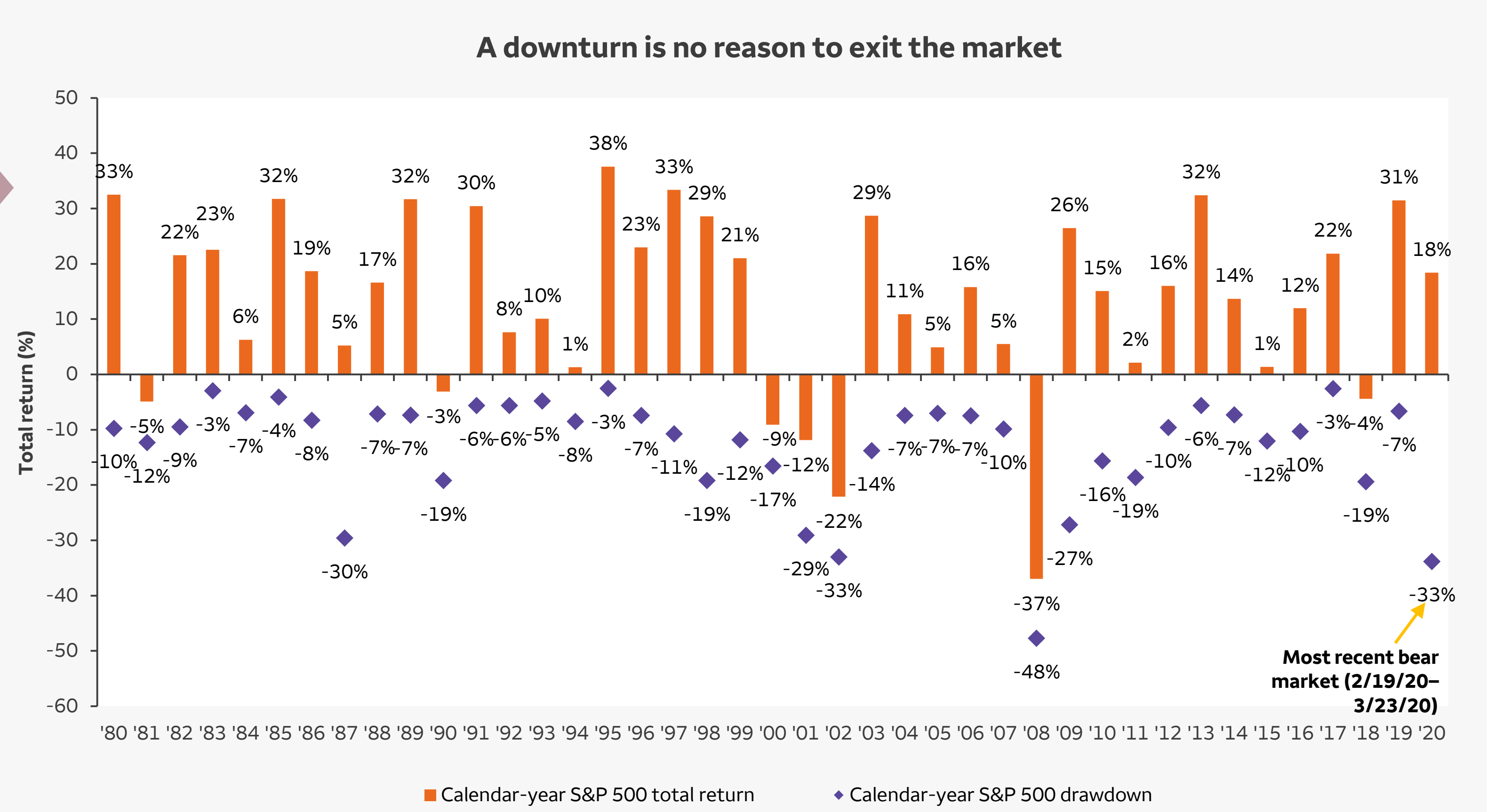

Sources: © 2020 – Morningstar Direct, All Rights Reserved[1], and Wells Fargo Investment Institute. Annual data from January 1, 1980 to December 31, 2020. For illustrative purposes only. Severe intra-year corrections do not necessarily indicate subpar performance for the calendar year. Analysis was compiled using the daily price of the S&P 500 Total Return Index. The **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Calendar year drawdowns represent the largest market drops from peak to trough for each year. Investing in stocks involve risk and their returns and risk levels can vary depending on prevailing market and economic conditions. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** All investing involves risk including the possible loss of principal.

Key Takeaways

- A severe market downturn does not necessarily mean that markets will perform poorly for the year.
- Market corrections and downturns can be difficult to endure. However, they can offer opportunities for investors to purchase high-quality stocks at reasonable prices.

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Timing the market is risky

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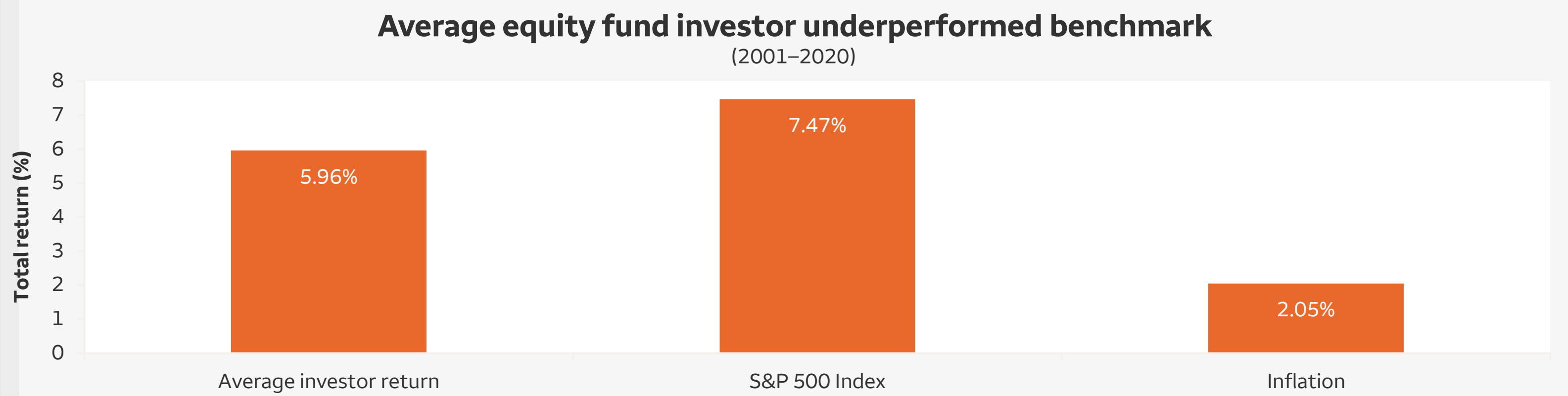
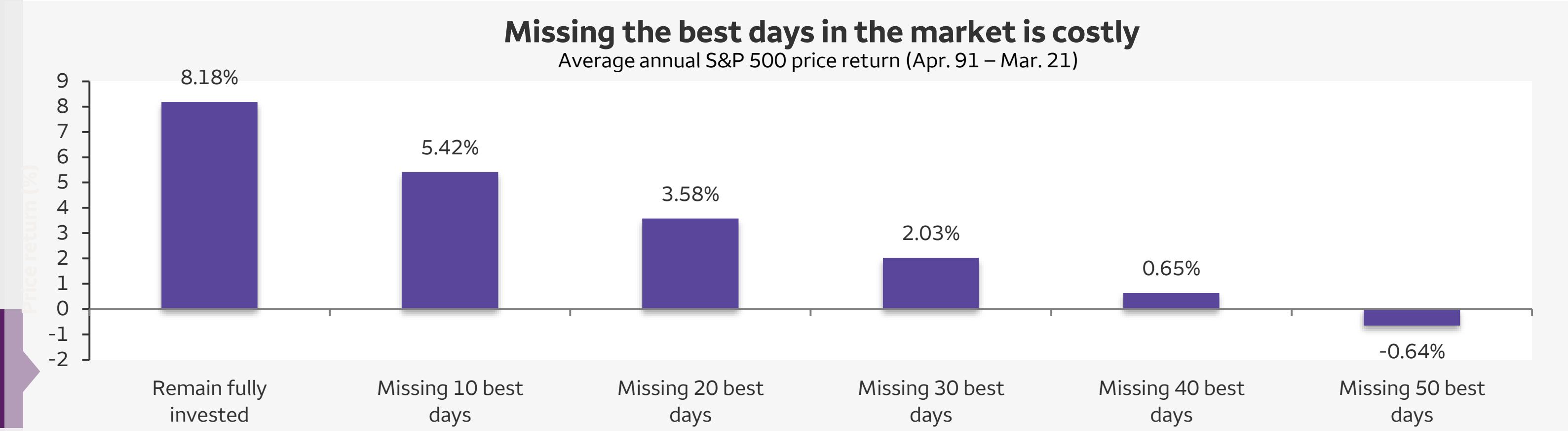




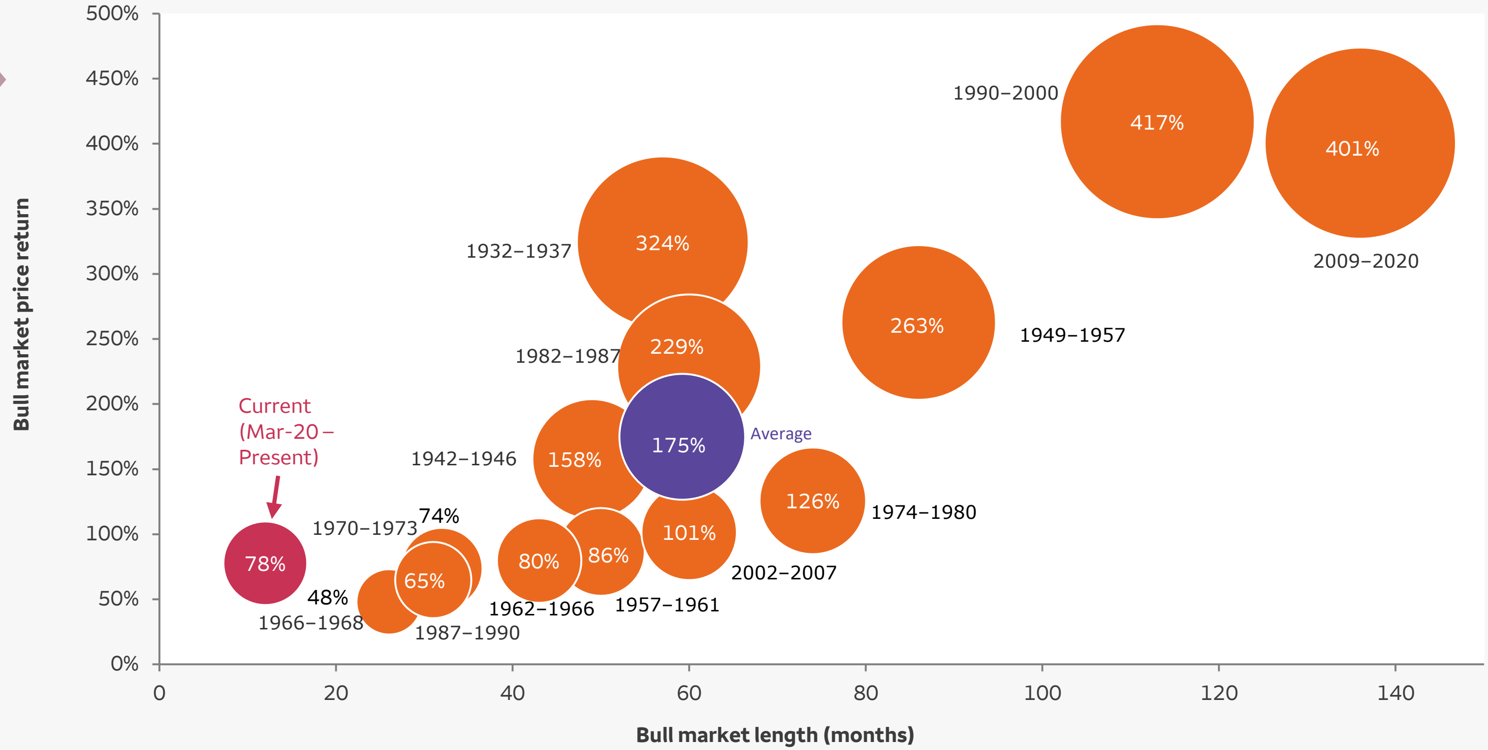
Sources: Top chart: Dalbar, Inc., 20 years from 2001–2020; "Quantitative Analysis of Investor Behavior," 2021, DALBAR, Inc., www.dalbar.com. Bottom chart: Bloomberg and Wells Fargo Investment Institute. Data from October 1, 1990 to March 31, 2021. For illustrative purposes only. Dalbar computed the average stock fund investor return by using industry cash flow reports from the Investment Company Institute. The average stock fund return figure represents the average return for all funds listed in Lipper's U.S. Diversified Equity fund classification model. All Dalbar returns were computed using the S&P 500 Index. The **S&P 500 Index** is a market capitalization weighted index composed of 500 stocks generally considered representative of the U.S. stock market. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. The performance shown is not indicative of any particular investment. An index is unmanaged and not available for direct investment. A price index is not a total return index and does not include the reinvestment of dividends. Total returns assume reinvestment of dividends and capital gain distributions. **Past performance is not a guarantee of future results.** Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions.

Key Takeaways

- Market timing is difficult. Investors who allow their emotions to get the best of them can suffer lower returns.
- We do not advocate market timing, but we do believe that modest tactical shifts have the potential to take advantage of short-term investment opportunities or help mitigate short-term risks.

Bull markets—strong comeback each time

The S&P 500 is in a new bull market after a record short bear market



Sources: Bloomberg and Wells Fargo Investment Institute, as of March 31, 2021. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. The **S&P 500 Index** is a market capitalization-weighted index composed of 500 stocks generally considered representative of the US stock market. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. There is no certainty that U.S. markets will continue to show resilience despite crisis events. Investing in stocks involves risk and their returns and risk levels can vary depending on prevailing market and economic conditions. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.

Key Takeaways

- Historically, recoveries after each bear market regained the lost amount and more. The current bull market recouped the losses from the previous bear market in record time.
- Bull markets, on average, are longer in duration than bear markets. It is interesting to note that the two longest bull markets have comprised nearly 21 of the last 30 years.

Fixed-income scorecard

Asset class	1Q21 return (%)	YoY return (%)	Duration (years)	Yield to worst (%)
U.S. Short Term Taxable Fixed Income	-0.07	1.19	1.85	0.32
U.S. Intermediate Term Taxable Fixed Income	-2.93	2.00	5.19	1.72
U.S. Long Term Taxable Fixed Income	-10.40	-2.05	16.18	3.01
High Yield Taxable Fixed Income	0.85	23.72	3.70	4.23
Developed Market ex.-U.S. Fixed Income	-2.52	4.72	9.48	0.54
Emerging Market Fixed Income	-4.74	14.29	8.06	5.01

Sources: FactSet and Wells Fargo Investment Institute, as of March 31, 2021. YoY = year over year. For illustrative purposes only. Short term taxable = Bloomberg Barclays U.S. Aggregate 1–3 Year Bond Index. Intermediate term taxable = Bloomberg Barclays U.S. Aggregate 5–7 Year Bond Index. Long term taxable = Bloomberg Barclays U.S. Aggregate 10+ Year Bond Index. High Yield taxable = Bloomberg Barclays U.S. Corporate High Yield Bond Index. Developed market ex-U.S. = J.P. Morgan GBI Global Ex U.S. Index (Unhedged). Emerging market = J.P. Morgan EMBI Global Index (USD). Yields and returns represent past performance and fluctuate with market conditions. Current performance may be higher or lower than that quoted above. Index returns do not represent investment performance or the results of actual trading. Index returns reflect general market results , assume the reinvestment of dividends and other distributions, and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. An index is unmanaged an not available for direct investment. **Past performance is no guarantee of future results**. See following page for index definitions. 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 fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets.

Key Takeaways

- All strategic fixed-income asset classes struggled in the first quarter as interest rates climbed.
- Credit-sensitive sectors such as high-yield corporate outperformed investment grade. International developed bonds and emerging market bonds underperformed as well on a stronger U.S dollar.
- We favor credit selectivity and a diversified income approach across fixed-income asset classes.

Yield available despite low rates

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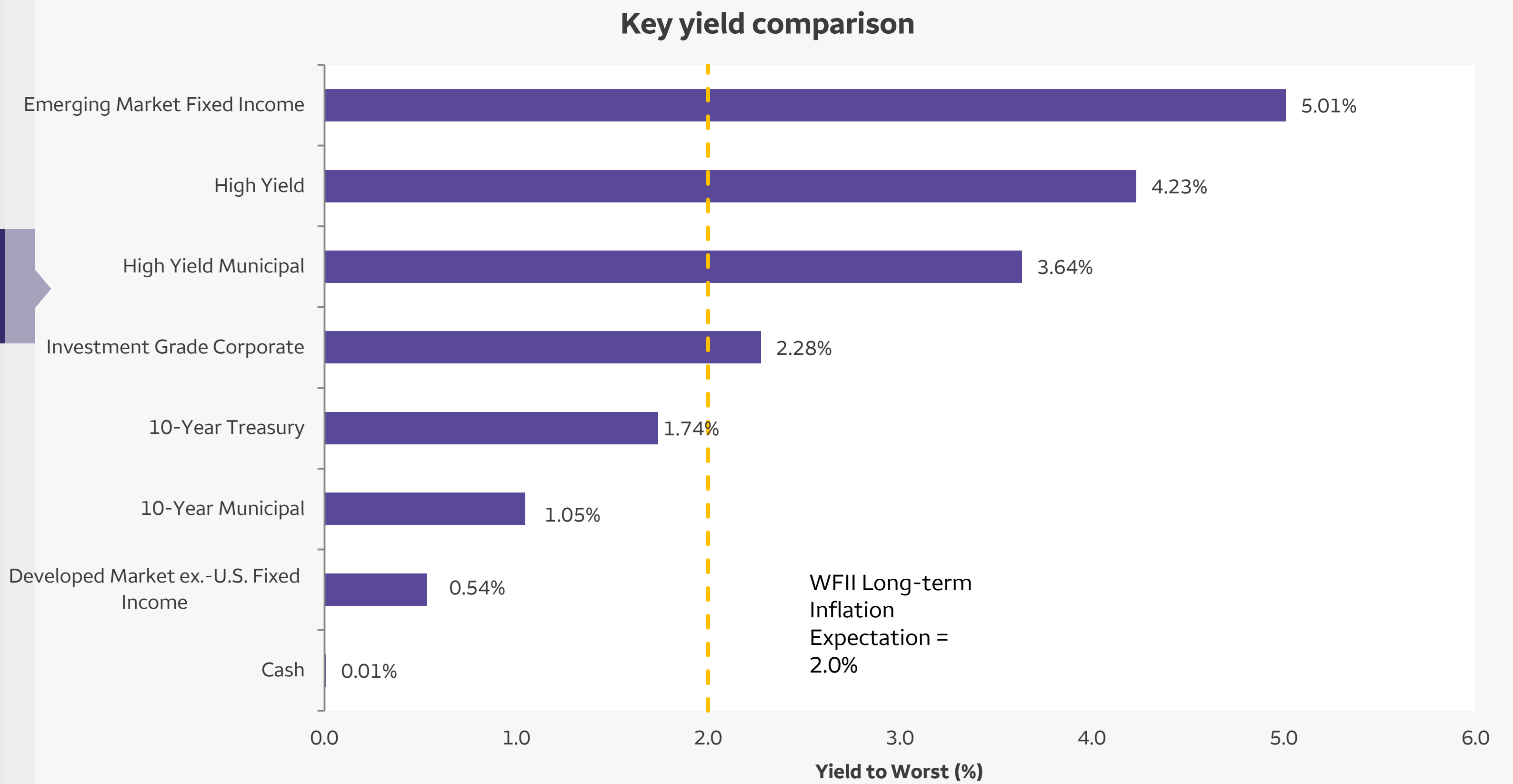

Sources: Bloomberg, FactSet, and Wells Fargo Investment Institute, as of March 31, 2021. For illustrative purposes only. High Yield: Bloomberg Barclays U.S. Corporate High Yield Bond Index, Emerging Market: J.P. Morgan EMBI Global Index, High Yield Municipal: Bloomberg Barclays U.S. Municipal High Yield Index, Investment Grade Corporate: Bloomberg Barclays U.S. Corporate Bond Index, Cash: Bloomberg Barclays US Treasury Bills (1–3M) Index, and Developed Market ex-U.S.: J.P. Morgan GBI Global Ex U.S. Index. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. An index is unmanaged and not available for direct investment **Past performance is no guarantee of future results.** See index definitions on following page.

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 fixed income securities are considered speculative, involve greater risk of default, and tend to be more volatile than investment grade fixed income securities. Foreign investing has additional risks including currency, transaction, volatility and political and regulatory uncertainty. These risks are heightened in emerging markets.

Key Takeaways

- Despite the increase in U.S. Treasury yields, they still remain materially lower than investors have historically experienced.
- Diversifying income streams can potentially dampen portfolio volatility and reduce the probability of dramatic swings in the levels of income provided.

Yield curve is signaling positive future growth

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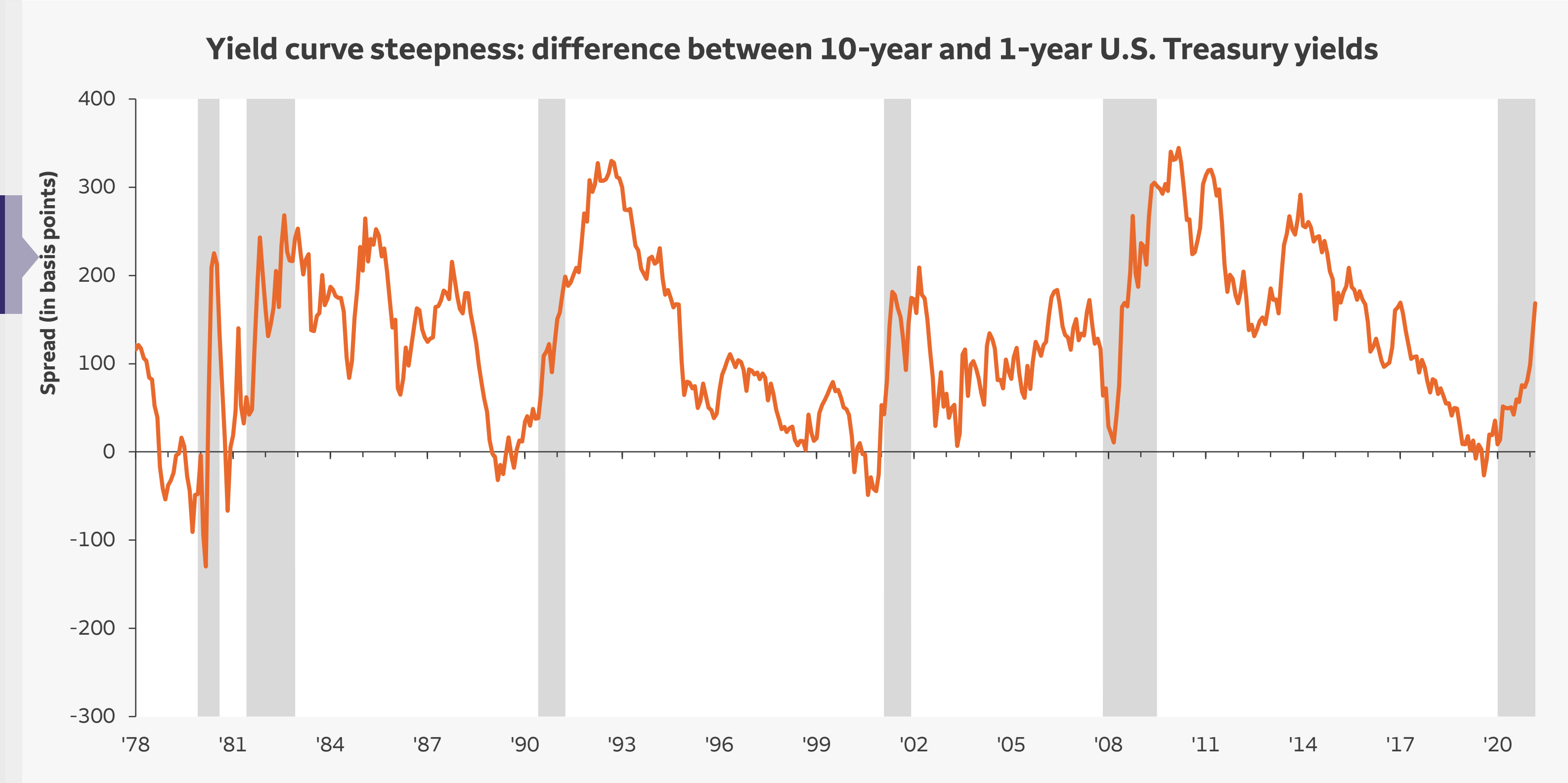

Sources: Bloomberg, and Wells Fargo Investment Institute. Monthly data from January 1, 1978 to March 31, 2021. For illustrative purposes only. Ten-Year Treasury Constant Maturity and the One-Year Constant Maturity Indexes are published by the Federal Reserve Board and are based on the average yield of a range of Treasury securities, all adjusted to the equivalent of a 10-year maturity and the equivalent of a one-year maturity. Shaded area represents time frame of a U.S. economic recession. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results**. 100 basis points equal 1%. 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.

Key Takeaways

- A steepening yield curve has historically pointed to an uptick in economic growth.
- Short-dated yields remain anchored by the Fed's interest rate policy, while intermediate and long-dated yields have climbed on better growth and inflation prospects.

Commodity super-cycles

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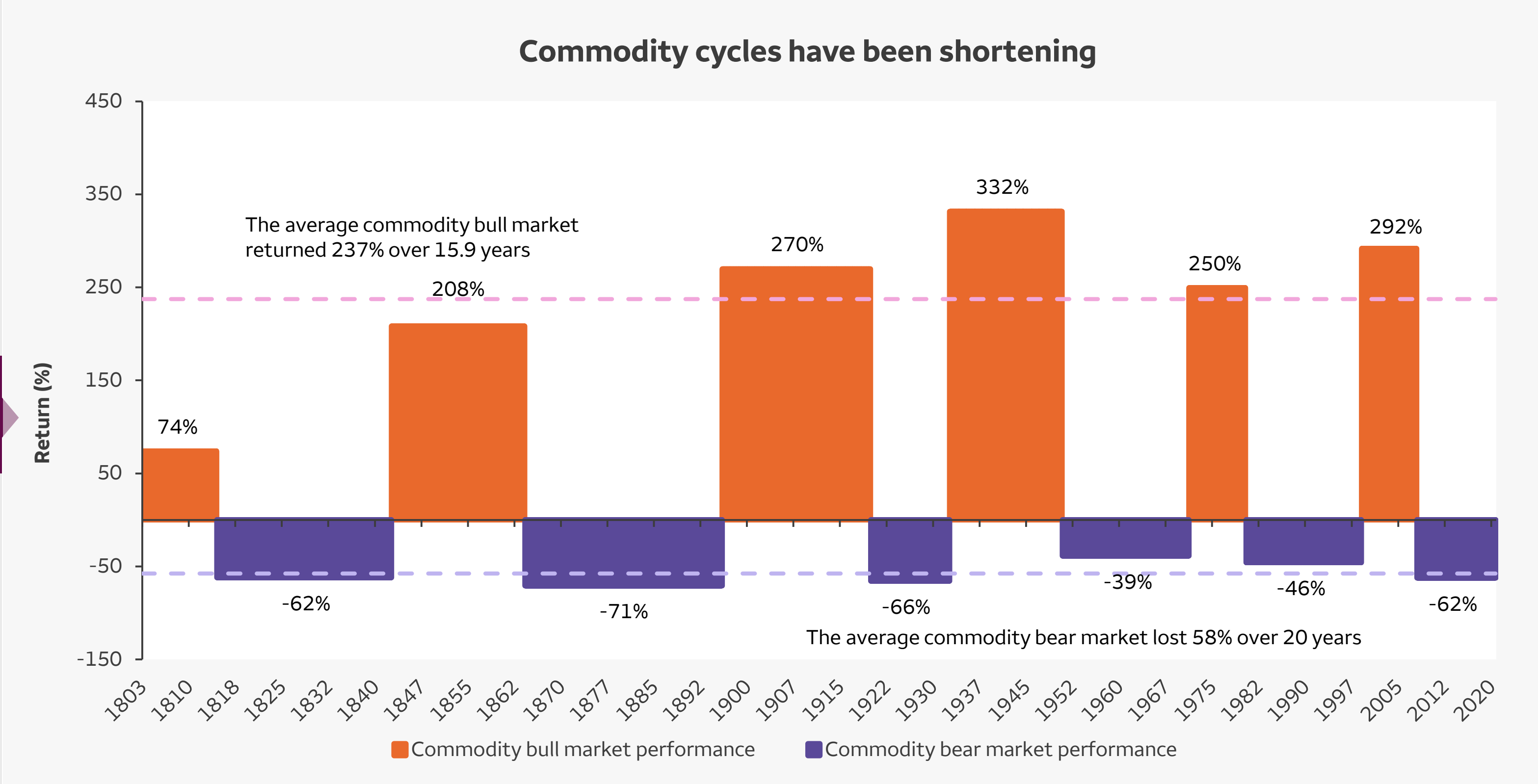

Sources: Bloomberg, Prices by G.F. Warren and F.A. Pearson, Bureau of Labor Statistics, Bureau of Economic Research, and Wells Fargo Investment Institute. Monthly data from January 1, 1803 to March 31, 2021. Commodity return represented by a commodity composite that measures a basket of commodity prices as well as inflation. It blends the historical commodity index introduced by George F. Warren & Frank A. Pearson, former academics at Cornell, collected and published commodity price data in their book, Prices, and the producer price index for commodities (PPI-Commodities), and the National Bureau of Economic Research (NBER) Index of Wholesale Prices of 15 Commodities, the Reuters Continuous Commodity Index, and the Bloomberg Commodity Index Total Return. The Commodity Composite connects the aforementioned components at the following years: Warren and Pearson - Prices: 1803-1932, BLS PPI-Commodities: 1933-1946, NBER: 1946-1956, Reuters Continuous Commodity Index: 1956-1999, Bloomberg Commodity Index Total Return: 1999- current. **The Reuters Continuous Commodity Index** is an equal-weighted geometric average of commodity price levels relative to the base year average price. **Bloomberg Commodity Index** is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually, weighted two-thirds by trading volume and one-third by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.** Investing in commodities is not suitable for all investors. The commodities markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility.

Key Takeaways

- Commodities have tended to move together in super-cycles. These cycles have gradually shortened in length over time. We do not expect the current cycle to last the average 20 years.
- History says that new secular commodity bull super-cycles* only begin after valuations become thoroughly washed-out. 2020’s price collapse could have been that washout event that transitions commodities to a new bull.

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